

CMA Submission

A New Vision for Health Care in Canada: Addressing the Needs of an Aging Population

2016 Pre-budget Submission to the Minister of Finance

The Canadian Medical Association (CMA) is the national voice of Canadian physicians. Founded in 1867, the CMA's mission is helping physicians care for patients.

On behalf of its more than 83,000 members and the Canadian public, the CMA performs a wide variety of functions. Key functions include advocating for 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 over 60 national medical organizations.

The Canadian Medical Association (CMA) is pleased to confirm its strong support for the federal government's health and social policy commitments, as identified in the ministerial mandate letters.

In this brief, the CMA outlines seven recommendations for meaningful and essential federal action to ensure Canada is prepared to meet the health care needs of its aging population. The CMA's recommendations are designed to be implemented in the 2016-17 fiscal year in order to deliver immediate support to the provinces and territories and directly to Canadians.

Immediate implementation of these recommendations is essential given the current and increasing shortages being experienced across the continuum of care in jurisdictions across Canada. In 2014, the CMA initiated a broad consultative initiative on the challenges in seniors care, as summarized in the report *A Policy Framework to Guide a National Seniors Strategy for Canada*. This report highlights the significant challenges currently being experienced in seniors care and emphasizes the need for increased federal engagement.

Finally, if implemented, the CMA's recommendations will contribute to the federal government's strategic commitments in health, notably the commitment to the development of a new Health Accord.

1) Demographic Imperative for Increased Federal Engagement in Health

Canada is a nation on the threshold of great change. This change will be driven primarily by the economic and social implications of the major demographic shift already underway. The added uncertainties of the global economy only emphasize the imperative for federal action and leadership.

In 2015, for the first time in Canada's history, persons aged 65 years and older outnumbered those under the age of 15 years.¹ Seniors are projected to represent over 20% of the population by 2024 and up to 25% of the population by 2036.²

It is increasingly being recognized that the projected surge in demand for services for seniors that will coincide with slower economic growth and lower government revenue will add pressure to the budgets of provincial and territorial governments.³ Today, while seniors account for about one-sixth of the population, they consume approximately half of public health spending.⁴ Based on current trends and approaches, seniors care is forecast to consume almost 62% of provincial/territorial health budgets by 2036.⁵

The latest National Health Expenditures report by the Canadian Institute of Health Information (CIHI) projects that health spending in 2015 was to exceed \$219 billion, or 10.9% of Canada's gross domestic product (GDP).⁶ To better understand the significance of health spending in the national context, consider that total federal program spending is 13.4% of GDP.⁷ Finally, health budgets are now averaging 38% of provincial and territorial global budgets.⁸ Alarming, the latest fiscal sustainability report of the Parliamentary Budget Officer explains that the demands of Canada's aging population will result in "steadily deteriorating finances" for the provinces and territories, who "cannot meet the challenges of population aging under current policy."⁹

Taken together, the indicators summarized above establish a clear imperative and national interest for greater federal engagement, leadership and support for the provision of health care in Canada.

2) Responses to Pre-Budget Consultation Questions

Question 1: How can we better support our middle class?

A) Federal Action to Help Reduce the Cost of Prescription Medication

The CMA strongly encourages the federal government to support measures aimed at reducing the cost of prescription medication in Canada. A key initiative underway is the pan-Canadian Pharmaceutical Alliance led by the provinces and territories. The CMA supports the federal government's recent announcement that it will partner with the provinces and territories as part of the pan-Canadian Pharmaceutical Alliance. **In light of the fact that the majority of working age Canadians have coverage for prescription medication through private insurers¹⁰, the CMA recommends that the federal government support inviting the private health insurance industry to participate in the work of the pan-Canadian Pharmaceutical Alliance.**

Prescription medication has a critical role as part of a high-quality, patient-centred and cost-effective health care system. Canada stands out as the only country with universal health care without universal pharmaceutical coverage.¹¹ It is an unfortunate reality that the affordability of prescription medication has emerged as a key barrier to access to care for many Canadians.

