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THE RESILIENT HEALTH SYSTEM

A blueprint for sustainable
healthcare delivery →



We seek to set out a bold future by exploring:

Part 1

The problem

Why Canada's healthcare system is under severe strain and why traditional solutions are no longer viable.

Part 2

The solution

How a resilient, high-performing healthcare system addresses current and future challenges and its benefits for stakeholders.

Part 3

The action plan

The three critical areas where stakeholders must act to drive lasting change:

1. Flexible, multi-year funding and resource flows focused on outcomes
2. Greater autonomy for true action, partnerships, and joint ventures enabling short term action as well as longer term change
3. Implementing a Performance Management and Accountability Framework to better connect funders with providers and ensure value is measured

Introduction

Over the last year, Deloitte has met with numerous health leaders across Canada, discussing the challenges and pressures that the system is under.

Without exception, we heard that the system is under great strain and fiscally under pressure to deliver. This paper is a reflection of what we heard from those leaders and encompasses a variety of viewpoints on a prescription for urgent action and change.

Canada's public healthcare system is under severe strain. Despite record increases in healthcare spending across all provinces, rising demand for services and public expectations are outpacing its ability to deliver. Public opinion and international rankings (e.g. Commonwealth Fund and OECD analysis) continue to tell us we fall short on outcomes and cost effectiveness, and while our peers across the globe are largely experiencing the same pressures, in many cases bold steps are being taken to make the health and care system more resilient. While Canada already commits ~40% of all government spending on health (CIHI), expenditure is only projected to increase, putting provincial governments and other critical social programs under strain. The critical issue is not necessarily how much is spent but rather how resources are allocated and used to drive outcomes.

This assertion is also backed up by global shifts (e.g. US, UK, Australia etc.) in public policy and funding models, which is shifting from 'provide the system with more funding' to 'increase the value and outcomes of our system.'

Continuing to apply ongoing growth in funding, while also expecting operational efficiencies and cost reduction solutions is clearly untenable on their own. We have both seen and heard from health system leaders that this approach results in piecemeal strategies that cannot overcome the relentless and sustained pressures within the system. Without fundamental changes to how our healthcare system operates, we risk reacting to urgent system failures and pouring ever more resources into the system for diminishing returns. The healthcare system's default response to stress—calling for more funding—must be replaced with a focus and sustained culture of reshaping and achieving operational agility and resilience.

Through engagement with Deloitte's global healthcare network, it is evident that no system is perfect and that the stress and

challenges borne by health systems around the world, mirror in many ways the one's faced by Canada. Based on our experience and engagement with Canadian health leaders it could not be clearer that resilience and agility need to be the focus moving forward. A truly resilient health system prioritizes health outcomes, reshapes in response to challenges – both from the supply and demand perspective, and directs spending to value. Achieving this resilience needs a structured approach that better aligns fiscal, operational, and clinical efforts. It also requires balancing stakeholder interests and addressing well known and deep-rooted issues such as funding flows, physician compensation and system structure – we all have a part to play.

Policymakers, funders, provincial healthcare agencies, and care delivery providers all have an essential role in transforming the system. By concentrating on what they can control today, focusing on how and where resources are allocated and ensuring value for funding, they can each work to create a sustainable system that delivers better outcomes for current and future generations.

Part 1

The problem

Why Canada's public health system is under severe strain

Healthcare spending in Canada is somewhat of a paradox – while we are spending more than ever it does not appear to be enough to support a system that is buckling under the strain of patient demand that seems to have no end. Governments are allocating an ever-increasing share of provincial revenues to the healthcare at a rate which will put other essential services at risk.

Despite its advantages, the single-payer healthcare system is under intense pressure.

In the past, funding has been focused on inputs and building capacity (predominantly in people and Hospitals). Governments have tried to focus on changing funding structures like bundled funding, capitation, value-based commissioning etc., but for systems struggling to deliver some of its most basic services, these are perceived as unworkable without first getting at more fundamental and underlying problems. While productivity and results have always been important, linking investment in health with accountability has been challenging. Furthermore, there is limited focus on

driving sustainability, flexibility and financial improvement and subsequent full return on investment.

