

CANADA'S PUBLICLY FUNDED HEALTH SYSTEM:

**A FOUNDATION FOR
GLOBAL COMPETITIVENESS
EQUAL OPPORTUNITY TO SUCCEED
QUALITY OF LIFE**

Brief Submitted to the
House of Commons Standing Committee on Finance

by the
Canadian Healthcare Association



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1.0 CHA AND OUR MEMBERS — CHAMPIONS FOR SUSTAINABILITY

The Canadian Healthcare Association (CHA) is the federation of provincial and territorial hospital and health organizations across Canada. Through our members, CHA represents a broad continuum of care, including acute care, home and community care, long term care, public health, mental health, palliative care, addiction services, children, youth and family services, housing services, and professional and licensing bodies. These services are provided through regional health authorities, hospitals and other facilities and agencies that serve all Canadians and are governed by trustees who act in the public interest.

The Canadian Healthcare Association was founded in 1931 and historically represented provincial and territorial hospital associations at the national level. In 1995, our name was changed from the Canadian Hospital Association to the Canadian Healthcare Association to reflect the broadening scope of our association's membership.

CHA's mission is to improve the delivery of health services in Canada through policy development, advocacy and leadership. CHA and our members are committed to realizing the vision of a publicly funded health system that provides access to a broad range of comparable health services across Canada.

The CHA Board of Directors has identified three key factors to sustaining a publicly funded health system for Canadians, now and into the future: leadership, appropriate system change and sufficient levels of funding. The issues of leadership and appropriate system change are the subject of other CHA policy briefs and documents, including a 2000 Policy Brief entitled *A Framework for a Sustainable Health Care System in Canada: A Discussion Paper* and a 2000 election primer entitled *Federal Government Commitments Required for a Responsive, Innovative and Accountable Canadian Health System*, and will be addressed in our upcoming brief to the Romanow Commission. This material can be found on our web site at: www.canadian-healthcare.org or at www.cha.org.

This brief highlights CHA's funding position related to needed federal government commitments to:

- ◆ Stabilize the Existing Health System
- ◆ Address Urgent Needs
- ◆ Support Appropriate System Change
- ◆ Meet Future Needs, Now

While CHA recognizes that both the federal and provincial/territorial governments must adequately fund health services, this brief is addressed to the House of Commons Standing Committee on Finance, and thus the focus is on the need for federal commitments to health funding. By sustaining a publicly funded health system, the federal government will be providing a key component of the economic and social foundation required to improve Canada's global competitiveness, ensure equal opportunity to succeed, and improve our quality of life.

2.0 CURRENT FEDERAL FUNDING COMMITMENTS FOR HEALTH — A GOOD BEGINNING

Since the last full federal budget in February 2000 there have been a number of financial and economic announcements made by the federal government, including funding commitments related to the September 11, 2000 First Ministers Communiqué on Health, the federal mini-budget in October 2000, the Speech from the Throne in January 2001, and the Economic Update in March 2001.

Of particular relevance to the health community are the funding commitments related to the September 11, 2000 First Ministers Communiqué on Health which included:

CHST	18.9 billion (starting in 2001; over five years)
Early Childhood Development	2.2 billion (starting in 2001; over five years)
Medical Equipment Fund	1.0 billion (half this year; half next year)
Health Info Technology	0.5 billion (this fiscal year)
<u>Primary Health Care Reform</u>	<u>0.8 billion (starting in 2001; over five years)</u>
Total	\$23.4 billion (over five years)

As outlined in section 3.3, the additional contribution to the CHST cash floor in the first two years met two-thirds of CHA's recommendation and was significantly more than the levels committed to only six months earlier in the February 2000 federal budget.

Also of interest to the health community were announcements made in the October 2000 Economic Statement and Budget Update related to research and the broader determinants of health, such as education and the environment. New federal funding commitments included:

- ◆ Canada Foundation for Innovation: \$500 million (timeframe not specified)
- ◆ Social Science and Humanities Research Council: \$100 million over five years
- ◆ Post-Secondary Tax Credit: \$1 billion over five years
- ◆ Environment: \$500 million (timeframe not specified)
- ◆ Health-related Tax Credits including a caregiver credit, the Canada Child Tax Benefit, relief for heating fuel, and assisting Canadians with disabilities.
- ◆ Debt reduction commitments included the existing annual setting aside of \$3 billion as a Contingency Reserve, a commitment to announce each fall whether more of that year's surplus should be dedicated to debt pay down, and a commitment to pay down at least \$10 billion of debt in this fiscal year.

In terms of the January 2001 Speech from the Throne, CHA applauded the emphasis on the broad determinants of health and noted the re-commitment of the government to previously announced initiatives. CHA also welcomed the new announcement of a citizen's council on health care quality.

The May 2001 Economic Update confirmed that the federal government could meet all of the commitments made in the Budget 2000, in the October 2000 Economic Statement and Budget Update, and during the November 2000 election campaign.

As will be discussed below, these federal commitments were a good beginning, but additional funding is still required to sustain our publicly funded health system.