According to the Angus Reid Institute, more than one in five Canadians (23%) report that they or someone in their household did not take medication as prescribed because of the cost during the past 12 months.¹² Statistics Canada's Survey of Household Spending reveals that households headed by a senior spend \$724 per year on prescription medications, the highest among all age groups and over 60% more than the average household.¹³ Another recent study found that 7% of Canadian seniors reported skipping medication or not filling a prescription because of the cost.¹⁴

The CMA has long called on the federal government to implement a system of catastrophic coverage for prescription medication to ensure Canadians do not experience undue financial harm and to reduce the cost barriers of treatment. **As a positive step toward comprehensive, universal coverage for prescription medication, the CMA recommends that the federal government establish a new funding program for catastrophic coverage of prescription medication.** The program would cover prescription medication costs above \$1,500 or 3% of gross household income on an annual basis. Research commissioned by the CMA estimates this would cost \$1.57 billion in 2016–17 (Table 1).

Table 1: Projected cost of federal contribution to cover catastrophic prescription medication costs, by age cohort, 2016-2020 (\$ million)¹⁵

| Age Cohort | 2016 | 2017 | 2018 | 2019 | 2020 | Share of total cost |
|-----------------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| Under 35 years | 113.3 | 116.3 | 119.4 | 122.5 | 125.2 | 7% |
| 35 to 44 years | 177.2 | 183.5 | 190.5 | 197.8 | 204.3 | 11% |
| 45 to 54 years | 290.2 | 291.9 | 298.0 | 299.2 | 301.0 | 18% |
| 55 to 64 years | 383.7 | 400.6 | 417.6 | 433.1 | 444.6 | 25% |
| 65 to 74 years | 309.2 | 328.5 | 348.4 | 369.8 | 391.6 | 21% |
| 75 years + | 303.0 | 315.5 | 329.8 | 345.2 | 360.1 | 20% |
| All ages | 1,566.8 | 1,617.9 | 1,670.5 | 1,724.2 | 1,773.1 | 100% |

B) Deliver Immediate Federal Support to Canada's Unpaid Caregivers

There are approximately 8.1 million Canadians serving as informal, unpaid caregivers with a critical role in Canada's health and social sector.¹⁶ The Conference Board of Canada reports that in 2007, informal caregivers contributed over 1.5 billion hours of home care – more than 10 times the number of paid hours in the same year.¹⁷ The economic contribution of informal caregivers was estimated to be about \$25 billion in 2009.¹⁸ This same study estimated that informal caregivers incurred over \$80 million in out-of-pocket expenses related to caregiving in 2009.

Despite their tremendous value and important role, only a small fraction of caregivers caring for a parent receive any form of government support.¹⁹ Only 5% of caregivers providing care to parents reported receiving financial assistance, while 28% reported needing more assistance than they received.²⁰

It is clear that Canadian caregivers require more support. **As a first step, the CMA recommends that the federal government amend the Caregiver and Family Caregiver Tax Credits to make them refundable.** This would provide an increased amount of financial support for family caregivers. It is estimated that this measure would cost \$90.8 million in 2016–17.²¹

C) Implement a new Home Care Innovation Fund

The CMA strongly supports the federal government's significant commitment to deliver more and better home care services, as released in the mandate letter for the Minister of Health.

Accessible, integrated home care has an important role in Canada's health sector, including addressing alternate level of care (ALC) patients waiting in hospital for home care or long-term care. As highlighted by CIHI, the majority of the almost 1 million Canadians receiving home care are aged 65 or older.²² As population aging progresses, demand for home care can be expected to increase.

Despite its importance, it is widely recognized that there are shortages across the home care sector.²³ While there are innovations occurring in the sector, financing is a key barrier to scaling up and expanding services. **To deliver the federal government's commitment to increasing the availability of home care, the CMA recommends the establishment of a new targeted home care innovation fund.** As outlined in the Liberal Party of Canada's election platform, the CMA recommends that the fund deliver \$3 billion over four years, including \$400 million in the 2016-17 fiscal year.

Question 2: What infrastructure needs can best help grow the economy...and meet your priorities locally?

