COUGHLIN COURIER

Special edition

December 2002

Romanow releases blue print for health care reform

Canada's great health care debate began in earnest November 28 when the Royal Commission on the Future of Health Care, headed by former Saskatchewan Premier Roy Romanow, tabled a report reinforcing the principles of the country's public health care system.

The report strongly endorsed the country's current public health care system asserting that "the growing reliance on private advanced diagnostic services is eroding the equal access principle at the heart of Medicare." However, the report warns, Canadian health care is in dire need of "stable, predictable and long-term funding that is allocated in a way that makes it clear who is spending what and with what results."

In total, the report makes 34 recommendations in 10 key areas. At its heart is the question of guaranteed, long-term funding. The Royal Commission report calls for an infusion of more than $15 billion into health care over the next five years, beginning with $3.5 billion in 2003-2004, graduating to $5 billion in 2005 and $6.5 billion in 2006. It also calls for the federal government to commit to contributing a *minimum* of 25 per cent of total health care costs by 2006. Today, it covers approximately 14 per cent of those costs, down from almost 50 per cent in the 1970s.

Other recommendations include:

- the channelling of over $1 billion in extra funds to even out disparities in drug coverage among the provinces, especially medications needed to treat chronic care or life-threatening illnesses;
- the development of a national home care strategy to provide home care and rehabilitative services following major surgery, palliative home care for those with terminal illnesses and at-home case management services and intervention for the mentally ill;
- the establishment of a primary health care transfer to help fund the establishment of more collaborative health care teams and integrated networks of providers. Ultimately, this would change the roles of doctors, nurses, pharmacists, case managers and specialists and remove the "silo" structure of today's health system where each medical discipline tends to work in isolation from the others;
- improving access to "a more appropriate mix of health care services" to those living in rural or isolated areas;
- investing up to $1.5 billion in diagnostic services in order to reduce waiting times for MRIs and CAT scans, purchase new equipment and train technicians;
- the centralization and standardization of waiting lists on a regional, provincial or even national basis for non-emergency but medically necessary surgery;
- the development of a Health Council of Canada to track and measure the performance of the health care system and establish national benchmarks for services and delivery;
- the establishment of a national database of personal health records;
- the building of four Centres of Health Innovation to focus on rural health, health education, human resources and pharmaceutical policy. This would include the development of a new agency to evaluate new and existing drugs, monitor their use and ensure their safety and cost effectiveness;
- the modernization of the Canada Health Act to include diagnostic and home care services;
- the channelling of more funds to aboriginal health services; and
- the establishment of a new national immunization strategy.

Kirby or Romanow?

While the report is comprehensive, it does not appear to be as detailed or as sweeping as the Senate Report on Health Care submitted October 25 by Senator Michael Kirby (see the November edition of the *Coughlin Courier*.)

(...continued on reverse)

(...Romanow continued)

Rather than simply directing money to cover provincial disparities in home care and pharmaceutical coverage, the Kirby plan went a step further to propose the expansion of Medicare to include home care, home-based palliative care for the terminally ill and nation-wide catastrophic pharmacare coverage. It also proposed funding the program through an annual health care services tax based on individual taxable income.

By contrast, Romanow avoids details on how its programs would be implemented and shies away from recommending the establishment of a national prescription drug program due to its "significant implications, not the least of which would be its substantial cost."

Unlike the Kirby report, the Romanow Commission suggests no tax increases. Funding for its $15 billion plan would come directly from the federal government's projected surplus. However, on a practical level, the wisdom of this approach is questionable since the size of the federal surplus can be difficult to project or guarantee. With demands for additional federal funding for the environment, defence and other projects also on the table, the viability of the surplus over the mid to long term is, at best, undefined. It appears that additional funding (ie. taxation) will have to be directed to public health care in order to guarantee its continued integrity and availability on the national level.

