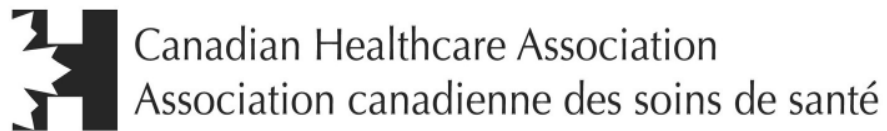


**INVESTING IN A HEALTHY ECONOMY
THROUGH HEALTHY POLICIES**

**Brief Submitted to the
House of Commons
Standing Committee on Finance**



August 2009

EXECUTIVE SUMMARY

The Canadian Healthcare Association (CHA) has been an active champion of Canada's health system for more than 75 years. We are the only federation of provincial and territorial health associations and organizations representing the breadth of the health system.

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. We have earned a solid reputation as an independent, non-partisan, highly respected organization.

CHA is a leader in developing and advocating for health policy solutions that meet the needs of Canadians.

- A healthy economy is created, sustained and grown by healthy Canadians.
- Keeping Canadians healthy requires a commitment to appropriate and predictable funding.
- All levels of government must show leadership in ensuring Canada has the health systems it values and needs.
- 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, such as poverty, education and employment.
- Health spending in Canada fell dramatically in the '90s and injections of funding have not yet allowed critical components of necessary services to be implemented.
- Tax measures are not the solution to current pressures.
- Initiatives to support informal caregivers will, however, relieve the pressures on many challenges within today's system, from wait times to overcrowded emergency departments.

RECOMMENDATIONS

1. CHA recommends that the amount reserved for the Compassionate Care Benefit be moved into a separately administered program and be treated in the same manner as the Maternity Benefits program. The availability of benefits should not be tied to employment. Benefits should be based on the number of hours of care provided and earning capacity of the caregiver.

CHA suggests that informal caregivers be provided with income replacement in the same way as individuals receive parental leave benefits. This could be achieved by using the EI funds (\$221 million per annum) previously designated for Compassionate Care Benefits

2. CHA recommends the creation of a provision in the Canada Pension Plan/Quebec Pension Plan (CPP/QPP) to allow for adjustment in pension calculation for Canadians who have taken time from the workforce to provide informal care or permit those who leave the labour force to provide care to continue their contributions to CPP/QPP.

Adapting CPP in this way will provide informal caregivers with retirement security and stimulate the economy by providing cash to people who will spend it in their everyday life.

3. CHA recommends that the federal government provide healthcare facilities access to Infrastructure Stimulus Funds, the Green Infrastructure Fund, and the ecoENERGY Retrofit program.

Health facilities require access to funds which would allow them to build to green standards or to retrofit facilities. Use of these funds would support health facilities as part of a sustainable environmental future.

Important Considerations

1. The Health sector is an Economic Driver

Health as an industry is a contributor to the Canadian economy and as a public service has a positive impact on Canada's economic competitiveness. Our publicly-funded health system is respected internationally for ensuring a healthy workforce, and affording businesses based in Canada a distinct competitive advantage. According to the Center for Economic Policy and Research in Washington, General Motors would have saved US\$20-billion over the past decade if the United States' per person health-care costs were as low as Canada's.¹

Given the high Canadian dollar and the present international economic recession, any move to increase health spending by Canadian businesses through transferring more health costs to employers would remove our competitive advantage.

The health sector is also a potential source of wealth creation, exports, and 21st century jobs for Canadians. Our single-payer system provides economies of scale that could drive the development of a domestic export industry by building upon our health professional training programs, researchers, delivery systems and information technology development. Rather than viewing investments in health innovation and reform as a burden, we should approach them as investments in product development and recognize the health sector as a potential creator of jobs and exports.

2. Federal Leadership and Responsibility is Crucial

While the delivery of health services is a provincial/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 has long supported this pan-Canadian approach, while recognizing that the provinces and territories require flexibility in responding to their unique situations.

The government also has a responsibility to the electorate to be fiscally responsible and thus balance budgetary decisions among debt reduction, tax reductions, expenditures on programs and incentives to stimulate the economy. The days of large surpluses are gone, but funds for new health and social programs and broad tax reductions that will reduce both poverty and improve the health and social well-being of Canadians are needed even more during this recessionary period.

3. Social Determinants of Health (SDOH) are Key in a Recessionary Period

Life expectancy and health status depend on more than health system expenditures. The greatest share of health problems is attributable to the social conditions in which people live and work (social determinants of health). Genetics and physical environment also impact on SDOH. However, education, income inequality, housing, social services, social inclusion and exclusion, employment and job security, working conditions, early childhood care and food security are equally important factors.

