

CMA Submission

The Health Accord Canadians need: Critical federal action to meet the needs of our aging population

**2017 Pre-budget Submission to the House of Commons Standing
Committee on Finance**

Executive summary

The Canadian Medical Association (CMA) is pleased to provide this submission to the House of Commons Standing Committee on Finance as part of its pre-budget consultations in advance of the 2017 federal budget.

The CMA strongly supports the federal government's commitment to work with the provinces and territories toward a new Health Accord with a new long-term funding agreement. To support this commitment, the CMA outlines six recommendations for meaningful federal action to ensure Canada is prepared to meet the health care needs of its aging population. These recommendations are directed at supporting health care systems across the country; patients and their families; and the delivery of community-based medical care.

The CMA's recommendations are designed to be implemented in the 2017-18 fiscal year in order to deliver immediate support to the provinces and territories, which will benefit all Canadians.

List of recommendations:

1. To support the innovation and transformation needed to address the health needs of the country's aging population, the CMA recommends that the federal government deliver additional funding on an annual basis beginning in 2017–18 to the provinces and territories by means of a demographic top-up to the Canada Health Transfer.
2. To deliver on the federal government's commitment to increasing the availability of home care and palliative care, the CMA recommends the establishment of a new targeted home care and palliative care innovation fund.
3. The CMA recommends that the federal government include capital investment in continuing care infrastructure, including retrofit and renovation, as part of its commitment to invest in social infrastructure.
4. As a step toward comprehensive, universal coverage for prescription medication, the CMA recommends that the federal government establish a new funding program for catastrophic coverage of prescription medication.
5. The CMA recommends that the federal government amend the Caregiver and Family Caregiver Tax Credits to make them refundable.
6. The CMA recommends that the federal government amend the second budget implementation act by exempting group medical structures and health care delivery from Budget 2016's proposed changes to s.125 of the *Income Tax Act* regarding the multiplication of access to the small business deduction.

Federal health measures to support health care systems throughout Canada

A. Deliver new funding to support the provinces and territories in meeting seniors care needs

Canada's provincial and territorial leaders are struggling to meet health care needs in light of the demographic shift. Premiers have called for the federal government to increase the Canada Health Transfer (CHT) to 25% of provincial and territorial health care costs to address the needs of an aging population.

It is recognized that as an equal per-capita based transfer, the CHT does not currently account for population segments with increased health needs, notably seniors. Rather than adjust the transfer formula, the CMA has developed an approach that delivers support to jurisdictions to meet the needs of their aging populations while respecting the transfer arrangement already in place.

Recommendation #1: To support the innovation and transformation needed to address the health needs of the country's aging population, the CMA recommends that the federal government deliver additional funding on an annual basis beginning in 2017–18 to the provinces and territories by means of a demographic top-up to the Canada Health Transfer (Table 1).

The CMA commissioned the Conference Board of Canada to calculate the amount for the top-up to the CHT using a needs-based projection. For the fiscal year 2017–18, this top-up would require \$1.66 billion in federal investment.

Table 1: Allocation of the federal demographic-based top-up, 2017–20 (\$million)¹

Jurisdiction	2017	2018	2019	2020
All of Canada	1,663.6	1,724.2	1,765.8	1,879.0
Ontario	677.9	692.1	708.6	731.6
Quebec	413.7	418.8	429.0	459.5
British Columbia	258.7	270.3	270.1	291.3
Alberta	123.3	138.9	141.5	157.5
Nova Scotia	58.6	62.3	64.4	66.6
New Brunswick	50.7	52.2	54.1	57.2
Newfoundland and Labrador	30.5	33.6	36.6	46.1
Manitoba	30.6	33.5	32.5	36.6
Saskatchewan	4.9	7.3	12.7	15.4
Prince Edward Island	9.7	10.6	10.9	11.5
Yukon	2.6	2.1	2.5	2.5

B. Implement a new home care and palliative care innovation fund

The CMA strongly supports the federal government's significant commitment to deliver more and better home care and palliative care services. Despite its importance, it is widely recognized that there are shortages across the home care and palliative care sectors.²

Recommendation #2: To deliver on the federal government's commitment to increasing the availability of home care and palliative care, the CMA recommends the establishment of a new targeted home care and palliative care innovation fund.

The CMA recommends that the fund deliver \$3 billion over four years, including \$400 million in the 2017-18 fiscal year. The inclusion of an earmarked palliative care fund component will support the development of a much needed national strategy for palliative and end-of-life care.

C. Include the long-term care sector as part of the government's social infrastructure investment commitment

All jurisdictions across Canada are facing shortages in the continuing care sector. Despite the increased availability of home care, research commissioned for the CMA indicates that demand for continuing care facilities will surge as the demographic shift progresses.³

In 2012, it was reported that wait times for access to a long-term care facility in Canada ranged from 27 to over 230 days. More than 50% of Alternate Level of Care patients are in hospital beds because of the lack of availability of long-term care beds⁴.

Recommendation #3: The CMA recommends that the federal government include capital investment in continuing care infrastructure, including retrofit and renovation, as part of its commitment to invest in social infrastructure.

Based on previous estimates, the CMA recommends that \$592 million be allocated for 2017-18 (Table 2), if implemented on a cost-share basis.