3.0 CHA'S FUNDING POSITION — ADDITIONAL FUNDING NEEDED TO SUSTAIN OUR PUBLICLY FUNDED HEALTH SYSTEM

3.1 Additional Health Funding Needed – Not a Popular Position

With competing demands for federal dollars and recent announcements of generous increases in federal health spending over the next two to five years, it is not a popular position to be stating that even more money is required to meet the health needs of Canadians.

And contrary to some popular myths regarding health system funding, this additional money is not needed because the health system has a voracious appetite and spending is out of control, or because we need more private, not public, dollars in our health system, or because health system managers and trustees don't know how to improve efficiencies. Nor does the health sector ignore the need to support broad determinants of health or the need to be fiscally prudent in terms of reducing the debt and lowering taxes. In fact:

- ◆ *Health expenditures in Canada are NOT out of control:* In terms of total expenditures on health, while figures for 1997-2000 indicate an actual or forecasted increase in total health expenditures in constant dollar, per capita terms, it is important to take a longer term view and note that the average annual increase in total health spending in Canada measured in constant dollars, per capita was only 1.5% from 1992-2000. This average annual increase is even less (0.84%) if only actual figures (from 1992-1998) are considered. And, in terms of public sector expenditures on health, in constant dollar, per capita terms, the actual and projected increases in public funding for 1997-2000 (ranging from 1.9% to 5.4%) simply offset the significant decreases from 1993-1996 (ranging from -1.2% to -2.0%) and begin to keep pace with inflation. These small annual increases and the bust-boom funding of health will not support a sustainable health system in Canada.
- ◆ *Canada Already has a High Level of Private Sector Funding:* In 1998, Canada ranked 21st relative to other OECD countries in terms of our public share of total expenditures on health. This means that we have one of the highest levels of private sector expenditures in health. This is contrary to many of the claims made by proponents of greater private sector involvement in health services in Canada. CHA will be releasing a Policy Brief in the early Fall which outlines in detail the challenges and opportunities related to the private-public mix in the funding and delivery of health services in Canada.

- ◆ *Excellence in Managing the System in Turbulent Times:* Health system managers and trustees are stewards of the resources allocated to the publicly funded health system. Some critics claim that the current funding shortages can be attributed to poor management in the public system. This statement is blatantly untrue: business leaders have recognized the leadership excellence of managers within public sector systems by naming hospitals as one of the most complex businesses to run. This statement is also unfair because it ignores the fact that health system managers, trustees and providers have continued to deliver health services that are envied around the world, even when significant restraints in public sector funding were pitted against constant health system restructuring, shifts in health care needs, advancements in technology, and critical human resources shortages — an almost impossible task. The need for appropriate system change, adequate health information systems, and meaningful health system standards and indicators have further complicated the work of managers and trustees. It is important to remember that the health system is primarily a people system that is undergoing tremendous change and is under-resourced for many of its critical tasks. Health system managers and trustees are committed to using limited resources to create a sustainable, accessible, accountable, integrated and publicly funded system that will meet the needs of Canadians. And a system that will continue to foster a competitive advantage for Canadians in the global economy.
- ◆ *Recognizing Spending on the Broader Determinants of Health:* CHA advocates for a health system that responds to the needs of all Canadians at different lifestages, from pre-birth to death. CHA also fully supports the call from other organizations for additional resources to be allocated by the federal, provincial and territorial governments to address the broader determinants of health, including investments in education, early childhood development, poverty reduction, employment programs, affordable housing, the environment, and Aboriginal issues. Since many of the determinants of health are beyond the scope and control of health system managers and trustees it would be unfair to hold them responsible for advocating for increased funding in these areas. Rather, CHA and our members support the advocacy initiatives of others regarding the need for increased spending on the broader social infrastructure, while at the same time we are advocating for a greater federal investment in health (a both/and rather than an either/or scenario). Therefore:

CHA urges the federal government to create a both/and (not an either/or) decision making environment, so as to provide leadership in allocating resources that enhance both the health system and the broader social infrastructure.

- ◆ *Supporting the Need for Tax Cuts AND Health Spending:* As has been pointed out in previous funding briefs, tax cuts versus health spending is a false dichotomy, particularly if the focus is on productivity. Both can lead to greater productivity. CHA is not opposed to tax cuts, but the benefits to individuals of tax cuts versus increased personal/private investment in health must be examined. And, since inequities in income is a powerful determinant of health, care must be taken to ensure that tax cuts narrow, not widen, income inequities in the Canadian society. It is beyond the scope

of this CHA analysis to comment in detail regarding the tax cuts announced in the October 2000 Economic Statement and Budget Update, other than to say they are significant and appear to be progressive, over the range of income groups. Therefore:

CHA urges the federal government to consider the relationship of health spending and increased Canadian productivity before determining what further tax cuts may be announced for various income levels.

CHA and our provincial and territorial members have never shirked from our responsibility to advocate for appropriate system change supported by leadership and adequate funding, no matter how unpopular our policy positions may be.

The challenge for the federal government is to create a dynamic equilibrium to enable a both/and approach to allocating scarce resources.