The pandemic worsened existing structural problems, leading to increased costs of delivering care, longer waiting times, and severe staffing shortages across all major health sectors. There was a significant increase in one time/tactical funding again primarily for the hospital system.

The system's well known fragmented, and, very often, siloed structures hinder collaboration and integration, while limited competition, and lack of incentives, stifles innovation. Our systems struggle to move funding and resources to where it is needed in a timely fashion leading to inertia, overspend and a system that is the wrong shape.

While each province manages healthcare somewhat differently, funding and care delivery models consistently lack true integration of primary care, hospitals, home care, and long-term care. Furthermore, as demands grow pressure is felt in the highest cost area of the system – Hospitals.



Healthcare is fundamentally different from other public services due to its relative complexity, ever-present and growing demand and that it impacts on 100% of the population.



Why the typical solutions are failing

Conventional solutions, such as increased targeted funding and short-term efficiency improvements, have often been piecemeal and reactive and rarely address the root causes of the issues. While governments have been able to prop the system up, failing to fundamentally reshape the system means underlying issues continue to drive a healthcare crisis. In addition, the system has developed a growing dependency on funding increases, often at the expense of pursuing system transformation or turnaround. At best, the system is not provided with the right enablers to effect change, and in some cases central direction is confusing. We have reached a point where even if we could add significant new funding, the problems facing the system wouldn't be solved.

Short-term cost containment measures may deliver early gains, but often, these are incompatible with providing good patient outcomes over the long term. They can also mask systemic challenges that require more comprehensive solutions.

Healthcare is fundamentally different from other public services due to its relative complexity, ever-present and growing demand and that it impacts on 100% of the population. Historically it has proven difficult to directly link funding inputs to results in a system that is largely globally funded but focused on individual outcomes.

For example, funding a hospital to admit and treat heart failure patients doesn't reflect efforts to manage disease progression or reduce heart disease rates over time. It may even focus resources on the wrong stage of the patient journey, leading to increased hospitalizations. Similarly, Canada has one of the highest rates of lower limb amputations in similarly funded and organized health systems. While evidence suggests that early intervention and better management of diabetes and diabetes related conditions could fundamentally change the outcomes for these patients, our system prioritizes paying for the amputation as opposed to the care required to keep these patients and their caregivers happy, healthy and as productive members of society and the economy.

Unfortunately, there are numerous examples such as these where the health systems pay for discrete and siloed services, resulting in more expensive and poorer patient and societal outcomes. In short, our system is structurally, and objectively siloed prioritising treatment and more urgent care over lower acuity models such as home-based care and prevention.

Building true resilience requires these silos to be broken and system to rapidly reshape, e.g supporting ALC requires community-based solutions not more hospital beds.

Part 2

The solution

A resilient healthcare system-focused on outcomes and enabled to operate as an actual system.

To address the current crisis, Canada needs a resilient healthcare system that is adaptable to existing and future pressures. A resilient system does more than respond to crises—it thrives in a changing environment. It mitigates, adapts to, and adjusts to varying demands and operational pressures, ensuring continuity of care and sustainability.

Developing this level of resilience requires shifting away from hyper-localized, tactical, and opportunistic solutions and toward systemic, strategic, and intentional approaches. This includes focusing on outcomes rather than inputs, planning for the future through strategic investments in infrastructure, and building cross-sector collaboration to align services and resources effectively.

Achieving this requires multi-year funding cycles, greater autonomy with the right accountability expectations, and the flexibility to drive change without top-down constraints. This intentional, programmatic approach can be actioned urgently and leverage existing structures. In doing so it will streamline resource flows, empower local decision-making, and enable the system to function as an integrated whole.

