CMA's Submission to the House of Commons Standing Committee on Finance, 2015 Pre-budget Consultations

Federal Leadership to Support an Aging Population

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ASSOCIATION MÉDICALE CANADIENNE
CANADIAN MEDICAL ASSOCIATION

Helping physicians care for patients
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Canada is a nation on the precipice 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 this brief, the Canadian Medical Association (CMA) is pleased to present four recommendations to the House of Commons Standing Committee on Finance for meaningful federal action in support of a national seniors strategy; these are essential measures to prepare for an aging population.

Canada's demographic and economic imperative

In 2011 the first of wave of the baby boomer generation turned 65 and Canada's seniors population stood at 5 million.[1] By 2036, seniors will represent up to 25% of the population.[2] The impacts of Canada's aging population on economic productivity are multi-faceted. An obvious impact will be fewer workers and a smaller tax base. Finance Canada projects that the number of working-age Canadians for every senior will fall from about 5 today to 2.7 by 2030.[3]

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. Consider that 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 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 and they "cannot meet the challenges of population ageing under current policy."[6]

Theme 1: Productivity

A) New federal funding to provincial/territorial governments

Canada's provincial and territorial leaders are aware of the challenges ahead. This July, the premiers issued a statement calling for the federal government to increase the Canada Health Transfer to 25% of provincial and territorial health care costs to address the needs of an aging population.

To support the innovation and transformation needed to address these needs, 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 1). For the fiscal year 2016–17, this top-up would require $1.6 billion in federal investment.

Table 1: Allocation of the federal demographic-based top-up, 2016–20 ($million)[7]

Jurisdiction	2016	2017	2018	2019	2020
All of Canada	1,602.1	1,663.6	1,690.6	1,690.3	1,879.0
Newfoundland and Labrador	29.7	30.5	33.6	35.3	46.1
Prince Edward Island	9.1	9.7	10.6	10.6	11.5
Nova Scotia	53.6	58.6	62.3	61.9	66.6
New Brunswick	45.9	50.7	52.2	52.0	57.2
Quebec	405.8	413.7	418.8	410.2	459.5
Ontario	652.2	677.9	692.1	679.0	731.6
Manitoba	28.6	30.6	33.5	31.1	36.6
Saskatchewan	3.5	4.9	7.3	11.9	15.4
Alberta	118.5	123.3	138.9	134.9	157.5
British Columbia	251.6	258.7	270.3	258.4	291.3
Yukon	1.4	2.6	2.1	2.4	2.5
Northwest Territories	1.4	1.6	1.7	1.7	2.1
Nunavut	0.9	0.6	0.8	0.9	1.0

B) Federal support for catastrophic drug coverage

A major gap in Canada's universal health care system is the lack of universal access to prescription medications, long recognized as the unfinished business of medicare. Canada stands out as the only country with universal health care without universal pharmaceutical coverage.[8]

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.[9] 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.[10] Another recent study found that 7% of Canadian seniors reported skipping medication or not filling a prescription because of the cost.[11]

In addition to the very real harms to individuals, lack of coverage contributes to the inefficient use of Canada's scarce health resources. While there are sparse economic data in Canada on this issue, earlier research indicated that this inefficiency, which includes preventable hospital visits and admissions, represents an added cost of between $1 billion and $9 billion

annually.[12]

As an immediate measure to support the health of Canadians and the productivity of the health care sector, 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 $1.48 billion in 2016–17 (Table 2). This would be a positive step toward comprehensive, universal prescription drug coverage.

