

**Presentation to the House of Commons
Standing Committee on Finance**

Robert Ouellet, MD, CSPQ, FRCPC
President-Elect
Canadian Medical Association

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A healthy population...a vibrant medical profession
Une population en santé...une profession médicale
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The Canadian Medical Association (CMA) is the national voice of Canadian physicians. Founded in 1867, CMA's mission is to serve and unite the physicians of Canada and be the national advocate, in partnership with the people of Canada, for the highest standards of health and health care.

On behalf of its more than 67,000 members and the Canadian public, CMA performs a wide variety of functions, such as advocating health promotion and disease/injury prevention policies and strategies, advocating for access to quality health care, facilitating change within the medical profession, and providing leadership and guidance to physicians to help them influence, manage and adapt to changes in health care delivery.

The CMA is a voluntary professional organization representing the majority of Canada's physicians and comprising 12 provincial and territorial divisions and 45 national medical organizations.



Introduction

It is a pleasure to address the Standing Committee on Finance today as part of your pre-budget consultations.

In keeping with the theme set by the Committee, our presentation — *Tax Incentives for Better Living* — focuses on changing the tax system to better support the health and well being of all Canadians.

Today I will share with you three recommendations improving the health of Canadians and productivity of the Canadian economy:

First, tax incentives for pre-paid long-term care insurance;

Second, tax incentives to retain and recruit more doctors and nurses;

Third, tax incentives to enhance health system productivity and quality improvements.

1. Long Term Care insurance

Canada's population is ageing fast. Yet, long-term care has received little policy attention in Canada. Unlike other countries like the UK and Germany who have systems in place, Canada is not prepared to address these looming challenges.

The first of the baby-boomers will turn 65 in 2011. By 2031, seniors will comprise one quarter of the population – double the current proportion of 13%. The second challenge is the lack of health service labour force that will be able to care for this ageing population.

Long-term care cannot and should not be financed on the same pay-as-you-go basis as medical/hospital insurance. Therefore the CMA urges the Committee to consider either tax-pre-paid or tax-deferred options for funding long-term care. These options are examined in full in the package we have supplied you with today.

2. Improving access to quality care

Canada's physician shortage is a critical issue. Here in Quebec, 1 in 4 people do not have access to a family physician. Overall 3.5 people in Canada do not have a family Physician. Despite this dire shortage, the Canada Student Loans program creates barriers to the training of more physicians.

Medical students routinely begin their postgraduate training with debts of over \$120,000. Although still in training, they must begin paying back their medical school loans as they complete their graduate training. This policy affects both the *kind* of specialty that physicians-in-training choose, and ultimately *where* they decide to practice.

We urge this Committee to recommend the extension of interest-free status on Canada Student Loans for all eligible health professional students pursuing postgraduate training.

3. Health System IT: increasing productivity and quality of care

The last issue I will address is health system automation. Investment in information technology will lead to better, safer and cheaper patient care. In spite of the recent \$400 million transfer to Canada Health Infoway, Canada still ranks at the bottom of the G8 countries in access to health information technologies. We spend just one-third of the OECD average on IT in our hospitals. This is a significant factor with respect to our poor record in avoidable adverse health effects.

An Electronic Health Record (EHR) could provide annual, system-wide savings of \$6.1 billion — every year — and reduce wait times and thereby absenteeism. But, the EHR potential can only be realized if physician's offices across Canada are fully automated.

The federal government could invest directly in physician office automation by introducing dedicated tax credits or by accelerating the capital cost allowance related to health information technologies for patients.

Before I conclude, the CMA again urges the Committee to address a long-standing tax issue that costs physicians and the health care system over \$65 million a year. When you add hospitals — that cost more than doubles to over \$145 million—or the equivalent of 60 MRI machines a year.

The application of the GST on physicians is a consumption tax on a producer of vital services and affects the ability of physicians to provide care to their patients. And now with the emphasis on further sales tax harmonization, the problem will be compounded.

Nearly 20 years ago when the GST was put into place, physician office expenses were relatively low for example: tongue depressors, bandages and small things. There was practically no use computers or information technology. How many of you used computers 20 years ago?

Now Canadian physicians' could be and should be using 21st century equipment that is expensive but powerful. This powerful diagnostic equipment can save lives and save the system millions of dollars in the long run. It provides a clear return on investment.

Yet, physicians still have to pay the GST (and the PST) on diagnostic equipment that costs a minimum of \$500,000 that's an extra \$30,000 that physicians must pay.

The result of this misalignment of tax policy and health policy is that most Radiologists' diagnostic imaging equipment is over 30-years old. Canadians deserve better.

It's time for the federal government to stop taxing health care. We urge the Committee to recommend the "zero-rating" publicly funded health services or to provide one-hundred percent tax rebates to physicians and hospitals.

Conclusion

In conclusion, we trust the Committee recognizes the benefits of aligning tax policy with health policy in order to create the right incentives for citizens to realize their potential.

By supporting:

1. Tax Incentives for Long-Term Care
2. Tax Incentives to Bolster Health Human Resources and,
3. Tax Incentives to Support Health System Automation.

This committee can respond to immediate access to health care pressures that Canadians are facing. Delaying a response to these pressures will have an impact on the competitiveness of our economy now, and with compounding effects in the future.

I appreciate the opportunity of entering into a dialogue with members of the Committee and look forward to your questions.

Thank you.