Canada's healthcare system must also leverage its unique strength in collaboration across connected networks. Many issues faced by individual hospitals or providers

often stem from systemic fragmentation rather than isolated problems. A resilient system operates a more distributed health network model - aligning and connecting hospitals, primary care, and community health partners to deliver holistic, sustainable solutions that meet patient needs while ensuring the operating model is the right size and shape for patient and population needs.

Benefits for policymakers and funders

A resilient healthcare system enables policymakers to steer healthcare toward a future that is adaptable, sustainable, and aligned with immediate needs and long-term goals. Furthermore, it has both short- and longer-term fiscal and operational sustainability built into its DNA. Key benefits include:

1. A clear link between spending and value

Policymakers gain the ability to measure and demonstrate the value of healthcare investments. Instead of focusing solely on activity, a resilient system connects spending to meaningful outcomes—such as improved access, quality of care, broader coverage, and adoption of new evidence-based treatments. This clarity ensures resources are used effectively, delivering tangible value for taxpayers and measurable healthcare improvements.

2. Rebuilding trust for sustainability and cost control

A resilient healthcare system restores trust between funders and providers through accountability and transparency. By focusing on strategic investments that deliver measurable outcomes, it ensures resources are used effectively and costs are contained, boosting confidence in the system across all provinces.

3. Improved quality of care and outcomes

Integration across providers creates a more coordinated and patient-centered approach to care, bridging gaps between services and regions and addressing disparities in access and outcomes. With better insights into healthcare needs and system performance, policymakers can decide where to prioritize resources more effectively. Operating as a robust and sustainable system enables the consistent delivery of higher-quality care, long-term reliability and improved patient and citizen outcomes.

Benefits for provincial healthcare leadership

A resilient system enables provincial healthcare leaders to drive collaboration, accountability, and efficiency in funding decisions. Key benefits include:

1. Clear definitions of success and accountability

By linking healthcare spending to measurable outcomes over multi-year cycles, leaders understand what success looks like. This ensures accountability, addresses the frustrations around undefined expectations, and helps track the effectiveness of investments.

2. System-wide collaboration and resource optimization

Structured channels for sharing best practices, data and innovations across provinces enhance cross-system collaboration. This reduces redundancies and enables strategic resource allocation that focuses on prevention, coordination, co-investment, and care optimization.

3. Sustainable investments with financial predictability

Flexible funding models allow leaders to address root causes through sustainable initiatives and not worry about whose budget or what unintended consequences might occur when caring for a patient in the optimal sector of the health system that matches their unique needs. Investments in preventive care and efficient services ensure better cost control and financial predictability, reducing reliance on short-term fixes.

Benefits for care delivery providers

A resilient system equips front line providers with the tools and flexibility to deliver high-quality care while meeting financial and operational expectations. Key benefits include:

1. Accountability through outcome-based metrics

Providers gain access to performance metrics focused on patient outcomes and fiscal sustainability. These metrics help align organizational goals, track progress, and support informed decision-making by boards and leadership.

2. Flexibility to innovate and adapt

Operational and funding flexibility enables providers to explore new approaches and implement new initiatives. This freedom drives improvements in care and financial sustainability.

3. Collaboration to access innovation and resources

Cross-provider collaboration breaks down silos to allow providers to share resources and adopt best practices. This resource sharing eases operational pressures and improves patient outcomes.