The recessions of the early '80s and '90s led to the systematic cutting of budgets and rapid policy changes in the health, social and education sectors, in order to reduce deficits.² The present international recession has the potential to revive these ideologies. To do so would jeopardize the physical, mental and social well-being of Canadians, in particular our children.

Illness and poor health have a negative impact on tax revenue, corporate profits and wage-based productivity which in turn causes less money to be available to fund government initiatives such as health, education, housing etc. Labour market and educational policies that address major structural determinants of health provide a substantial return on investment. Better health allows more people to participate in the economy, reducing the costs of lost productivity.

4. Overall Health Funding: the Annual 6% Escalator Must be Maintained

Data from the Organisation for Economic Co-operation and Development (OECD) indicates that between 1990 and 2004, the change in share of Canadian public spending on health was -4.7%.³ (See Appendix A.) The real reductions in health spending on the public side during the 1990s had a major impact on the public/private spending ratio in Canada, with private spending still continuing to increase at a faster pace than public spending. Statements that Canada's health spending is high are usually based on total expenditures (public and private combined); the reality is that Canada's private expenditures are higher than those of most of the comparator OECD countries, while our public spending is less.

Health care funding has changed substantially in the last five years. The September 2004 *Ten-Year Plan to Strengthen Health Care* has made a significant contribution to enhancing Canada's publicly-funded health system. In spite of these increases, health care needs are still being identified by Canadians as an important issue, and several key objectives and deadlines in the Ten-Year Plan still need to be met.

Every country in the developed world is struggling with health costs and searching for solutions to health system challenges – and there are numerous approaches that work with different countries using approaches that fit with their own history and realities. For some the solution is more privatization of funding. However, more privatization of funding through private insurance or increased out of pocket expenditures is based on the premise that shifting health costs to individuals or to their employers makes them less onerous. Cost shifting is not cost savings. There are many effective ways to address fiscal pressures on Canadians and the health system, some of which we detail in this brief.

CHA recognizes that, in order to continue to improve the efficiency and effectiveness of the health system, the 6% escalator provided within the 2004 Ten-Year Plan must be honored. Any move to restrict the federal spending power would have a negative impact on present and future health programs.

5. Tax Cuts and Targeted Tax Expenditures are not Appropriate Measures

CHA believes that recent non-refundable tax credits have not been effective in meeting the needs of Canadians who need tax relief and government programs the most.

General income tax reductions allow for more tax relief for individuals with below average income and limited discretionary consumption patterns and also allow for maximum economic growth. It is well known that socio economic status is tied to health status. Thus, improving the financial status of lower income individuals through a reduction in the tax rate of the lowest income bracket will benefit the health system as well as individuals at all income levels.

Using tax credits/tax expenditures as instruments of social policy is not appropriate since it marginalizes Canadians who do not have the financial ability to save or to make use of the credits. Credits for activities such as sports, transit passes, are 'rough justice'. Though tax credits are a way of promoting programs such as children's sport programs to improve their physical health, they will not necessarily meet their goal because the Canadians who would most benefit from such programs do not have the income that allow them to benefit from the tax credits.

The CD Howe Institute has indicated that government reliance on targeted tax credits does not necessarily improve the prospects for economic growth or fairness.⁴ *"The accumulation of targeted tax relief measures will have a significant fiscal cost which could be better used to finance broad rate reductions."*

"In terms of the health of populations, it is well known that disparities — the size of the gap or inequality in social and economic status between groups within a given population — greatly affect

*the health status of the whole. "The larger the gap, the lower the health status of the overall population".*⁵ In many cases the needs of the population are better served through directed programs and not through tax credits/tax expenditures, and this is particularly true of health programs. **Tax measures in support of health are not a substitute for positive programs.**

CHA's Recommendations

1. Support of Informal Caregivers

Over the past decade, Canada's health system has undergone considerable change. Care once delivered in hospitals and other institutions is now delivered in the home or in communities. Health reform, coupled with an aging population, has led to an increase in the demand for home care.

CHA has long advocated for a home and community care program that provides both acute care replacement services and ongoing continuing/chronic care. Hollander, in a study of the cost-effectiveness of chronic home care found that over time, and for all levels of care needs, home care, on average, was significantly less costly than care in a long-term care facility.⁶ Failure to move forward with appropriate support for the informal parts of the health system will negatively affect the formal parts of the health system.

