

ALIGNING HEALTH AND ECONOMIC POLICY IN THE INTEREST OF CANADIANS

CMA's 2004 Pre-Budget Submission to the Standing Committee on Finance

November 18, 2004

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EXECUTIVE SUMMARY

For the past several years, the Canadian Medical Association (CMA) has been delivering two overall messages to the Standing Committee on Finance. First, we believe that Canadians' health and their health care system must be recognized as ongoing priorities. Second, we have been making the case that economic policy, including tax policy, must be better aligned with national health policy.

This year's brief provides specific examples of how the federal government can take action to address both of these issues. We begin with an assessment or a "check up" of the health of our health system. We then provide constructive suggestions on how to successfully implement the health agreement reached at the September 13-15, 2004 meeting of First Ministers. Finally, we draw attention to the need for continued investments in public health and healthy public policy.

Canadians remain increasingly concerned about the future state of their health care system, particularly in terms of accessing essential care. While their health status has improved over the past decades, international comparisons suggest there is considerable room for improvement. The significant announcements made over the past year related to reinvestments in health care and public health are a welcomed start to support health stakeholders in facing these challenges. The next steps must build on this progress.

INVESTING IN HEALTH CARE

Build on The First Ministers Meeting Agreement

In terms of health care, we must begin by noting that the First Ministers Meeting Agreement (FMM Agreement) was a significant achievement. It represents a positive policy framework to run with, but it must now receive the necessary fiscal, political and legislative follow-through. Legislation should be enacted that specifies the accountability framework for the Agreement. The Wait Times Reduction Fund should be subject to contribution agreements that specify how provinces and territories will use their share of this fund to reduce wait times. Critical to future success is the need for health care stakeholders to be actively involved with all facets of the Agreement, particularly in developing clinically derived wait time benchmarks.

Make Health Human Resources a Priority

At the same time, the federal government can do more to address accessibility to health care services by making a stronger commitment to increasing Canada's health human resources capacity. Several strategies are outlined in this brief, beginning with the need to ensure that the Wait Times Reduction Fund in the FMM Agreement is used immediately to address the crisis in health human resources rather than in the last four years of the ten-year Agreement as currently projected.

One specific health human resources strategy that the federal government should pursue is providing greater support for the training of students in health care professions as part of an overall health human resources strategy. High student debt is a key health human resource issue. It is estimated that, by the time medical students enter their pre-practice postgraduate training period, many are doing so with a debt of at least \$120,000 or more. This high debt load is affecting both the *kind* of specialty that physicians-in-training choose, and ultimately *where* they decide to practice. As a result, the CMA calls upon the federal government to implement a national strategy to extend the Canada Student Loans interest payment benefit to eligible health professional students pursuing postgraduate training. Such action would provide a fairer approach and would alleviate some of the problems associated with our current training system of health professionals.

ALIGNING TAX POLICY WITH HEALTH POLICY

The CMA has highlighted the need to better align tax policy with national health policy goals for some time and we believe this challenge remains a priority. One example of where tax policy and health policy can be better aligned is how the GST is currently applied to the health care sector and to physicians—something the Finance Committee has acknowledged in previous reports.

Hospitals in Canada must still pay a portion of the GST on their purchase of goods and services siphoning away millions of dollars that would otherwise be used for patient care. The federal government recognized in the 2004 budget the need to provide a full GST rebate to municipalities, one of the four sectors covered by the so-called "MUSH" formula (Municipalities, Universities, Schools and Hospitals). We call on the government to apply the same logic and provide a full GST rebate to the health care sector.

Another problem exists with how the GST is applied to independent health professionals, such as physicians, providing care to Canada's publicly funded system. By virtue of being "tax exempt" under *The Excise Act*, physicians cannot claim any input tax credits to offset the GST costs they pay on their purchases of equipment, rent and utilities. Unlike other self-employed people, physicians cannot pass on any of these additional costs. This is a fundamental issue of tax fairness. It can be resolved by zero rating the GST on publicly funded health services provided by independent health providers thereby making them eligible to receive input tax credits.

INVESTING IN HEALTH

This past year saw many positive developments made to Canada's public health system. The CMA was pleased to see the creation of the position of Minister of State, Public Health. We commend the Government of Canada for its establishment of the Public Health Agency of Canada and for its selection of Dr. David Butler-Jones as the new Chief Public Health Officer of Canada.

However, the government must continue to reinvest in public health to ensure that the country has a system that earns the trust of Canadians. Investing in public health also makes good economic policy. We have seen in recent years the incredible economic impact that public health outbreaks can have on a country's economy.

Close the Naylor Gap in Public Health

The National Advisory Committee on SARS and Public Health (the Naylor Report) estimated that approximately \$1 billion in annual funding is required to implement and sustain the public health programming that Canada requires. While representing an important reinvestment in this country's public health system, the funding announced in the 2004 Budget falls well short of this basic requirement. Accordingly, the CMA calls on the federal government to address the \$450 million "Naylor Gap" as soon as possible.

Establish National Health Goals

Guiding this country's efforts to improve the health of Canadians should be the establishment and monitoring of national health goals. Thus, the CMA fully supports the First Ministers' call to establish a Pan-Canadian Public Health Strategy that includes the setting of health goals that are independently monitored. These goals should also cover environmental health goals given their direct implication on Canadians' health status.

Invest in Health Not Tobacco

Another key area for the CMA where current economic policy is not aligned with national health policy is the Canada Pension Plan's investment in tobacco stocks. Despite the fact that tobacco continues to kill approximately 45,000 Canadians a year and costs Canadian society approximately \$11 billion per year in net cost, the Canada Pension Plan continues to invest millions (\$94 million) in the tobacco industry. We strongly believe that the CPP Investment Board should be prohibited from investing in the tobacco industry and that it divest its current tobacco holdings. Other major pension and investment plans have successfully executed this policy including the MD Funds held for Canada's physicians at MD Management Ltd. a wholly-owned subsidiary of CMA. Accordingly, we call on the Standing Committee on Finance along with the Standing Committee on Health to jointly review the CPP investment policy as it relates to investments in tobacco.

The FMM Agreement and last year's funding announcements for public health must be seen as for what they are—first steps to sustaining Canada's health care system and its public health infrastructure. Canada's physicians and the CMA are committed to working with governments and other health care stakeholders to ensure that these financial investments lead to positive and enduring change, and ultimately improved health for all Canadians.

RECOMMENDATIONS

Recommendation 1

The federal government move quickly to enact legislation to implement the funding and accountability provisions of the First Ministers' Agreement. The legislation should specify that the \$4.5 billion Wait Times Reduction Fund be subject to contribution agreements with the provinces and territories.

Recommendation 2

The federal government work with relevant stakeholders to extend interest free status on Canada Student Loans for all eligible health professional students pursuing postgraduate training.

Recommendation 3

As part of an effort to ensure that its tax policy is consistent with the goals of its health policy and the sustainability of Canada's health care system, the federal government should:

- **increase the GST rebate for publicly funded health care institutions and clinics to 100% (\$90 million annually for hospitals)**
- **zero rate GST on publicly funded health services provided by independent health care providers (\$75 million annually for medical services).**

Recommendation 4

The Standing Committees on Finance and Health hold a joint review of the CPP policy as it relates to investments in tobacco (both current and potential) by the CPP Investment Board.