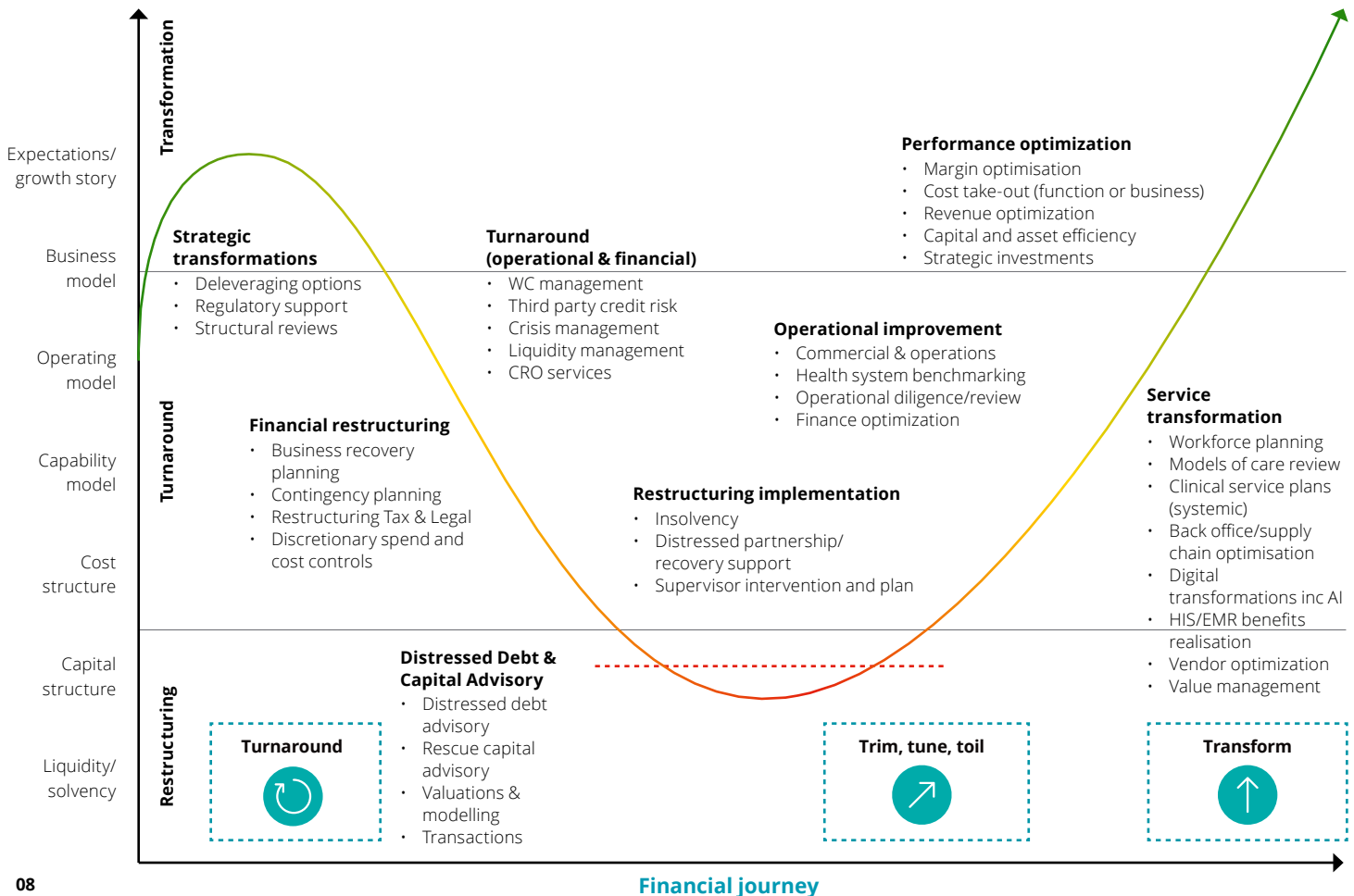
Part 3

The action plan to transform the healthcare system

This starting point enables leaders to build the right program of action, taking thoughtful, objective and targeted steps aligned to the realities of the current state. Building resilience then demands action in three critical areas where policymakers, provincial healthcare leaders, and providers must work together to drive lasting change.

Developing resilience requires a strategic, programmatic approach focused on longer term financial sustainability and effective healthcare outcomes. However, we cannot disregard the urgent challenges facing the system and to drive meaningful change, leaders must first assess where their system stands on the cost transformation curve and shape a structured plan aligned to the current state realities as well as the longer term journey (see graph). Being true to reality of the fiscal and operational position is imperative for health system to move toward resilience.