Canadians are making sacrifices to provide care for their loved ones. In addition to the loss of income through foregone employment, there is also the loss or reduction of employer-sponsored benefits, Canada Pension Plan credits, training opportunities, experience in one's field and promotions. Home care does not come without costs to individual Canadians and the Canadian economy.

1.1 Changing the Compassionate Care Program

According to the 2007 Pollara Survey Health Care in Canada, 23% of Canadians provided informal care to a family member or close friend with a serious health problem and 41% had to use personal savings to survive during this time. This contribution is unseen. The economic value of unpaid care should this care be replaced by a paid caregiver is estimated to be between \$5.7 billion⁷ to \$26 billion.⁸ These are savings to the health system.

Globalization, workforce rationalization, layoffs and increases in temporary, part-time, casual, contract and self-employment have lessened Canadians' ability to access Employment Insurance benefits. In a 2002 only one-half of all working Canadians had a single, full-time job that lasted six months or more; only one in two was eligible for employment insurance due to changes in the requirements and the nature of employment.⁹ The present global recession has exacerbated this with large scale bankruptcies and layoffs.

"The consequences of ignoring the needs of caregivers are significant for the caregiver, the person receiving care, and the health care system."¹⁰ Information from the 2007 Statistics Canada General Social Survey indicated that the majority (43%) of the informal caregivers were 45 to 54 years old and in their most productive work years.¹¹ Thus from an economic point of view, it is essential to develop a pan-Canadian approach to support of caregivers.

In Canada, the federal government currently uses tax deductions and non-refundable tax credits to help families offset the costs of care-giving at home. Internationally, Canada lags behind other developed countries which have strategies in place to provide supports for caregivers.

The Senate Committee on Aging in their April 2009 report recommended that the federal government, as the largest employer in Canada, lead the way in providing flexible leave to allow people to provide care in recognition of the diverse forms of relationship responsibilities.¹² Compassionate Care Benefits, introduced within the Employment Insurance (EI) program compensate persons who have to be away from work temporarily to provide care or support to a family member who is gravely ill.

Unlike the Maternity Benefits program, the Compassionate Care Benefit does not provide enough leave time for caregivers.

CHA recommends that the amount reserved for the Compassionate Care Benefit be moved into a separately administered program and be treated in the same manner as the Maternity Benefits program. The availability of benefits should not be tied to employment. Benefits should be based on the number of hours of care provided and earning capacity of the caregiver.

1.2. Changing Canada Pension Plan (CPP)/Quebec Pension Plan (QPP)

Some OECD countries have recognized the impact of other care-giving responsibilities on eligibility for public pensions. For example, in some of the countries which provide caregiver allowances, the state also pays pension credits towards the public pension plans of caregivers.

The Canadian government could use CPP/QPP to benefit informal caregivers. The rules of CPP/QPP currently allow working parents to exclude from the calculation of pension benefits the years in which earnings were lowest. This results in higher average earnings and higher pension benefits. No provision exists for other types of caregivers. Witnesses to the Senate Committee on Aging have suggested that Canada consider extending the CPP/QPP Child Rearing Provision to other caregivers. Such a measure would also be beneficial to those who have had less time to accrue benefits. As a result, the Committee recommended that the federal government consider introducing a drop-out provision for caregivers into the Canada Pension Plan.

Between September and December of 2008, just over 5 million Canadians received CPP benefits, and almost 1.7 million received QPP benefits.¹³ The 2007 General Social Survey (GSS) found that 1 in 4 of those providing care were over age 65 themselves.¹⁴ Thus, potentially 1.67 million individuals might be eligible for this adjustment in publicly funded benefits if they withdrew from the labour force or reduced their hours to be a caregiver prior to the year that they begin receiving CPP/QPP. In the future, potential beneficiaries for this CPP/QPP averaging benefit might be as large as 2.7 million (based on the 2007 GSS figures for individuals aged 45-64 providing informal caregiving).

CHA recommends the creation of a provision in the Canada Pension Plan/Quebec Pension Plan (CPP/QPP) to allow for adjustment in pension calculation for Canadians who have taken time from the workforce to provide informal care or permit those who leave the labour force to provide care to continue to contribute to CPP/QPP.