Deliver Federal Investment to the Long-term Care Sector as part of Social Infrastructure

All jurisdictions across Canada are facing shortages in the continuing care sector. Despite the increased availability of home care, research commissioned for the CMA indicates that demand for continuing care facilities will surge as the demographic shift progresses.²⁴

In 2012, it was reported that wait times for access to a long-term care facility in Canada ranged from 27 to over 230 days. More than 50% of ALC patients are in these hospital beds because of the lack of availability of long-term care beds²⁵. Due to the significant difference in the cost of hospital care (approximately \$846 per day) versus long-term care (\$126 per day), the CMA estimates that the

shortages in the long-term care sector represent an inefficiency cost to the health care system of \$2.3 billion a year.²⁶

Despite the recognized need for infrastructure investment in the continuing care sector, to date, this sector has been unduly excluded from federal investment in infrastructure, namely the Building Canada Plan. **The CMA recommends that the federal government include capital investment in continuing care infrastructure, including retrofit and renovation, as part of its commitment to invest in social infrastructure.** Based on previous estimates, the CMA recommends that \$540 million be allocated for 2016–17 (Table 2), if implemented on a cost-share basis.

Table 2: Estimated cost to address forecasted shortage in long-term care beds, 2016–20 (\$ million)²⁷

| | Forecasted shortage in long term care beds | Estimated cost to address shortage | Federal share to address shortage in long term care beds (based on 1/3 contribution) |
|--------------|--|------------------------------------|--|
| 2016 | 6,028 | 1,621.5 | 540.5 |
| 2017 | 6,604 | 1,776.5 | 592.2 |
| 2018 | 8,015 | 2,156.0 | 718.7 |
| 2019 | 8,656 | 2,328.5 | 776.2 |
| 2020 | 8,910 | 2,396.8 | 798.9 |
| Total | 38,213 | 10,279.3 | 3,426.4 |

In addition to improved delivery of health care resources, capital investment in the long-term care sector would provide an important contribution to economic growth. According to previous estimates by the Conference Board of Canada, the capital investment needed to meet the gaps from 2013 to 2047 would yield direct economic benefits on an annual basis that include \$1.23 billion contribution to GDP and 14,141 high value jobs during the capital investment phase and \$637 million contribution to GDP and 11,604 high value jobs during the facility operation phase (based on an average annual capital investment).

Question 3: How can we create economic growth, protect the environment, and meet local priorities while ensuring that the most vulnerable don’t get left behind?

Deliver new Funding to Support the Provinces and Territories in Meeting Seniors Care Needs

Canada’s provincial and territorial leaders are struggling to meet health care needs in light of the demographic shift. This past July, the premiers issued a statement calling for the federal government to increase the Canada Health Transfer (CHT) to 25% of provincial and territorial health care costs to address the needs of an aging population.

It is recognized that as an equal per-capita based transfer, the CHT does not currently account for

population segments with increased health needs, specifically seniors. The CMA was pleased that this issue was recognized by the Prime Minister in his letter last spring to Quebec Premier Philippe Couillard.

However, the CMA is concerned that an approach to modify the transfer formula would potentially delay the delivery of federal support to meet the needs of an aging population. As such, rather than the transfer formula, the CMA has developed an approach that delivers support to jurisdictions endeavoring to meet the needs of their aging populations while respecting the transfer arrangement already in place.

The CMA commissioned the Conference Board of Canada to calculate the amount for the top-up to the CHT using a needs-based projection. The amount of the top-up for each jurisdiction is based on the projected increase in health care spending associated with an aging population.

To support the innovation and transformation needed to address the health needs of the aging population, the CMA recommends that the federal government deliver additional funding on an annual basis beginning in 2016–17 to the provinces and territories by means of a demographic-based top-up to the Canada Health Transfer (Table 3). For the fiscal year 2016–17, this top-up would require \$1.6 billion in federal investment.