Implications

Barring the unexpected, the coming weeks and months will see the health care debate dominate the headlines as the provinces, industry, consumer and other special interest groups react to both the Kirby and Romanow reports. With the leadership of the federal Liberal, Progressive Conservative and New Democratic Parties open, it is safe to assume that health care will be hotly debated at the political level in the new year. Until the political situation stabilizes, it is doubtful that any concrete or wide-ranging legislation will be enacted at the federal level in the near term.

However, both the Kirby and the Romanow reports could be used as launching points for various changes at the provincial level. Ontario, Quebec, British Columbia and Alberta each have activist governments that have signalled their intention to radically transform their health care laws and programs based on their respective political mandates.

For plan sponsors, 2003 will be a year to watch -- and prepare -- for the many reforms that are sure to be introduced in the near future.

Courts squash Ontario's changes to Pension Benefits Act

The Ontario government has announced that it will not proclaim the sections of Bill 198 which amend the province's Pensions Benefits Act and allow employers to withdraw surpluses from defined benefit pension plans at full or partial plan wind-up, without the consent of plan members.

The reversal of the province's decision follows a ruling by the Ontario Court of Appeal stating that terminated employees "have the right to have distributed that portion of the surplus that relates to that part of a pension plan being wound up." The Court went on to add "members affected by a partial wind-up are to be dealt with as if there had been a full wind-up at the partial wind-up date."

Under the original provisions of the Bill, employers would be able to access pension surpluses of either partially or fully wound-up pension plans, without member consent. Two-thirds consent is required during partial wind-up and full consent of all affected parties is required at full wind-up.

If passed and proclaimed, Bill 198 would have been retroactive to 1988, potentially reversing or delaying hundreds of pension settlements and court cases over the past 14 years. (See the November edition of the *Coughlin Courier* for more information on Bill 198.) Approximately 200 cases involving partial wind-ups of defined benefit plans are now before the province's courts.

The original bill faced strong opposition from labour groups and pension lawyers who accused the province of encouraging pension raiding by employers. The government maintained that the proposed regulations would clarify pension surplus entitlement rules and distribution procedures.

Increase RRSP contribution level, committee says

A federal House of Commons finance committee has urged the government to increase the limit on registered retirement savings plan (RRSP) contributions to $19,000 from the current level of $13,500. However, it also recommends that the contribution ceiling of 18 per cent of income remain unchanged.

The committee also recommends abolition of the capital tax levied on the assets of companies and exempting students from paying Employment Insurance premiums.

The committee's recommendations were tabled as part of the preparations for the 2003 federal budget, to be released in February 2003.

PPN update

Victoria Pharmacy, of 1059 Wellington Street in Ottawa, is no longer a member of the Coughlin & Associates Ltd. Preferred Provider Network.

Fast facts

- Employment Insurance premiums for employees will be reduced by 10 cents to $2.10 per $100 of earnings, beginning in 2003. Employer contributions will be reduced from their current level of $3.08 per $100 of employee earnings to $2.94.

  The plan's maximum insurable earnings will remain unchanged at $39,000.

- Old Age Security pension payments increased by 1.2 per cent October 1, 2002, to $449.32 per month. Payments are adjusted quarterly based on changes to the Consumer Price Index (CPI).

- Data released by Statistics Canada indicate that 1.1 million couples, or 14 per cent of Canada's 8.4 million families, now live in common-law relationships, compared to just 6.1 per cent in 1981.

  The number of lone parent families is even greater, accounting for 1.3 million families, or just over 15 per cent of the Canadian total.

  A total of 34,200 couples, well less than 0.5 per cent of all couples, live in same sex relationships.

- According to a national survey conducted by the Canadian Institute for Health Information (CIHI), 7.0 per cent of workers in health care occupations were absent for health reasons in 2000, compared to 4.8 per cent of those working in other occupations. Musculoskeletal injuries from lifting, needle accidents and workplace violence were the main sources of injury.

COUGHLIN & ASSOCIATES LTD.