



Mythbusters

FEDERAL
HEALTH
TRANSFERS
April 2014

In the interest of generating a national debate on the federal decision to allow the Health Accord to expire, the Canadian Health Coalition encouraged Canadians to contact Members of Parliament to share their concerns. Several government MPs used arguments we find misleading in replying to their constituents. Here are some examples.

"Unfortunately there have been a lot of rumors and misinformation spread about federal health transfers by those with a political motive to confuse the facts."

FACT: Canadians are concerned about federal health transfers not for political reasons but because they understand that changes to the federal funding of health transfers will result in significant cuts and will harm our health care system. This fact is supported by the government's own Parliamentary Budget Office (PBO), which said these federal funding changes will download billions of dollars of health care costs on the provinces and will create an enormous 'fiscal gap' between the federal and other levels of government.¹

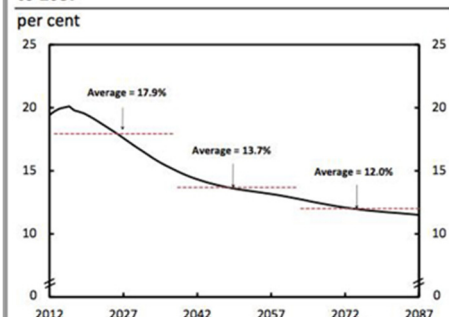
"Our Government is committed to a publicly funded, universally accessible health care system founded on the principles of the Canada Health Act."

FACT: If the current federal government was committed to the principles of the Canada Health Act, it would: a) maintain a funding formula that ensures poorer provinces have the funds to provide universal access to quality services; b) enforce the ban on extra-billing by physicians and user fees for insured services; and c) stop promoting the expansion of privatized for-profit delivery of health services because the principles that regulate the market are in blunt opposition to the principles of the Canada Health Act.

"These record transfers are providing long-term, stable funding so that our health care system is there when Canadians need it."

FACT: Many Canadians are not currently receiving health care when they need it. This is especially true for Canada's seniors who often receive sub-standard care. The federal share of health care spending will drop dramatically at the very time Canada's population is aging. This will place enormous financial strains on provincial and territorial governments. According to the PBO, the share of federal transfers in health spending will fall from the current level of 20% to below 12%.² Canadians need a national drug plan and a public home care system. This won't happen without federal leadership. Writing 13 shrinking cheques is not leadership.

Figure 5-5
Share of federal transfers in health spending, 2012 to 2087



Sources: Office of the Parliamentary Budget Officer, Canadian Institute for Health Information, Statistics Canada.

“In 2011, our Government announced a major new investment in health care, and committed to continued growth in health transfers to the provinces and territories. Our plan has provided record growth to all provinces, and these transfers will continue to grow by 6% every year for the next three years.”

FACT: On December 19th, 2011, two major changes to the federal health funding formula were announced. Beginning in 2017, the growth rate in federal health transfers will be lowered from 6% and tied to nominal GDP growth with a minimum of 3%. This could cut the federal health transfer to provinces and territories by up to \$36 billion over a 10-year period (2017-2027).³ The second change in funding was implemented in the 2014 federal budget. It replaced the needs-based funding with a per capita one. This will reduce federal equalization transfers to the provinces and territories by \$3.5 billion this year and by \$16.5 billion over the next 5 years. These cuts in transfers will make planning almost impossible. Meanwhile, the federal government pretends there will be no cuts.⁴

“Our Government is working with all the provinces and territories to ensure the health care system is sustainable and delivering the care that Canadians need.”

FACT: The current federal government walked away from the National Pharmaceutical Strategy in the 2004 Health Accord when it took office. Instead of working with provinces and territories to ensure access to medications for all regardless of where they live or work, the federal government fixes the price of new prescription drugs 30% higher than the OECD average. This means Canadians are paying billions of dollars a year more than they should and millions of people are going without because they can't afford to pay. The federal government is also promoting a trade agreement with Europe that could add an extra \$1.6 billion annually to our drug bill. These federal pharmaceutical policies undermine the sustainability of the health care system and deny millions of Canadians access to the care they need.

REFERENCES

¹ Parliamentary Budget Office, Fiscal Sustainability Report 2013, Ottawa, September 26, 2013, p. 3. www.pbo-dpb.gc.ca/files/files/FSR_2013.pdf

² Ibid. p. 18.

³ Council of the Federation Working Group on Fiscal Arrangements, July 2012. www.conseildelafederation.ca/en/featured-publications/76-premiers-support-national-disaster-mitigation-funding-program

⁴ Ibid.

“Unlike the previous Liberal Government which gutted healthcare funding we have increased healthcare funding to historic levels.”

FACT: Of course health care costs keep growing, here and everywhere in the world, as the economy grows transfers grow but the current federal government is transferring up to \$36 billion less than they would under the formula in the previous accord. It will contribute an historic low of the total costs of Medicare – under 12% from the current 20%. This unilateral change in the funding formula hits poorer provinces hardest. Furthermore, tying increases to economic growth means that in hard times, when health needs increase and provincial capacity to meet those needs is weakest, the federal government contribution will decline. Taken together this is a formula for fragmentation, inequity, and a race to the bottom.

“Health care is a matter of provincial and territorial jurisdiction.”

FACT: Health care is primarily a provincial responsibility but the federal government has specific responsibilities as well – including Aboriginal health, health protection and promotion, health research and science. This is why they must be at the table. Most importantly the federal government is responsible for ensuring Canadians' mobility rights and their equal access to essential services of reasonably comparable quality. The federal government must lead if we are to close the gaps in access to essential health services and secure Medicare for future generations.