Table 2: Projected cost of federal contribution to cover catastrophic prescription medication costs, by age cohort, 2016-2020 ($ million)[13]

Age cohort	2016	2017	2018	2019	2020	Share of total cost
Under 35 years	107.0	107.6	108.2	108.8	109.3	7%
35 to 44 years	167.4	169.8	172.7	175.7	178.4	11%
45 to 54 years	274.2	270.2	270.2	265.7	262.8	18%
55 to 64 years	362.5	370.7	378.6	384.6	388.2	25%
65 to 74 years	292.1	304.0	315.8	328.4	341.9	21%
75 years +	286.3	292.0	299.0	306.6	314.4	20%
All Ages	**1,480.4**	**1,497.2**	**1,514.2**	**1,531.2**	**1,548.1**	**100%**

Theme 2: Infrastructure and communities

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.[14]

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. It is estimated that 85% of "alternate level of care" patients in hospitals (i.e., patients who do not require hospital-level care) are in these beds because of the lack of availability of long-term care. 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 increased cost of $2.3 billion.

Despite the recognized need for infrastructure investment in the continuing care sector, to date, this sector has been excluded from the Building Canada Plan. The CMA recommends that the federal government amend the criteria of the Building Canada Plan to include capital investment in continuing care infrastructure, including retrofit and renovation. Based on

previous estimates, the CMA recommends that $540 million be allocated for 2016–17 (Table 3).

Table 3: Estimated cost to address forecasted shortage in long-term care beds, 2016–20 ($ million)[15]

	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

Theme 3: Jobs

As previously mentioned, Canada's aging population will produce significant changes in the labour force. There will be fewer Canadian workers, each with a greater likelihood of having caregiving responsibilities for family and friends.

According to the report of the federal Employer Panel for Caregivers, Canadian employers "were surprised and concerned that it already affects 35% of the Canadian workforce."[16] This report highlights key findings of the 2012 General Social Survey: 1.6 million caregivers took leave from work; nearly 600,000 reduced their work hours; 160,000 turned down paid employment; and, 390,000 quit their jobs to provide care. It is estimated that informal caregiving represents $1.3 billion in lost workforce productivity. These costs will only increase as Canada's demographic shift progresses.

In parallel to the increasing informal caregiving demands on Canadian workers, Canada's aging population will also increase the demand for personal care workers and geriatric competencies across all health and social care professions.[17]

Theme 4: Taxation

The above section focused on the economic costs of caregiving on the workforce. The focus of this section will be on the economic value caregivers provide while they take on an increased economic burden.

Statistics Canada's latest research indicates that 8.1 million Canadians are informal caregivers, 39% of whom primarily care for a parent.[18] 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.[19] The economic contribution of informal caregivers was estimated to be about $25 billion in 2009.[20] 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 received any form of government support.[21] Only 5% of caregivers providing care to parents reported receiving financial assistance while 28% reported needing more assistance than they received.[22]

As a first step to providing increased support for Canada's family caregivers, 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 will cost $90.8 million in 2016–17.[23]

Conclusion

The CMA recognizes that in the face of ongoing economic uncertainty the federal government may face pressures to avoid new spending initiatives. The CMA strongly encourages the federal government to adopt the four recommendations outlined in this submission rather than further delay making a meaningful contribution to meeting the future care needs of Canada's aging population. The CMA would welcome the opportunity to provide further information and its rationale for each recommendation.

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[4] Canadian Institute for Health Information. *National health expenditure trends, 1975 to 2014*. Ottawa: The Institute; 2014. Available: www.cihi.ca/web/resource/en/nhex_2014_report_en.pdf
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[13] *Supra* at note 7.
[14] Conference Board of Canada. Research commissioned for the CMA, January 2013.
[15] *Ibid.*
[16] Government of Canada. Report from the Employer Panel for Caregivers: when work and caregiving collide, how employers can support their employees who are caregivers. Available: www.esdc.gc.ca/eng/seniors/reports/cec.shtml
[17] Stall S, Cummings G, Sullivan T. Caring for Canada's seniors will take our entire health care workforce. Available: http://healthydebate.ca/2013/09/topic/community-long-term-care/non-md-geriatrics
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[20] Hollander MJ, Liu G, Chappeel NL. Who cares and how much? The imputed economic contribution to the Canadian health care system of middle aged and older unpaid caregivers providing care to the elderly. *Healthc Q.* 2009;12(2):42-59.
[21] *Supra* at note 16.
[22] *Ibid.*
[23] *Supra* at note 7.