Enterprise value



Greater urgency and autonomy for true action, partnerships, and joint ventures

A resilient healthcare system drives greater innovation and productivity by encouraging a diversity of providers and a collaborative environment. Healthcare leaders will need to break free from restrictive constraints and pursue innovative, patient-centred solutions.

Taking both brave internal actions as well as partnering across their health system, to reshape and focus efforts and resources where the greater benefits will be seen (see graphic). By focusing on opportunities rather than limiting to areas they fully control, healthcare leaders can explore solutions ranging from vertical partnerships across primary care, hospitals, and community health to joint initiatives,

like collaborative procurements. This allows achievement of economies of scale, streamline operations, and improve service quality. For example, multiple hospitals could pool resources to jointly manage procurement or outsource non-medical services, reducing costs and aligning risk.

Example internal levers that Healthcare institutions should be currently considering **to maintain financial sustainability**

Optimizing operating model (staffing, and resource allocation, scheduling, patient volume analysis, acuity levels, outsourcing)

Operational efficiency including processes, policies and building continuous process improvement capabilities

Automation and technology to streamline processes, reduce errors, and build evidence-based decision-making capabilities

Revenue management including coding accuracy, billing and collection processes, non-ministry revenue leakage, new sources of revenue

Optimizing equipment/infrastructure utilization by leasing out excess capacity and offering related services to peer research institutions

Vendors and suppliers contract negotiation

G&A management (lease management, contracts management, capital investments, shared services)

Example internal levers that should be considered **to address challenges affecting healthcare's long-term sustainability**

Analyzing clinical services portfolio to clearly define and optimize what work is performed and what is not, where, with how many resources and at what cost

Maximizing value from services purchased at hospital (e.g. value/outcomes-based procurement)

Leverage partnerships/integration with other organizations to optimize service delivery

Cost-sharing/recovery programs with other institutions

Optimizing equipment/infrastructure utilization by leasing out excess capacity and offering related services to peer research institutions

Diversifying revenue streams and thinking broadly about revenue maximization within and beyond the fiscal footprint

Offer testing site or living lab to other academia, research institutes, private research, etc.

Commercializing patents and enable technology transfers for royalties/fees for using research reports/data

Flexible, multi-year fiscal planning cycles and resource flows focused on outcomes

Addressing systemic issues often requires action across organizational boundaries or timelines longer than a fiscal year. Establishing multi year plans, and considering multi year funding and resource flows allow healthcare leaders to manage short-term deficits or surpluses, while also responding to shifting demands, supporting investments in optimized care and staffing models, and infrastructure. Building blended multi year sustainment plans still requires urgency and early action as transformative initiatives take time to yield results.

This flexible approach must be earned through demonstrated accountability, taking early action and committing to measurable performance outcomes. A performance management framework ties fiscal freedoms to tangible results, building accountability and transparency between funders and providers while improving patient outcomes.

Outdated funding and data rules remain significant barriers. Current structures often limit the transfer of money between providers, limiting the ability to reallocate resources toward preventative measures, even when doing so save costs and improve care. While provinces invest heavily in data collection and capture, often archaic rules prevent leaders from fully leveraging analytics to address critical needs, like preventing hospitalizations for chronic conditions.

Reforming funding and data-sharing rules is essential to building a resilient healthcare system. Better alignment of funding, systems, and outcomes will improve integration, accountability, and innovation in care, especially by channeling resources into high-value care areas.

Implementing a performance management and accountability framework

Transforming the healthcare system begins with rethinking how funding is structured, and accountability incorporated. Short-term accountability cycles drive quick fixes rather than sustainable, long-term solutions—which is inappropriate for the complexities of reforming public healthcare.

A performance management framework is essential for this transformation. By focusing on a defined set of measurable outcomes, this framework ties multi-year funding to clear success indicators, enabling healthcare leaders to align investments with meaningful objectives. Collaborative tracking with partners ensures progress is monitored effectively and strategies are adjusted appropriately over time, driving system improvement at the provider and regional levels.

