



Rebalancing

the Health Care Funding Partnership



THE TOP PRIORITY

Now more than ever, health care is the top priority for Canadians.

Canada's Premiers have been calling on the federal government to rebalance the health care funding partnership for years, and COVID-19 has only increased the urgent need for a federal response.

To ensure Canadians continue to receive the health care they need, both now and for future generations, Canada's Premiers are urging the federal government to become a full funding partner.

Now is the time to rebalance the funding partnership.

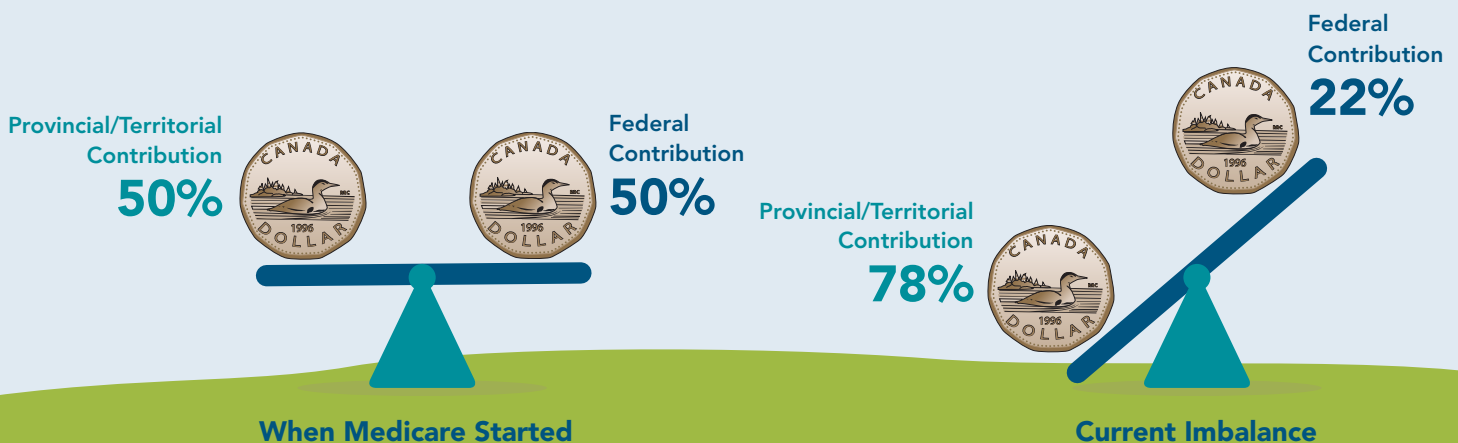
A Growing Imbalance That Cannot Be Sustained

When Medicare became a priority in Canada five decades ago, it was based on the principle of a 50/50 partnership in sharing health costs. Now, the federal cash contribution through the Canada Health Transfer is only 22%, which leaves provinces and territories paying the remaining 78%.

The fundamental imbalance in the way health services are funded in Canada can no longer be sustained. Without changes, the situation will only get worse, as the federal share will decline to 16% by 2040.

Over the years, provincial and territorial governments have been forced to fill the void created by this imbalance. Health care takes up a bigger and bigger share of provincial and territorial budgets – more than 40% in some cases – leaving less money for other fundamental government services such as education, justice and social services.

This cannot be sustained – the federal government must do its fair share.



To begin rebalancing the funding partnership, Premiers are calling for an immediate and unconditional injection to the Canada Health Transfer to bring the federal share to 35%.

Costs Going Up; Federal Funding Share Going Down

Demands on health systems across Canada are not only significant and monopolizing an enormous share of provincial and territorial budgets, but they are also continually increasing, as provinces and territories face rising cost pressures each and every year. In the past, the federal government recognized this reality and committed to increase its funding by 6% a year to meet these rising costs. Then it changed course, and reduced this rate by almost half and capped it to the rate of economic growth – a move that limits the federal government’s financial contribution but leaves provinces and territories to pay for cost increases.

For years, provinces and territories have worked towards offering higher quality services and better technology to improve health outcomes while keeping costs under control. However, they still face unavoidable cost pressures such as inflation and an aging population.

Facts are facts: costs are now growing faster than the federal contribution, year after year. Unsustainable federal health funding has constrained the ability of provinces and territories to respond even more rapidly to emergent and large-scale events, such as a global pandemic.

A recent report from the Conference Board of Canada found that even before the COVID-19 pandemic, health care expenditures would continue to increase steadily over the next 10 years.

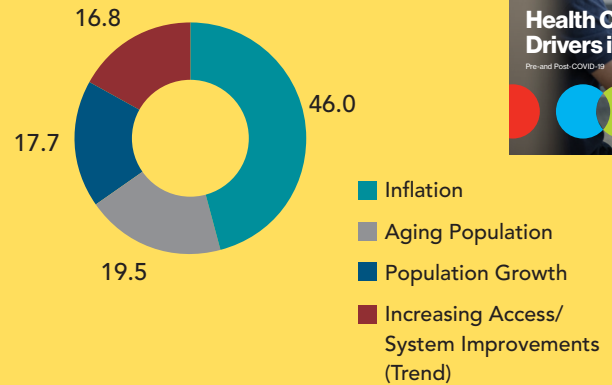
COVID-19 has significantly impacted economies across Canada and created unprecedented new cost pressures that we are just starting to understand – but it is clear that this public health emergency will only exacerbate existing challenges. The Conference Board study confirms that COVID-19 has already had a considerable impact on Canada’s health care sector with postponed medical tests, treatments and surgeries.

Based on the estimated level of new expenditures during the first wave alone, COVID-19 will be a significant, growing and unpredictable cost driver, particularly over the short to medium terms.

The Canada Health Transfer must keep pace with these cost pressures over time.

Health Care Cost Drivers – Baseline Pre-COVID-19 Projection, 2019-20 to 2030-31

(contribution of each driver to overall increase during period, per cent)



Source: The Conference Board of Canada



To keep pace with rising cost pressures, the federal funding share of 35% must be maintained over time with an appropriate increase to the annual growth rate (escalator), fully taking into account the real costs.

A Solid Foundation

Canadians know the importance of getting the basics right. If the foundation of your house needs urgent attention, you don’t start other big projects until you have ensured that your foundation is sound.

We all know the foundation of our health care systems rests on our ability to get health care where and when we need it, in a timely manner. To ensure a solid foundation, provinces and territories must have adequate funding to hire and retain workers and build and maintain needed facilities.

The federal share of health care funding continues to decrease. At the same time, the demand for health care services is the highest it has ever been – and that was true even before COVID-19.

Right now, we need to focus on the foundations of our health care systems.