3.2 Spending on Health — A Sound Economic Investment

It is now well accepted that our single payer, publicly funded health system contributes not only to our individual and collective well being, but also to our economic performance. Business leaders continue to recognize the economic benefits of our publicly funded system in terms of a healthy workforce, increased productivity, economic development (through health research and innovation), quality of life related to business decisions to locate in Canada, and increased global competitiveness. Here is what a few of these business leaders have said:

Canada has built-in advantages. We have lower public pension costs... We have lower military costs. And, we have markedly lower health-care costs. The three key jobs of modern government are actually being achieved at lower cost in Canada. What does that mean? It suggests that over the long term, Canada has the ability to offer a lower tax, lower cost of business environment than the U.S., while continuing to offer better public services. (Keller, 2001: 13)

In the global market place, the access to cheap health care means a distinct savings; companies that operate in Canada do not have to insure their workers' health. General Motors Canada spokesperson Steward Low says when the company examines costs, the Canadian operations save on medical bills. "On the health care side, that's part of the competitive advantage," says Mr. Low. (National Post, 2001)

Our health system boosts our competitiveness. It costs U.S. companies \$3,100 per employee to get the kind of health care Canadian companies can provide for \$450. (The Toronto Star, 2001)

The fact is, moving away from a single payer publicly funded system might cost the government less. But it would cost the country more. It would cost every business, large and small more if they had to pay for benefits themselves. It would, in a very real sense, constitute a de facto increase in taxation — for employers or employees or both. (Charles Baillie, Chair and CEO of the TD Bank, 1999: 4.)

Our publicly funded health system is an investment, not a drain on our economy. Therefore:

CHA urges the federal government to consider its ongoing, substantial contribution to the health system as an investment in the personal health of Canadians and the economic health of our nation.

In this policy context, the acrimony between sectors may be reduced as we appreciate that together we are building a foundation from which to foster global competitiveness, equal opportunity to succeed, and improved quality of life for all Canadians.

3.3 Stabilize the Existing Health System

The provincial and territorial health systems across the country have weathered a decade of stop-go funding. Previous funding decisions by both the federal and provincial/territorial governments have led to serious erosion of some of the basic infrastructures of our health system. Growing deficits of health organizations struggling to meet the needs of communities, labour strife, and unacceptable waiting times for some diagnostic and treatment services belie a system that urgently needs to be stabilized.

As will be articulated in section 3.5, CHA and our provincial and territorial members are advocates for appropriate system change to ensure that our publicly funded health system can be sustainable over the long term. However, before we can change the system, we must stabilize it. Critics have pointed to this position and stated that CHA is simply supporting the status quo. We aren't. We know that change is essential and in many cases our provincial and territorial members have already identified innovative means to realize these needed changes. But parts of the system are crumbling and must be stabilized before there is a crisis in service delivery and patient confidence.

In anticipation of the September 11, 2000 meeting of First Ministers to discuss health issues, CHA wrote to the Prime Minister outlining a number of recommendations, including the need for “an infusion of federal dollars to immediately increase the CHST cash floor to at least \$18.8 billion (to be used for health, post-secondary education and social services)”.

The September 2000 announced increase in the CHST cash floor, starting in 2001-02, while not immediate and not as much as CHA had recommended was \$2.5 billion more in the first year than the February 2000 federal budget commitment. In fact, 66% of

CHA's recommended increase in the CHST cash floor was realized. And, after the second year, there is a steady increase in the federal contribution to the CHST cash floor (an implicit escalator).

However, CHA's recommended immediate (2000-01) cash floor of \$18.8 billion will not be realized for two more years (2002-2003). And, based on another CHA recommendation that an escalator be applied annually to the cash portion of the CHST to ensure long-term stability and long-range planning, the CHST cash floor in 2002-03 should be greater than the \$18.8 billion we recommended for 2000-01. The CHST escalator will ensure that the value of the cash portion of the CHST is maintained, regardless of fluctuations in the value of the tax points. This escalator could be a compounded three-year moving average of GDP, or it could be tied to the growth in the federal personal income tax revenues, or it could be based on inflation, population growth, etc.

Based on a conservative estimate of a 2.5% annual escalator (i.e., a 1.7% inflation rate and 0.8% population growth rate) there should be \$19.8 billion in the CHST cash floor in 2002-03 — \$1.1 billion more than currently committed.

Canada Health and Social Transfer
Federal Commitments Announced in September 11, 2000 Communiqué on Health and CHA's Recommendations to Stabilize the Health System
(in \$ billions)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Current CHST cash ¹	15.5	15.5	15.5	15.5	15.52	15.52
Cash increase announced ²	0.0	2.5	3.2	3.8	4.4	5.0
Total CHST federal cash committed	15.5	18.0	18.7	19.3	19.92	20.52
CHA rec. Including 2.5% annual escalator ³	18.8	19.3	19.8	20.2	20.75	21.27
Difference: Needed - Committed	+3.3	+1.3	+1.1	+0.9	+0.83	+0.75

1. Current CHST cash based on the federal government's 2000 Budget commitments.
2. Cash increase announced as part of the September 11, 2000 Communiqué on Health, does not include announcement of targeted cash for Early Childhood development.
3. A 2.5% annual escalator has been applied to the original CHA recommendation of an \$18.8 billion cash floor for 2000-01.

