

**DELIVERING A HEALTHY ECONOMY  
THROUGH HEALTHY CANADIANS**

**Pre-Budget 2012 Brief  
Submitted to the House of Commons  
Standing Committee on Finance**

 **Canadian Healthcare Association  
Association canadienne des soins de santé**

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## EXECUTIVE SUMMARY

For 80 years, the Canadian Healthcare Association (CHA) has been a recognized champion for a sustainable and accountable quality health system that provides access to a continuum of comparable services throughout Canada, while upholding a strong, publicly-funded system as an essential, foundational component of this system. We have earned a solid reputation as an independent, non-partisan, highly respected organization.

CHA believes:

- ✓ A healthy economy is created, sustained and grown by healthy Canadians.
- ✓ Keeping Canadians healthy requires a commitment to appropriate and predictable funding.
- ✓ The health of a nation is driven by more than the provision of medical services, and must be nurtured through equal attention to other determinants of health.

## RECOMMENDATIONS:

**Recommendation 1:** To reduce health system costs over time, target funds from current resources to population health initiatives. The Naylor Report recommends funding public health services in the amount of \$1.1 Billion per year.

**Recommendation 2:** Leave needed dollars in the health system by modernizing and bringing equity to the current interpretation of rules concerning the GST/HST rebate eligibility criteria in the *Excise Tax Act*.

**Recommendation 3:** Enhance health sector access to existing funding programs (e.g. STEM Grants & Contributions programs; Digital Economic Strategy), in order to provide skills development in the utilization of Electronic Health Record/Electronic Medical Record (EHR/EMR) for a broader range of health providers than is currently addressed.

## Commentary

The Canadian Healthcare Association (CHA) is Canada's only federation of provincial and territorial health associations and organizations, which represents all aspects along the continuum of health, from health promotion through acute care to continuing care. CHA is the recognized champion for a sustainable and accountable quality health system that provides access to a continuum of comparable services throughout Canada, while upholding a strong, publicly-funded system as an essential, foundational component of this system.

The CHA wishes to thank members of the House of Commons Standing Committee on Finance for the opportunity to contribute to deliberations on the next federal budget.

## Important Considerations

### **Health is an Economic Driver that Contributes to a Healthy Productive Workforce.**

Health as an industry is a vital contributor to the Canadian economy. As a public service, it has an overwhelmingly positive impact on Canada's economic competitiveness. Our publicly-funded health system is respected internationally for delivering a healthy workforce, and affording Canadian-based businesses a definite competitive advantage. Investments in the health system equate to investments in our economy.

### **Federal Leadership is Crucial to the Health of Canadians.**

While the delivery of health services is a provincial and territorial responsibility, the federal government has traditionally used its constitutional spending power to assert the *Canada Health Act* and achieve pan-Canadian objectives for health. CHA supports this pan-Canadian approach, while recognizing that the provinces and territories require flexibility in responding to their unique situations. Federal funds for health and social programs and tax reductions that will both reduce poverty and improve the health and social well-being of Canadians are needed even more during these challenging economic times. In a poll conducted by Ipsos Reid that was released on July 21, 2011, nine in ten respondents "agreed" that the federal government should play a leading role in the transformation of the health care system.<sup>1</sup>

### **Federal Health Funding Must Support Accountable and Evidence-based Health Outcomes.**

The federal government's recent commitment to maintaining the six percent escalator for health is, in general, viewed positively. However, it is equally important for the federal government to review additional options and strategies, particularly those focused on accountabilities and potentially targeted funding, which are necessary to ensure that optimal health outcomes for Canadians are achieved and maintained.

Bearing in mind the current fiscal situation of the country, the CHA strongly believes the following **three recommendations** will contribute to a shared economic prosperity and improve the standard of living for Canadians:

#### **1. To reduce health system costs over time, target funds from current resources to population health initiatives.**

Health is an economic driver and is a key to Canada's ongoing global competitiveness. The sustainability of Canada's economy depends largely on the health status of Canadians. Sustaining and/or improving the health status of Canadians and minimizing disease, illness and disability rates will help deliver on Canada's social and economic prosperity.

The CHA recognizes that the delivery of health services is the jurisdiction of the provinces and territories. However, the health of Canadians and the means to maintain it are of pan-Canadian importance. The CHA strongly believes federal government leadership will enable the whole to be truly greater than the sum of its parts.

The 2008 *Canadian Population Health Initiative* report by the Canadian Institute for Health Information demonstrated that the inequalities in social economic status (SES) of Canadians were directly linked to health care costs. According to this report, there were significant variances in hospitalization rates between low-, average-, and high-SES of people living in urban centers across Canada. The indicators examined resulted in statistically significant information. For example, hospitalization rates resulting from mental health issues were the highest among those with a low SES, whereas hospitalizations decreased among those with average and high SES.<sup>2</sup> For injuries, the hospitalization rates were extraordinarily similar.