To ensure these changes have the intended impact at the patient level, the framework must prioritize value tracking through patient-reported outcomes and experience measures. While the technology to collect and analyze these measures exists, data-sharing rules and operational focus have not prioritized them at scale.

By integrating patient-reported metrics into the accountability framework, healthcare systems can balance financial incentives with ensuring that patient care remains central to reform efforts. These efforts also align accountability with meaningful outcomes and objectives that matter to the public, enabling healthcare leaders to develop solutions with tangible impact.

Achieving this shift requires leveraging existing policy tools and collaborative dialogue among providers, ministries, and system leaders.

While some joint ventures and outsourcing partnerships already exist, scaling these efforts across the system would create a more unified and adaptable system. Backed by a clear, multi-year strategy, this increased autonomy would enable providers to make coordinated, more effective decisions that align with the long-term goals of sustainable, patient-centred care.



The way forward

All of this will take a different way of thinking, planning, and executing. Building a resilient healthcare system requires brave collaboration, innovation, and accountability, with policymakers, funders, healthcare leaders, and frontline providers working together. Canada can transform its healthcare system by aligning actions with measurable outcomes, being flexible, and forming strong partnerships. This transformation will enable it to meet current demands and thrive in the future.

This will still require leaders to urgently assess where their system stands on the cost transformation curve and take urgent action as required while also making bold decisions about how they will deliver services into the future. This will guide them in developing an Action Plan that fits their system's capabilities and goals and ensure the most effective path toward sustainable, patient-centered care.

Policy makers and funders will need to urgently consider how the funding levers and policies that they adopt have real consequences in how the health system operates and responds to financial and operational stress. They also have the opportunity to further prioritize investments enabling better system outcome (e.g. community and home based solutions and treatment and therapy focused on early stage care and prevention). Our prescribed approach requires both a willingness to reevaluate assumptions but also 'trust' that the perceived comfort of line by line and fee-based funding approaches is actually hindering the progress of system integration and transformation.

Provincial healthcare leaders need to take a leadership role in developing and clearly communicating how performance and management of the system will take place. For our prescribed approach to work, trust with delivery partners must be prioritized as it will take time for performance management and

accountability to evolve to a point where the unit of measure is the 'system' and 'the patient' as opposed to the specific delivery partner managed in isolation. Being able to translate policy into meaningful patient level outcomes, which will require investments in both skills and data (e.g. PROMs and PREMs).

Healthcare delivery partners cannot wait to deliver health system services in more integrated ways and make some hard decisions in delivering a financially sustainable portfolio of services. 'Perfect cannot be the enemy of the good' in this domain, and some risks will need to be taken as health policy, funding and oversight take time to evolve to a more optimal model. At a minimum, a multi-year strategy needs to be put into place with a clear view of the gap between the plan and where the organization needs to be. Without a clear-eyed plan of action, it will be hard for governments and provincial leaders to 'trust' that everything is being done to achieve resiliency.

The health systems of the future require a laser focus on what creates patient value and what does not. There is little room for error as the demands on the system only grow as patients become both older and more complex. The prescription for change is known and a number of jurisdictions are working towards the changes noted in this paper. Change will require leadership, clarity of purpose, determination, and the acceptance of calculated risks by senior leadership teams prepped with the right data and processes to effect change. It also requires clarity from governments on policy and a focus on understanding the outcomes they are trying to drive with more emphasis on measurement and accountability and less focus on process. A resilient health system is not only the right thing to build but necessary to care for today and tomorrow's patients.

Contact us

Anand Shah

**Partner, Strategy, Risk & Transactions,
Health Care & Life Sciences Sector
Leader, Canada**

+1 (647) 206-3717

ananddshah@deloitte.ca

Dov Klein

**Partner, Life Sciences and Health Care,
Canada**

+1 (647) 470 3902

dovklein@deloitte.ca



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