It is also important to note that CHA's current recommendation to increase the CHST cash floor by \$1.1 billion in 2002-03 to \$19.8 billion does not take into account the accumulated loss to the health system of \$4.6 billion (\$3.3 + \$1.3 billion) of federal commitments based on CHA's recommended CHST cash floor for 2000-01. Therefore,

CHA urges the federal government to raise the 2002-03 CHST cash floor (not including the funds allocated for early childhood development) by \$1.1 billion to \$19.8 billion.

CHA also urges the federal government to explicitly announce its commitment to an annual escalator to apply to the CHST cash floor, beginning in 2003-04.

CHA's members know first hand what it means to try to provide more care with less dollars. The existing health system must be stabilized.

3.4 Address Urgent Needs

The increase in the CHST cash floor to \$19.8 billion in 2002-03 is essential to stabilize the health system and introduce much needed flexibility in meeting the daily demands for health services across the continuum of care. It is difficult to provide services if there is no "give" in the system to deal with anticipated or unanticipated fluctuations in service demands.

Yet, it is important to stress that this additional CHST money will not be sufficient to meet the increasing need for public accountability, more health service providers, and new health care technologies. Nor will this additional CHST cash provide the transitional resources needed so that our health system can continue to evolve to effectively and efficiently meet the changing health needs of Canadians.

Across the country there is an immediate need for additional federal, provincial and territorial dollars to address critical challenges currently facing the health system. Many of these challenges were recognized by the Prime Minister and Premiers in the September 11, 2000 Communiqué on Health. Funds need to be targeted to specific initiatives to address these challenges.

Significant targeted funds (i.e., billions of dollars) will be needed over the next three to five years to ensure that these urgently health system challenges are addressed across the country. The federal, provincial and territorial governments will need to determine appropriate funding levels by working with others, such as CHA and our provincial and territorial members and other health organizations.

Multi-year, targeted federal funding needs to be announced for the fiscal year 2002-03 to address the following challenges:

- ◆ **Health Human Resources:** immediate and long term actions are required at the federal, provincial and territorial levels to address the urgent issues currently facing the health system related to educating, training, recruiting and retaining a broad range of health service providers. Adequate funding is needed immediately to address issues related to nurses, physicians, social workers, pharmacists, rehabilitation therapists, medical and laboratory technologist, and other health service providers. There is no one solution, nor is there one group with all of the answers. Governments, providers and health services managers will need to work together to implement the necessary changes. While it is important to continue to study some of the health human resources issues through such initiatives as the National Nursing Sector Study and the National Home Care Sector Study over the long term, it is also imperative that governments immediately implement initiatives to address urgent existing issues. System solutions, not stove-pipe solutions, are required that consider not only the impact for a specific provider group, but also the ramifications for the whole health system. While health human resources was identified as a key issue in the First Ministers' September 11, 2000 Communiqué on Health, no funding was allocated to address this critical and complex issue. It is important to note that salaries are a significant portion of health system expenditures and with notable labour settlements in recent months and global shortages of many health care providers, health human resources issues must be addressed immediately.

- ◆ **Medical Equipment and Health Care Technology:** the chronic underfunding of the health system has resulted in aging medical equipment that needs to be upgraded or replaced and a significant inability to keep pace with the growing demand for new health care technologies, such as telehealth. In the September 11, 2000 Communiqué on Health, \$1.0 billion was allocated over two years for the Medical Equipment Fund. This barely begins to address the problems. Some provincial health associations have calculated that billions of dollars are needed over the next five years, in their provinces alone, to appropriately address the unmet need for medical equipment and health care technology.

- ◆ **Health Information Technology:** technology is fundamentally affecting every aspect of our lives, including how we access health services, and what diagnostic equipment and treatment options are available. In the September 11, 2000 Communiqué on Health, First Ministers agreed to work together to strengthen a Canada-wide health infrastructure to improve quality, access and timeliness of health services for Canadians. First Ministers also committed to developing electronic health records and enhancing technologies like telehealth over the next few years. They also stated that they will ensure the stringent protection of privacy, confidentiality and security of personal health information. CHA sees the Health Information Technology Fund announced in the September 11, 2000 Communiqué on Health of \$0.5 billion in 2000-01 as a stop gap measure, to get some processes moving, until adequate federal funding announcements are made over a five year period, starting in 2002-03. It has been estimated that funding in the order of \$3 billion will be needed.