2. Infrastructure Funding

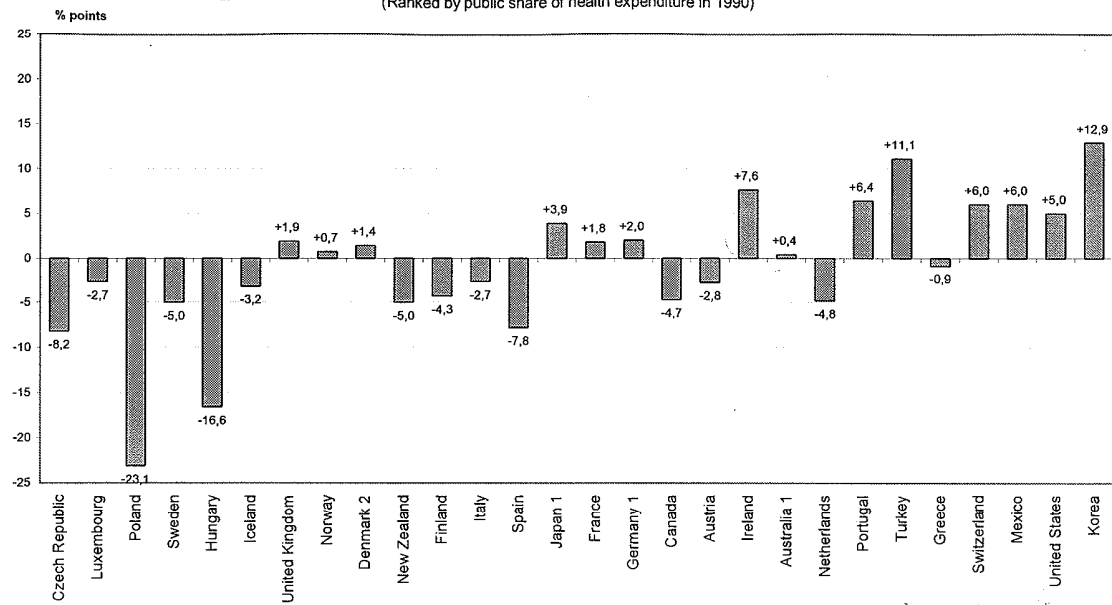
The federal budget of 2009 identified several infrastructure funds to stimulate the economy. At the same time both Green Infrastructure and ecoENERGY funds were introduced. Many health facilities are in need of renovation or replacement. In addition, in order to create efficiencies, new facilities with different approaches to the provision of health services need to be built, equipped and resourced. To date, health facilities have not been deemed eligible for access to these funds.

As part of the healthcare sector's attempts to ensure a sustainable environmental future, CHA is signatory to a statement on environmental responsibility within the healthcare field. In order to meet our commitment, health care facilities which include not only hospitals but also community care require access to funds which would allow facilities to build to new green standards or to retrofit facilities. Use of these funds would allow health facilities to be part of a sustainable environmental future.

CHA recommends that the federal government provide healthcare facilities access to Infrastructure Stimulus Funds, the Green Infrastructure Fund, and the ecoENERGY Retrofit program.

Appendix A

Chart 4. Change in share of public spending on health, OECD countries, 1990-2004
(Ranked by public share of health expenditure in 1990)



1. 2003. 2. Current public expenditure as share of Total current expenditure. Source: OECD Health Data 2006, June 2006.

ENDNOTES

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- ⁴ Chen, Mintz and Tarasov. (2007). *Federal and provincial tax reforms: Let's get back on track*. CD Howe Institute Backgrounder. No. 102, July 2007.
- ⁵ Public Health Agency of Canada. (2003). The social determinants of health: An overview of the implications for policy and the role of the health sector.
- ⁶ Hollander, M. (2001). Hollander Analytical Services Ltd and the National Evaluation of the Cost-Effectiveness of Home Care: *Final report of the study on the comparative cost analysis of home care and residential services – Substudy 1*. Victoria: Author.
- ⁷ Fast, J. and Frederick, J.A. (1999). *Informal caregiving: Is it really cheaper?* Paper presented at the International Association of Time Use Researchers Conference, Colchester, UK.
- ⁸ Hollander, M., Liu, G., and Chappell, N. (2009). Who cares and how much? *Healthcare Quarterly*. Vol.12 No.2.
- ⁹ Tremblay D-G. (2002). *Unemployment and transformation of the labour market: Issues of security and insecurity*. Paper given at The Social Determinants of Health Across the Life-Span Conference, Toronto, November 2002.
- ¹⁰ Special Senate Committee on Aging. (2009). Final Report: *Canada's aging population: Seizing the opportunity*. Page 118.
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- ¹³ Service Canada. (2009). *Income Security Programs Information Card*. Retrieved from <http://www.hrsdc.gc.ca/eng/isp/statistics/rates/julsep08.shtml>
- ¹⁴ Statistics Canada. (2008, October 21). Study: Caring for seniors. *The Daily*.