The recent emergence of H1N1 influenza, the re-emergence of other diseases such as measles and mumps, and the growing burden of chronic diseases, have served as reminders that public health services and infrastructure have an important role to play in ensuring the collective health of Canadians. For example, the findings of a recent study published in the July 2011 edition of *The Lancet* demonstrate that healthy living can help prevent Alzheimer's disease. The study shows that in the United States, inactivity is the leading problem because a third of the population is sedentary.<sup>3</sup> Alzheimer's cases are expected to triple worldwide by 2050, to around 106 million people worldwide. The study identifies the modifiable risk factors including smoking, depression, low education, diabetes, too little exercise, obesity and high blood pressure. Health promotion and prevention initiatives can help reduce these risk factors by as much as 25%.<sup>4</sup>

In Canada, the estimated economic burden of physical inactivity on a per capita basis was \$300; for obesity \$343; tobacco use \$341; and alcohol \$223. Moreover, the most costly chronic disease is mental health disorders, with an estimated per capita cost of \$1,056 or \$34 Billion in direct and indirect costs in 2003.<sup>5</sup> Enhancing the current use of innovative facilities (e.g. community-based clinics) that help bring appropriate care to Canadians will not only result in improving access to information and care, but would also be designed to accommodate the advanced treatment and services that help get people home safer and faster.<sup>6</sup> Preventable chronic diseases and illnesses impose a heavy social and economic burden on Canadians (e.g. health care expenditures; disability pensions; lost productivity; etc). In 2005, the World Health Organization estimated that within the next 10 years, Canada would lose \$500 Million in national income from premature deaths due to heart disease, stroke and diabetes.<sup>7</sup> As both direct and indirect costs of chronic disease are significant, an effective prevention approach can indeed minimize the economic and social burden to the health of society as a whole.<sup>8</sup>

Public health services are not included in the *Canada Health Act*, which governs the services covered through the Canada Health Transfer (CHT). Under the terms of the legislation governing the CHT, the Government of Canada committed to increase the cash contribution at an annual rate of 6% beginning in April 2006 and ending March 2014. In the 2011 Throne Speech, the federal government reaffirmed its commitment to continue the six percent escalator on the CHT for an additional two years. However, no earmarked funding for health promotion and disease/illness prevention activities has been identified under the CHT.

The October 2003 report of the *National Advisory Committee on SARS and Public Health* (The Naylor Report) called for a federal commitment to national public health functions, including core funding to the Public Health Agency of Canada, of \$1.1 Billion per year. It also called for a special fund dedicated to public health of not less than \$300 Million per year, earmarked for a new Public Health Partnerships Program to strengthen general provincial and territorial public health infrastructure. CHA strongly supports the recommendations of the Naylor Report and the recommendation of the Naylor Advisory Committee.

An appropriate public health system, together with a flexible, responsive health services delivery system, is essential for the health of Canadians. The benefits of these types of immediate investments could help reduce health care costs, as well as maintain Canada's global competitiveness through a healthy population.

The Naylor Report recommendations for funding public health in the amount of \$1.1 Billion per year should be implemented, including the creation of a special fund of not less than \$300 Million per year, earmarked for a new Public Health Partnerships Program to strengthen general provincial and territorial public health infrastructure. This can be accomplished through either targeted funding from existing transfers – a reallocation of current funds – or the implementation of a new program/transfer.

## **2. Leave needed dollars in the health system by modernizing and bringing equity to the current interpretation of rules concerning the GST/HST rebate eligibility criteria in the *Excise Tax Act*.**

Section 259 of the *Excise Tax Act* specifies how the Goods and Services Tax and the Harmonized Sales Tax (GST/HST) rebate is applied, where the percentage based on “specified percentage” is dependent on the “specified activities” provided by a “public service body”. The specified percentage varies between 50% for charities or qualifying non-profit organizations (i.e. “non selected public service body”), 83% for a hospital authority, a facility operator or an external supplier (i.e. “selected public service body”), to 100% for a municipally-funded facility.

Since the inception of the GST and HST, the CHA has been working to mitigate their impact on the broad continuum of care. The CHA has identified four areas of concern: (i) interpretation and application of the eligibility criteria; (ii) inequities (discriminatory impacts) of the GST between jurisdictions; (iii) a need to broaden the 83% rebate beyond the supply and/or delivery of services model and include health research and other health-related services; and (iv) hospitals and other public healthcare facilities to receive the same tax arrangements as municipalities.