- ◆ **Health System Accountability:** the Canadian public expects governments and health service managers and providers to be accountable for improving individual health status and population health outcomes and for ensuring access to quality services. Improved accountability within the Canadian health system will require additional funds to support existing accountability mechanisms (including national initiatives such as CIHI and provincial initiatives such as the Ontario Hospital Association's Hospital Report Card project) and to develop appropriate new accountability mechanisms. These accountability initiatives rely on quality data. Therefore, funding is also needed to develop common data sets, ensure compatible software packages, and support the electronic patient record and other information-related initiatives. Essential to these developments are appropriately trained human resources. Thus funding must also be made available to cover the costs associated with the installation of new technology, personnel to provide training sessions, costs for employee upgrading, and educating new students to have the required technological skills to maintain, assess and upgrade the health information systems. Funding is also required to address privacy and confidentiality issues, including the review, development and implementation of new legislation. For more information on the issues regarding health system accountability, see CHA's Policy Brief *Towards Improved Accountability in the Health System: Getting from Here to There*. The September 11, 2000 Communiqué on Health goes to great lengths to explain the need for clear accountability to Canadians, yet no targeted funding was announced to achieve this objective.
- ◆ **Health Services Infrastructure:** capital expenditures are desperately needed across the country to build new community and long term care facilities to adequately meet the health needs of Canadians. Capital expenditures are also urgently needed for hospitals to upgrade their facilities to meet new demands and to be able to respond appropriately to restructuring recommendations that call for a realignment of health services between facilities. No funds were committed for capital needs in the September 2000 Communiqué on Health.
- ◆ **Health Services Research and Innovation:** the recent establishment of the Canadian Institutes of Health Research (CIHR) was a bold step toward integrating the diffuse research initiatives related to biomedical research, applied clinical research, health systems research and population health research. As mentioned in section 2.0, CHA also recognizes the federal government commitments made in the October 2000 Economic Statement and Budget Update for additional support to the Canada Foundation for Innovation (CFI) and the Social Services and Humanities Research Council (SSHRC). However, there is still a need for additional federal government research funds, particularly for health system and health services research, to the CIHR and other research bodies such as the Canadian Health Services Research Fund (CHSRF), the Canada Foundation for Innovation (CFI), the Social Services and Humanities Research Council (SSHRC), and others.
- ◆ **Specific Federal Programs:** a number of important federal government initiatives require additional funds to fulfil their mandates of protecting and improving the

health of Canadians. These include federal initiatives related to Aboriginal health, wellness and health promotion, healthy communities, disease prevention and surveillance, early childhood interventions, mental health programs, rural, remote and northern health, environmental programs, and the review of pharmaceuticals and medical devices. These are critical areas requiring continued federal leadership. With growing demands in many of these areas, additional funds are required to maintain services and develop innovative approaches to responding to new challenges.

Targeted, multi-year funds are needed if the Canadian health system is to be responsive to the health needs of Canadians, accountable to the public and innovative in the delivery of services. Therefore,

CHA urges the federal government to work with the provinces and territories and national health organizations to determine an adequate level of federal funds over a five year period to be earmarked as specific, targeted funds for:

- **Health Human Resources**
- **Medical Equipment and Health Care Technology**
- **Health Information Technology**
- **Health System Accountability**
- **Health Services Infrastructure**
- **Health Services Research And Innovation**
- **Specific Federal Programs**

These federal commitments should start in 2002-03. Some of these federal funds could be distributed to the provinces and territories on a per capita basis, with some funds available for pan-Canadian projects administered by the federal government. Other targeted funds will be for specific federal programs. Clear objectives for the funds must be established, with the federal government and the provinces and territories being responsible for providing public reports on how they are meeting these objectives.

These targeted funds will enable health care managers, trustees and providers to meet the urgent needs of Canadians now and into the future.

3.5 Support Appropriate System Change

Appropriate system change is necessary if Canada's publicly funded health system is to be sustainable in the future. But system change takes time and energy and does not occur without financial support. During transitions in any sector, it is often necessary to support both the existing and the emerging systems.

Multi-year, transitional federal funding needs to be announced for the fiscal year 2002-03 to facilitate appropriate health system changes, including:

- ◆ **Primary Health Care Reform:** CHA and our provincial and territorial members fully support the need for fundamental primary health care reform, in a context that recognizes that different models will be appropriate in various rural, remote, northern and urban areas across the country. These models will reflect a community's health needs, the availability of different combinations of primary health care providers, and different forms of remuneration. Important issues to grapple with in terms of primary health care reform and broader health system changes are those related to physicians, including the need for greater accountability of physicians, determining appropriate working conditions, and developing appropriate models and levels of remuneration. In the September 11, 2000 Communiqué on Health, the First Ministers committed to making primary health care reform a high priority. They also committed to working with health professionals on improving primary health care and its integration with other components of the health system. Yet, only \$0.8 billion over four years was made available for primary health care reform, starting in 2001-02. This is inadequate to enable existing primary health care initiatives to become fully established and to accelerate the development of new primary health care initiatives across the country.
- ◆ **Health Promotion and Disease Prevention:** health services are available through a continuum of care that includes health promotion, disease prevention, home and community care, hospital and long term care services, and palliative care services. It has often been argued that if the health system was to take more of an "upstream" approach to maintaining and improving health, there would be less need for treatment services. One analogy of this is to consider spending more resources teaching people to swim, rather than providing more boats and personnel to rescue drowning swimmers. The reality is all components of the system are needed. Neither action plans, nor targeted funding for mental health were mentioned in the First Ministers Communiqué on Health on September 11, 2000. New federal funds should be made available to support innovative provincial and territorial health promotion and disease prevention initiatives that will more fully integrate these important services within the health system.
- ◆ **Mental Health:** our health system has traditionally focused on the physical health of individuals. This is changing, with a growing recognition that social, spiritual and mental health are also critical to an individual's feeling of health and well-being. Yet, the mental health needs of Canadians may still be overlooked when planning health services. Like other components of the health system, it has been argued that with very little new investments, great progress could be made in preventing mental health illness, promoting good mental health, identifying needs, and providing appropriate treatments. Neither action plans, nor targeted funding for mental health were mentioned in the First Ministers Communiqué on Health on September 11, 2000. New federal funds are needed to support innovative provincial and territorial mental health initiatives that will more fully integrate these important services within the health system.
- ◆ **Palliative Care:** End-of-life care is an important health service for individuals and their family and friends. Across the country innovative palliative care initiatives have