Table 3: Allocation of the federal demographic-based top-up, 2016–20 (\$million)²⁸

| Jurisdiction | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| All of Canada | 1,602.1 | 1,663.6 | 1,724.2 | 1,765.8 | 1,879.0 |
| Ontario | 652.2 | 677.9 | 692.1 | 708.6 | 731.6 |
| Quebec | 405.8 | 413.7 | 418.8 | 429.0 | 459.5 |
| British Columbia | 251.6 | 258.7 | 270.3 | 270.1 | 291.3 |
| Alberta | 118.5 | 123.3 | 138.9 | 141.5 | 157.5 |
| Nova Scotia | 53.6 | 58.6 | 62.3 | 64.4 | 66.6 |
| New Brunswick | 45.9 | 50.7 | 52.2 | 54.1 | 57.2 |
| Newfoundland and Labrador | 29.7 | 30.5 | 33.6 | 36.6 | 46.1 |
| Manitoba | 28.6 | 30.6 | 33.5 | 32.5 | 36.6 |
| Saskatchewan | 3.5 | 4.9 | 7.3 | 12.7 | 15.4 |
| Prince Edward Island | 9.1 | 9.7 | 10.6 | 10.9 | 11.5 |
| Yukon | 1.4 | 2.6 | 2.1 | 2.5 | 2.5 |

Question 4: Are the Government's new priorities and initiatives realistic; will they help grow the economy?

Ensure Tax Equity for Canada's Medical Professionals is Maintained

Among the federal government's commitments is the objective to decrease the small business tax rate from 11% to 9%. The CMA supports this commitment to support small businesses, such as medical practices, in recognition of the significant challenges facing this sector. However, it is not clear whether as part of this commitment the federal government intends to alter the Canadian-Controlled Private Corporation (CCPC) framework. The federal government's framing of this commitment, as released in the mandate letter for the Minister of Small Business and Tourism, has led to confusion and concern.

Canada's physicians are highly skilled professionals, providing an important public service and making a significant contribution to our country's knowledge economy. Canadian physicians are directly or indirectly responsible for hundreds of thousands of jobs across the country, and invest millions of dollars in local communities, ensuring that Canadians are able to access the care they need, as close to their homes as possible.

In light of the design of Canada's health care system, the majority of physicians are self-employed professionals and effectively small business owners. As self-employed small business owners, they typically do not have access to pensions or health benefits. In addition, as employers, they are responsible for these benefits for their employees.

In addition to managing the many costs associated with running a medical practice, Canadian physicians must manage challenges not faced by many other small businesses. As highly-skilled professionals, physicians typically enter the workforce with significant debt levels and at a later stage in life. For some, entering practice after training requires significant investment in a clinic or a practice.

Finally, it is important to recognize that physicians cannot pass on the increased costs introduced by governments, such as changes to the CCPC framework, onto patients, as other businesses would do with clients.

For a significant proportion of Canada's physicians, the CCPC framework represents a measure of tax equity for individuals taking on significant personal financial burden and liability as part of our public health care system. As well, in many cases, practices would not make economic sense if the provisions of the CCPC regime were not in place. Given the importance of the CCPC framework to medical practice, changes to this framework have the potential to yield unintended consequences in health resources, including the possibility of reduced access to much needed care.

The CMA recommends that the federal government maintain tax equity for medical professionals by affirming its commitment to the existing framework governing Canadian-Controlled Private Corporations.

3) Conclusion

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

Summary of Recommendations

1. The CMA recommends that the federal government establish a new funding program for catastrophic coverage of prescription medication; this would be a positive step toward comprehensive, universal coverage for prescription medication.
2. The CMA recommends that the federal government support inviting the private health insurance industry to participate in the work of the pan-Canadian Pharmaceutical Alliance.
3. The CMA recommends that the federal government amend the Caregiver and Family Caregiver Tax Credits to make them refundable.
4. To deliver the federal government's commitment to increasing the availability of home care, the CMA recommends the establishment of a new targeted home care innovation fund.
5. The CMA recommends that the federal government include capital investment in continuing care infrastructure, including retrofit and renovation, as part of its commitment to invest in social infrastructure.
6. The CMA recommends that the federal government deliver additional funding on an annual basis beginning in 2016–17 to the provinces and territories by means of a demographic-based top-up to the Canada Health Transfer.
7. The CMA recommends that the federal government maintain tax equity for medical professionals by affirming its commitment to the existing framework governing Canadian-Controlled Private Corporations.

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