With a change of federal tax policy, public dollars could be further invested in quality health outcomes for Canada. Tax policy needs to reflect the demographic shift and to keep federal dollars where they belong – in Canada’s healthcare system – to provide Canadians with timely access to a range of quality health services. An amendment to existing tax policy would allow approximately \$300 Million<sup>9</sup> (based on 5% GST rate) to remain in the system; a significant infusion of resources that would benefit the health system, including health research, as well as individual Canadians.

There are several specific actions CHA feels should be taken in response to these concerns. For instance broaden the definition of a “selected public service body” to be inclusive of the full continuum of care; remove the existing inequities (discriminatory impacts) of the GST between jurisdictions (Alberta and New Brunswick currently do not pay any GST on their health inputs); have GST/HST tax policy move beyond supply and/or delivery of care and include other hospital functions such as research and other health-related services; and ensure hospitals and other public health care facilities have the same tax arrangements as municipalities in Canada (i.e. to claim full value or a “zero rating”).

The CHA believes the GST rebate should be increased to 100% for all eligible purchases, regardless of geographic location, type of health facility, or sector (municipal vs provincial vs federal), and that the federal government never intended that transferred funds would have to be returned due to a tax anomaly. Equalizing the application of the GST/HST rebate will not only uphold the spirit of the Canada Health Act, but also be much more efficient and effective to administer

## **3. Enhance health sector access to existing funding programs (e.g. STEM Grants & Contributions programs; Digital Economic Strategy), in order to provide skills development in the utilization of Electronic Health Record/Electronic Medical Record (EHR/EMR) for a broader range of health providers than is currently addressed.**

The efficient use of information and communication technologies (ICTs) will help reduce costs and barriers to patient medical information by facilitating the transfer of medical records during regular and emergency situations, which can minimize the likelihood of adverse events and be life-saving.

The CHA is specifically concerned about EHR/EMR skills development and training challenges in the health sector. A well designed and widely used EHR/EMR system can deliver better patient information, resulting in improved care and reduction in costs. For almost a decade, CHA has supported a policy for federal government funding for an interoperable EHR. The \$500 Million released to Canada Health Infoway (Infoway) in the 2010 budget will now move the implementation of the EHR into the community. To date, only new or emerging health sector workers, and specifically nurses, physicians, and pharmacists, have benefited from this funding.<sup>10</sup> However, skill development and training remain the single greatest impediment to EHR use by health sector workers across the country.

The Prime Minister recently reaffirmed the federal government's commitment to make investments in the Digital Economic Strategy (DES) to tackle Canada's "*chronic under-use of ICTs in all sectors of the economy*".<sup>11</sup> Furthermore, in his keynote address to the International Institute for Communications Canada, the Honourable Minister of Industry, Tony Clement, MP, stated, "*By 2020, we see a country that boasts a globally competitive digital economy that is driven by innovation and enhanced productivity and generates enduring prosperity.*"<sup>12</sup> He indicated that "a digitally skilled workforce" is a federal government priority.

Infoway is currently working on the development and implementation of ICTs for EHRs/EMRs. Since February 2010, Infoway has also been collaborating with various health sector associations and colleges to integrate EHR/EMR skills development into the curriculae of the students. The CHA recognizes the initiatives by Infoway with the various faculties that train new physicians, nurses, and pharmacists. However, the CHA also recognizes a gap exists within the critical mass of the health sector workforce with respect to translating ICT training into practice. All types of health professionals will need to be able to use EHRs/EMRs, to ensure effectiveness and interoperability.

The CHA understands that a new initiative by Human Resources and Skills Development Canada (HRSDC) is currently underway that would support STEM (science, technology, engineering and math) Grants and Contributions. The CHA urges the Committee to recommend promoting this existing federal social and grant funding program to include skills development and competency training required for uptake of EHRs/EMRs. This would dovetail with the government's STEM initiatives and efforts to implement the DES.

By leveraging current federal programs to include EHR/EMR uptake, this would, in turn, deliver on the federal government's economic and social agendas. Economic prosperity would be gained through efficiencies resulting from the development of a digitally skilled health workforce. Moreover, according to Infoway, the implementation and use of EHRs for all Canadians is expected to deliver \$6 to \$7 Billion in annual benefits.<sup>13</sup> According to a Conference Board of Canada study, EHR-related activities in Canada were expected to create 37,000 jobs by 2010.<sup>14</sup>

## ENDNOTES

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- <sup>10</sup> Canada Health Infoway. (2011). May 19, 2011 Press release: Education of Next Generation of Nurses to include effective clinical use of information and communications technologies. Available at <https://www.infoway-inforoute.ca/lang-en/about-infoway/news/news-releases/732-education-of-next-generation-of-nurses-to-include-effective-clinical-use-of-information-and-communications-technologies>.
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