been developed that are enabling Canadians to “die a good death”. The challenge is to take these innovative examples and integrate them into the health system across the country. CHA applauded the recent federal announcement of \$1 million for the development of a national strategy for end-of-life care and the creation of a Secretariat on Palliative Care. As this work unfolds, there will be a need for transitional funds to implement best practices and quality standards across Canada. Therefore:

CHA urges the federal government to work with the provinces and territories and national health organization to determine an adequate level of federal funds over a five year period to be used to support needed health system change across the continuum of services, including:

- **Primary Health Care Reform**
- **Health Promotion and Disease Prevention**
- **Mental Health**
- **Palliative Care**

These federal commitments should be made by 2002-03. Some of these federal funds will be distributed to the provinces and territories on a per capita basis, with some funds available for pan-Canadian projects administered by the federal government. Clear objectives for the funds will be established and the federal government and the provinces and territories will be responsible for providing public reports on how they are meeting these objectives.

For decades there have been studies and recommendations regarding the need to transform the health system, to integrate services and broaden our focus to include primary health care, health promotion and disease prevention, and mental health. It is time to stop talking and start acting. With the support of transitional funds the vision of an integrated, responsive health system can be realized.

3.6 Meet Future Needs, Now

New, long-term federal funding is required to ensure that Canadians have access to publicly funded services across the continuum of care, including home, community and long term care services supported by a pharmacare program.

Again, this is not a popular policy position at a time when some health policy analysts and governments are looking at reducing the types of services covered within the publicly funded system. In some cases this is done explicitly by delisting services and in other cases it is done implicitly by reducing access to services.

CHA believes that to be responsive to the changing needs of Canadians, to reflect the realities of where and how health services can be delivered outside of a physician's office

or hospital, and to maintain Canada's publicly funded system as a competitive advantage, the scope of services covered by this system must expand, not contract.

- ◆ **Home, Community and Long Term Care:** Across the country there is a patchwork quilt of home, community and long term care services. Some services are publicly funded (often with co-payments), others are privately funded. Some services are delivered by the public sector, others by the private sector. It is clear that Canadians across this country do not have access to comparable home, community and long term care services. Clearly, federal leadership is required to ensure that Canadians have equitable access to these services no matter where they live. The September 11, 2000 Communiqué on Health provides provincial and territorial commitments to home and community care, but there were no related federal funding announcements.
- ◆ **Pharmacare:** The cost of prescription drugs in Canada is a key driver of the increase in private spending on health services in Canada. There has been much talk over the last few years of establishing some form of a national pharmacare program. Many questions remain to be answered, including: should pharmaceuticals be covered through our publicly funded system? If so, for all Canadians, or only for specific population groups, such as seniors; in all settings, or restricted to specific settings, such as home, acute and palliative care; for all drugs, or only some; and on what basis, through means testing or copayments? The September 11, 2000 Communiqué on Health recognized the need for action on this issue and proposed some initial next steps, however, no money was explicitly targeted to address this issue. Therefore:

CHA urges the federal government to commit at least \$1 billion in 2002-03 to ensure that all Canadians have access to needed health services across the broad continuum of care, including home, community and long term care supported by a pharmacare program.

The federal, provincial and territorial governments will need to develop common objectives or standards of access and quality of care. These objectives could be developed within the Social Union Framework Agreement and the federal government could then commit to providing sufficient funds to enable provinces and territories to meet these common objectives. The initial amount of \$1 billion will need to be reviewed by the federal, provincial and territorial governments to determine the appropriate, ongoing annual contribution of the federal government to support access to a broad continuum of needed services. It is important to note that if a province or territory has an existing program that meets these common objectives, they would be eligible to receive the new federal funding, which could then be used to improve this program or other health services.

While the health systems across the country will continue to be different, reflecting regional needs and realities, the common feature will be adherence to principles agreed upon by the federal, provincial and territorial governments that will ensure that all Canadians have access to needed health services.

3.7 Ensure Access to Health Services on the Basis of Need, Not Ability to Pay

Our publicly funded health system provides health services to Canadians on the basis of their need, not on their ability to pay. You are not denied services if you do not have the money to pay for the services you need. And, by and large, having lots of money does not provide you with better care (though it may buy you a private room, a better wheelchair, or a lighter cast because some services and equipment are not covered in the public system). If access to needed health services were based on the ability to pay, the wealthy would have better access to services than those with greater health needs but no ability to pay. This is not equitable. Yet some are arguing that Canadians should have the right to pay for their health services within a parallel private system. It is not clear where this "extra" money would come from. There is only one pocket: public sector taxes, private sector health insurance and out-of-pocket expenses all come out of the same purse, that of individual Canadians.