Table 2: Estimated cost to address forecasted shortage in long-term care beds, 2016-20 (\$ million)⁵

	Forecasted shortage in long-term care beds	Estimated cost to address shortage	Federal share to address shortage in long-term care beds (based on 1/3 contribution)
2017	6,604	1,776.5	592.2
2018	8,015	2,156.0	718.7
2019	8,656	2,328.5	776.2
2020	8,910	2,396.8	798.9
Total	38,213	10,279.3	3,426.4

In addition to improved delivery of health care resources, capital investment in the long-term care sector would provide an important contribution to economic growth.⁶

Federal health measures to help all Canadians

A. Federal action to reduce the cost of prescription medication

The CMA strongly encourages the federal government to take further action to reduce the cost of prescription medication in Canada. Prescription medication plays a critical role as part of a high-quality, patient-centred and cost-effective health care system. It is an unfortunate reality that affordability is a key barrier to access to prescription medication for many Canadians. According to the Angus Reid Institute, more than one in five Canadians (23%) report that they or someone in their household did not take medication as prescribed because of the cost during the previous 12 months.⁷

Recommendation #4: As a step toward comprehensive, universal coverage for prescription medication, the CMA recommends that the federal government establish a new funding program for catastrophic coverage of prescription medication.

The program would cover prescription medication costs above \$1,500 or 3% of gross household income on an annual basis. Research commissioned by the CMA estimates this would cost \$1.62 billion in 2017–18 (Table 3).

Table 3: Projected cost of federal contribution to cover catastrophic prescription medication costs, 2017–2020 (\$ million)⁸

Year	Projected Cost
2017	1,617.9
2018	1,670.5
2019	1,724.2
2020	1,773.1

B. Deliver federal support to Canada's unpaid caregivers

There are approximately 8.1 million Canadians serving as informal, unpaid caregivers with a critical role in Canada's health and social sector.⁹ The Conference Board of Canada reports that in 2007, informal caregivers contributed over 1.5 billion hours of home care – more than 10 times the number of paid hours in the same year.¹⁰ Despite their tremendous value and important role, only 5% of caregivers providing care to parents reported receiving financial assistance, while 28% reported needing more assistance than they received.¹¹ It is clear that these caregivers require more support.

Recommendation #5: The CMA recommends that the federal government amend the Caregiver and Family Caregiver Tax Credits to make them refundable.

This would provide an increased amount of financial support for family caregivers. It is estimated that this measure would cost \$90.8 million in 2017–18.¹²

Federal actions to ensure business taxation equity for medical practices

Canada's physicians are highly skilled professionals, providing an important public service and making a significant contribution to our country's knowledge economy. Due to the design of Canada's health care

system, a large majority of physicians – more than 90% – are self-employed professionals and effectively small business owners. As self-employed small business owners, physicians typically do not have access to pensions or health benefits, although they are responsible for these benefits for their employees. Access to the Canadian-Controlled Private Corporation (CCPC) framework and the Small Business Deduction (SBD) are integral to managing a medical practice in Canada. It is imperative to recognize that physicians cannot pass on any increased costs, such as changes to CCPC framework and access to the SBD, onto patients, as other businesses would do with clients.

In light of the unique business perspectives of medical practice, the CMA strongly welcomed the federal recognition in the 2016 budget of the value that health care professionals deliver to communities across Canada as small business operators. Contrary to this recognition, the 2016 budget also introduced a proposal to alter eligibility to the small business deduction that will impact physicians incorporated in group medical structures.

These group medical structures were not formed for taxation purposes. Rather, group medical structures were formed to deliver provincial and territorial health priorities, primarily in the academic health setting, such as teaching, medical research and patient care. If implemented, this federal taxation measure will negatively impact group medical structures in communities across Canada. By capturing group medical structures, this proposal also introduces an inequity amongst incorporated physicians, and incentivizes solo practice, which again counters provincial and territorial health priorities.

Recommendation #6: The CMA recommends that the federal government amend the second budget implementation act by exempting group medical structures and health care delivery from Budget 2016's proposed changes to s.125 of the *Income Tax Act* regarding the multiplication of access to the small business deduction.

Conclusion

The CMA recognizes the federal government's commitment to invest in Canadians and that it is prioritizing measures that will support economic growth. The CMA strongly encourages the federal government to adopt the six recommendations outlined in this submission as part of these efforts. In addition to making a meaningful contribution to meeting the future care needs of Canada's aging population, these recommendations will mitigate the impacts of economic pressures on individuals as well as jurisdictions. The CMA would welcome the opportunity to provide further information and its rationale for each recommendation.

References

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- ¹ Conference Board of Canada. Research commissioned for the CMA, July 2015.
 - ² CMA. *A policy framework to guide a national seniors strategy for Canada*. Available: https://www.cma.ca/Assets/assets-library/document/en/about-us/gc2015/policy-framework-to-guide-seniors_en.pdf.
 - ³ Conference Board of Canada. Research commissioned for the CMA, January 2013.
 - ⁴ CIHI. *Seniors and alternate level of care: building on our knowledge*. Available: https://secure.cihi.ca/free_products/ALC_AIB_EN.pdf
 - ⁵ *Ibid.*
 - ⁶ CMA. *The Need for Health Infrastructure in Canada*. Accessed: https://www.cma.ca/Assets/assets-library/document/en/advocacy/Health-Infrastructure_en.pdf.
 - ⁷ Angus Reid Institute. Prescription drug access and affordability an issue for nearly a quarter of Canadian households. Available: <http://angusreid.org/wp-content/uploads/2015/07/2015.07.09-Pharma.pdf>
 - ⁸ Conference Board of Canada. Research commissioned for the CMA, July 2015.
 - ⁹ Statistics Canada. Family caregivers: What are the consequences? Available: www.statcan.gc.ca/pub/75-006-x/2013001/article/11858-eng.htm
 - ¹⁰ Conference Board of Canada. *Home and community care in Canada: an economic footprint*. Ottawa: The Board; 2012. Available: <http://www.conferenceboard.ca/cashc/research/2012/homecommunitycare.aspx>
 - ¹¹ *Ibid.*
 - ¹² Conference Board of Canada. Research commissioned for the CMA, July 2015.