



Premiers Propose Alternative to Prime Minister's Offer

OTTAWA, September 14, 2004 – Premiers released today a new proposal to achieve a national health agreement that would deliver real and positive change for Canadians.

The Premiers' proposal clearly commits all governments to meaningful reductions in wait times in priority areas such as cancer, heart, diagnostic imaging, joint replacement, and sight restoration. The Premiers' proposal guarantees that federal funding support reaches 25 per cent (\$3.9B in 2004-05) of provincial-territorial spending and stays there. It also includes additional funding to support medical travel in the territories and Labrador, and a pharmacare strategy that addresses the need for a national formulary, bulk purchasing, improved prescribing and a further contribution to catastrophic coverage. Quebec will maintain its own formulary. In total, this would cost the federal government \$5.2 billion this year.

“It is always our goal to provide timely access to quality care; this is what Canadians expect and that's why we need the federal share to rise to and remain at 25 per cent”, said Dalton McGuinty, Ontario Premier and Chair of the Council of the Federation. “But the bottom line is that the current federal offer adds only \$2 billion a year to health care delivery.”

First Ministers are in agreement on the need to strengthen Equalization. Accordingly, the Premiers' proposal also addresses Equalization. Premiers call on the Prime Minister to convene a First Ministers' Meeting in advance of the next federal budget to address the fiscal pressures all governments are facing, as he committed in his letter to the Chair of the Council of the Federation on June 14. This should be preceded by a meeting of federal-provincial/territorial Finance Ministers to develop options for review by First Ministers. Until a meaningful strengthening of Equalization is achieved, the federal government must restore the program to its 2000-01 level of \$10.9 billion.

The federal government yesterday announced a framework offer over ten years to address provincial and territorial concerns over health and Equalization. However, the federal offer overstates the new funding that it would provide and is inadequate to address the cost to the provinces of the mandated reforms. Over the 6 years of the agreement, the provinces and territories estimate that federal reforms will cost them \$45 to \$50 billion, compared to new health funding of only \$12 billion. Over this same timeframe, the provinces and territories will spend close to \$570 billion on health care.

To arrive at its inflated estimate of new funding, the federal government assumes that Equalization and Territorial Formula Financing payments would have been frozen at 2004-05 levels for the next ten years. Provinces have estimated that payments would have grown by \$18 billion under its current structure over the next ten years. The federal government used a similar methodology which over-estimates new Canada Health Transfer funding by assuming that health care transfers, under the current system, would not increase after 2010-11.

Premiers are disappointed that discussions about the financing of health and Equalization and territorial formula financing are being conducted with such little preparation and transparency on the part of the federal government. “Canadians are expecting, at a minimum, that the federal government be forthright about its proposal”, said Quebec Premier Jean Charest. Premiers also reminded the federal government that \$18 billion over ten years, less than \$2 billion a year, is insufficient to “fix health care for a generation”. The federal government can afford this. The Liberal platform projects the federal surplus to be \$55 billion over the next 5 years, while a number of provinces are expected to remain in chronic deficit. It is also widely acknowledged that the federal government has under-estimated its surplus to the tune of \$40 billion over the last 5 years.

The federal Liberal election platform proposed funding to reduce wait times, particularly in the areas of cancer, heart, diagnostic imaging, joint replacements, and sight restoration; home care; and primary care reform. These are desirable goals that we all share. However, provinces and territories have estimated that this ambitious proposal would require \$45 - \$50 billion in new spending over 6 years for wait lists, primary care and homecare, while the federal Liberal platform set out only \$4 billion for wait times and \$2 billion for a national home care strategy.

Making these proposals operational would be a complex matter and costing it at the national level is made more difficult given differing states of advancement in these areas across the country. For example, the cost of reducing the wait times for cancer, just one of the “Five In Five”, would be between \$3.5 billion and \$4 billion. The costs associated with the proposals in the Liberal platform are about 4 to 5 times higher than the funding proposed by the federal government for these purposes. The federal Liberal platform also proposed a “nationwide approach to provide all Canadians with a basic level of [drug] coverage, including catastrophic protection, and to contain pharmaceutical costs,” but no estimates of cost.

Premiers remain committed to reaching an agreement with the federal government that is reasonable, fiscally responsible and addresses the health needs of Canadians.

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Provincial-Territorial Background

OTTAWA, September 14, 2004 – Premiers today unveiled a revised proposal in their negotiations with the federal government to achieve a national health agreement that would deliver real positive change for Canadians.

Premiers' Niagara-on-the-Lake Proposal

- **Annual Cost to the federal government: \$13.1 billion (2004/05)**
 - Federal share reaches 25 per cent and remains there (\$3.9B in 2004-05)
 - Comprehensive pharmacare (\$7.5B in 2004-05)
 - Medical travel in the Territories and Labrador (\$75M in 2004-05)
 - Equalization restoration to 2000-01 and meaningful strengthening going forward (\$1.3B in 2004-05)
 - Territorial Financing Formula – restoration of cuts to base (\$300M in 2004-05)

September 13/04 Federal Offer

- **Annual cost to federal government: averages \$2.1 billion for new health funding and \$1.2B annually for Equalization/TFF**
- **Territorial Health Access Fund: \$30 million annually for 5 years**
- **Actual cost to provinces/territories of federal commitments: \$11.5B annually**
 - Three jurisdictions estimate the cost of the federal election platform for wait time, primary care and home care to be approximately \$8B per year.
 - Catastrophic drug commitment (\$3.5B annually)

Premiers' Revised Proposal on Health (September 14, 2004)

- **Annual cost to the federal government: \$5.2 billion (2004/05)**
 - Federal share of total PT health spending to increase from 20 per cent to 25 per cent immediately and remains there (\$3.9B in 2004-05)
 - National pharmacare strategy, including formulary, purchasing and utilization, and a further contribution to catastrophic coverage (\$1.0 B in 2004-05).
 - Medical travel in the Territories and Labrador (\$75M per year)
 - Territorial Financing Formula – restoration of cuts to base (\$300M in 2004-05)

Health Funding Facts

- Annual increases in total provincial-territorial health spending average 7%.
- The federal proposal represents 2% of total annual PT health spending.
- The Premiers' new proposal would represent 6% of total annual PT health spending.
- The Premiers' new proposal will require the federal government to increase the allocation for its health transfer to PTs from 12% of its budget to 15%.
- Health spending averages greater than 40% of all PT program spending.
- Over the next 6 years, the provinces and territories will spend close to \$570 billion on health care, an average of \$95 billion annually.

Premiers' Proposal on Equalization

- As Prime Minister Martin committed in his letter to the Chair of the Council of the Federation on June 14, a First Ministers' Meeting in advance of the next federal budget to discuss the fiscal pressures all governments are facing.
- Until a meaningful strengthening of Equalization is achieved, restore the program to its 2000-01 level of \$10.9 billion.