Many fear that privatization within our health system is limiting access to some services, reducing the quality of some services, and compromising our competitive advantage in the global economy. CHA's Policy Brief on the private-public Mix in our health system, which will be released in the early Fall, debunks the myths about the need for greater privatization of our health system, and outlines the challenges and opportunities of greater for-profit, private sector funding and delivery within the Canadian health system.

With greater private funding in our health system, we are moving away from the "social safety net" to "survival of the fittest". This can lead to individuals not having equitable access to necessary services. It may result in some individuals not qualifying for private health insurance. It may mean that individuals and families have to make difficult choices between buying needed health services and other necessities of life.

An essential element of being Canadian is supporting the "shared risk" approach to providing health and social services. Canadians believe that "we are in this together". In contrast, the American approach focuses on "individual risk" where the philosophy of "every person for themselves" is the dominant belief. This Canadian value is not merely a motherhood statement. It guides the structure and governance of our society, and it makes good economic sense.

In social policy terms this value means that Canadians support government involvement in areas such as health services so that individual risk is reduced by the shared risk to society. This translates into individual Canadians supporting our publicly funded health system through taxes. And it means that the federal government must wisely allocate these tax dollars to ensure the health needs of Canadians are being met.

This policy framework also has implications in terms of monitoring the private-public mix of funding within our health system to ensure that individuals have access to services on the basis of need, not the ability to pay. Therefore,

CHA urges the federal government to develop mechanisms to monitor the level of private funding within our health system, and to monitor the quality of care provided by both the public and private sectors. To date, few of these mechanisms have been put in place. So, the privatization of our health system continues with few checks and balances.

To better understand the effects of private sector involvement in our health system, it is critical that we explicitly monitor its impact on the accessibility and quality of services.

3.8 Uphold a Strong Federal Role in Health to Achieve Access to Comparable Health Services Across Canada

Understandably, Premiers and Ministers of Health are primarily concerned with ensuring that their own constituencies are well served by their provincial or territorial health system. They do not necessarily have a national vision of health services for all Canadians. It is only the federal level of government that is accountable to all Canadians in terms of achieving access to comparable health services for all Canadians, no matter where they live.

Two key policy instruments the federal government has to ensure this comparability is the inclusion of cash, not just tax points, in the CHST and the constitutional requirement to provide Equalization payments so that all provinces and territories, regardless of their economic base, can provide needed services.

- ◆ **Cash, Not Just Tax Points, are being Transferred to Provinces and Territories for Health Services:** The Canada Health and Social Transfer (CHST) mechanism is used to transfer the value of tax points and cash from the federal government to the provinces and territories for health, post-secondary education and some social services. The tax points (including 13.5 personal income tax points and 1 corporate income tax point) were transferred from the federal to provincial governments in 1977 when the Established Programs Financing (EPF) was introduced to support both health and post-secondary education. Recently, some have argued that the CHST cash transfer should be converted to tax points. While this would result in greater autonomy for some provinces, the overall effect would be to dismantle our national health system in which the federal government, through the clout of federal cash, can exercise some influence on the provinces and territories to provide comparable services to all Canadians, regardless of where they live. Another issue is that the value of the tax points reflects the relative state of the provincial and territorial economies and varies widely across the country. Therefore, based on the economic health of some provinces and the territories, the ability to fund needed health services would be severely compromised. This proposed conversion of the CHST to a total tax point transfer could also be met with considerable constitutional wrangling, since arguably the federal government would not be spending money for health or using its spending power and thus could not legislate conditions or principles for the health system. This would, in effect, mean the end of the Canada Health Act. CHA does not

support the proposal being considered by some political parties and policy analysts to have the federal government transfer more tax points, instead of cash, to the provinces and territories to fund health services.

- ◆ **Equalization Payments:** Canadians must have reasonable access to comparable health and social services regardless of the fiscal capacity of their province or territory. There are widely differing fiscal capacities of governments across the country to provide comparable health services. Since the CHST is based on a per capita formula, other federal transfers are required, such as Equalization payments, to ensure that all Canadians, regardless of where they live, have access to needed health services. The goal of Canada's Equalization Program is to enable all provinces to provide reasonably comparable levels of public services at reasonably comparable levels of taxation. Equalization funding is determined by a legislated formula that annually measures each province's revenue raising capacity against a five-province standard. Two misconceptions about Equalization exist. The first is that equalization is a payment from the rich provinces to poorer ones. In fact, the program is funded entirely by the federal government from revenues it levies uniformly across the country. The second misconception is that equalization automatically compensates for any reductions in other federal transfers to the provinces. In fact, equalization is based solely on a province's own source revenues. (Finance Canada web site, "Federal Equalization" October 1998, 1) CHA believes that Canadians across the country are entitled to comparable health services. Canadians' access to needed health services should not be compromised by differing fiscal capacities of governments across the country. Therefore, the September 11, 2000 announcement of removing the equalization ceiling for one year was welcome news. More discussions will need to take place between the federal, provincial and territorial Ministers of Finance to explore options for addressing this issue over the long term. A commitment to this process would provide some measure of comfort to Canadians that their home province or territory will be able to provide them with the needed level of health services.

Thus, both the CHST tax points and cash floor and the Equalization Program are critical in enabling the federal government to achieve access to comparable health services for all Canadians regardless of where they live. Therefore:

CHA urges the federal government to continue to provide both cash and tax points to the provinces and territories to delivery health services.

CHA urges the federal government to promote the necessity of Equalization payments so that Canadians across the country understand the relevance of these payments in ensuring that everyone has access to services.

This strong federal leadership must be asserted within the broader tapestry of federal-provincial relations and the imperative for cooperation and collaboration between all levels of government.

4.0 SUMMARY OF RECOMMENDATIONS

The Canadian Healthcare Association views the following recommendations as critical to creating a sustainable, publicly funded health system that can be the foundation for global competitiveness, equal opportunity to succeed, and quality of life:

Funding the health system and the broader social infrastructure

1. *CHA urges the federal government to create a both/and (not an either/or) decision making environment, so as to provide leadership in allocating resources that enhance both the health system and the broader social infrastructure.*

Tax cuts and social spending

2. *CHA urges the federal government to consider the relationship of health spending and increased Canadian productivity before determining what further tax cuts may be announced for various income levels.*

Spending on health is an investment

3. *CHA urges the federal government to consider its ongoing, substantial contribution to the health system as an investment in the personal health of Canadians and the economic health of our nation.*

Stabilizing the Existing Health System:

4. *CHA urges the federal government to raise the 2002-03 CHST cash floor (not including the funds allocated for early childhood development) by \$1.1 billion to \$19.8 billion.*
5. *CHA also urges the federal government to explicitly announce its commitment to an annual escalator to apply to the CHST cash floor, beginning in 2003-04.*

Targeting Funds to Meet Urgent Needs:

6. *CHA urges the federal government to work with the provinces and territories and national health organizations to determine an adequate level of federal funds over a five year period to be earmarked as specific, targeted funds for:*

- *Health Human Resources*
- *Medical Equipment and Health Care Technology*
- *Health Information Technology*
- *Health System Accountability*
- *Health Services Infrastructure*
- *Health Services Research And Innovation*
- *Specific Federal Programs*

These federal commitments should start in 2002-03. Some of these federal funds could be distributed to the provinces and territories on a per capita basis, with some funds available for pan-Canadian projects administered by the federal government. Other targeted funds will be for specific federal programs. Clear objectives for the funds must be established, with the federal government and the provinces and territories being responsible for providing public reports on how they are meeting these objectives.

Transitional Funds to Support Appropriate System Change

7. *CHA urges the federal government to work with the provinces and territories and national health organization to determine an adequate level of federal funds over a five year period to be used to support needed health system change across the continuum of services, including:*

- *Primary Health Care Reform*
- *Health Promotion and Disease Prevention*
- *Mental Health*
- *Palliative Care*

These federal commitments should be made by 2002-03. Some of these federal funds will be distributed to the provinces and territories on a per capita basis, with some funds available for pan-Canadian projects administered by the federal government. Clear objectives for the funds will be established and the federal government and the provinces and territories will be responsible for providing public reports on how they are meeting these objectives.

Meeting Future Needs, Now:

8. *CHA urges the federal government to commit at least \$1 billion in 2002-03 to ensure that all Canadians have access to needed health services across the broad continuum of care, including home, community and long term care supported by a pharmacare program.*

The federal, provincial and territorial governments will need to develop common objectives or standards of access and quality of care. These objectives could be developed within the Social Union Framework Agreement and the federal government could then commit to providing sufficient funds to enable provinces and territories to meet these common objectives. The initial amount of \$1 billion will need to be reviewed by the federal, provincial and territorial governments to determine the appropriate, ongoing annual contribution of the federal government to support access to a broad continuum of needed services. It is important to note that if a province or territory has an existing program that meets these common objectives, they would be eligible to receive the new federal funding, which could then be used to improve this program or other health services.

Ensuring Access to Health Services on the Basis of Need, Not Ability to Pay:

9. *CHA urges the federal government to develop mechanisms to monitor the level of private funding within our health system, and to monitor the quality of care provided by both the public and private sectors. To date, few of these mechanisms have been put in place. So, the privatization of our health system continues with few checks and balances.*

Upholding a Strong Federal Role in Health to Achieve Access to Comparable Health Services Across Canada:

10. *CHA urges the federal government to continue to provide both cash and tax points to the provinces and territories to delivery health services.*
11. *CHA urges the federal government to promote the necessity of Equalization payments so that Canadians across the country understand the relevance of these payments in ensuring that everyone has access to services.*

The Canadian Healthcare Association would appreciate an opportunity to address the Standing Committee on Finance to highlight the insight and perspectives of our members regarding these substantive issues and proposed actions.

Creating a sustainable publicly funded health system requires appropriate system change supported by leadership and sufficient federal funds. Canadians expect federal, provincial and territorial governments to work together and with other partners to create a sustainable health system that will be there for them and their families now and in the future.

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