

## **Health care takes back seat to tax cuts**

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**By Dr. Gordon Guyatt**

A child, in the middle of eating dinner, sweeps the dishes aside. They clatter to the floor. In a demanding voice, he announces, "I'm hungry. I want more."

Canada's provincial governments, in their debate with the federal Liberals over health care funding, are behaving much like that child.

The provincial governments correctly point to growing pressures on health care funding. Innovative medical technologies, such as diagnostic medical resonance imaging, are improving care, but also pushing up the costs of that care. Increasingly, we are delivering more intensive medical services to our growing elderly population.

Faced with pressures to fund this system, the provinces are crying for help from the federal government. What the provinces making the most noise do not mention is that they have tossed away the funds they could have spent on health care.

The Ontario premier, Mike Harris, has led the provinces in their campaign for more federal money. Yet, Harris has made provincial tax cuts the centre of his policy initiatives. He has implemented new tax cuts in every one of his budgets. Most recently, Ontario has cut back corporate taxes by \$2.1 billion, and provided a tax break for parents sending their children to private schools. That tax break will cost the province \$300 million.

In total, Ontario Tory tax cuts are now costing the government between \$6 and \$8 billion in revenue each year. This is approximately the same amount as the \$7 billion in additional funds that the provinces want from the federal government for health care for the entire country!

The British Columbia government is the other worst offender. The newly elected not-so-Liberal Liberals cut provincial taxation by 25% and in the same breath have called for more federal funds to salvage health care delivery.

Had Ontario and British Columbia directed these resources toward health care, instead of tax cuts, they would have no need bang the table in demands for more federal money. This is particularly striking when one considers that while pressures for health care spending have increased, Canada has been remarkably successful in controlling health care expenditures. As a proportion of our national wealth, the gross domestic product, Canada is actually spending less on health care than we did in 1992.

Does this mean that the federal government is blameless? Far from it. The wasteful, demanding child I presented at the beginning of this column has in fact been underfed.

When they introduced Medicare in 1968, the federal government offered the provinces a dollar of cash transfers for each dollar they spent on health care programs. Later, the proportion of health care funding, and the form of that funding, changed. The provinces negotiated a transfer of "tax points", allowing them to levy taxes that they could use for (among other things) health care delivery.

Determining federal contributions to health care became even more difficult when, in 1995, the Chretien Liberals rolled social services and health funding into a single package, the Canadian Health and Social Transfer (CHST). The provinces, in their public statements, count only federal cash transfers in calculating the federal contribution to health care expenditures.. The best available estimates suggest that the federal contribution to public health care spending is about 30%.

This, however, doesn't change the fact that in 1995 the federal government made huge cuts in transfer payments to the provinces. In absolute dollar values, federal transfers are only now approaching their 1994 levels.

Worse yet, the federal government is playing the same game as the provinces. While continuing to be tight-fisted with the provinces, the federal Liberals are making huge tax cuts of their own. Just before the 2000 election, the Chretien government announced the largest tax cut in Canadian history. Over the next four years, they plan a total tax cut of \$100 billion.

Clearly, despite the rhetoric of politicians at both levels of government, there is plenty of money available to fund health care in both the provincial or federal pots. The problem is accountability.

With the current funding arrangements, it is impossible to accurately specify federal contributions to health care. Worse, when the federal government does increase expenditures intended for health care, there is no way to ensure the provinces spend the money responsibly.

For instance, consider that as a result of a growing economy, Ontario's tax income rises by \$1 billion. At the same time, the federal government provides 1 billion new dollars to Ontario for health care. The province increases health care spending by \$1 billion, but decides to cut taxes by \$1 billion. Has the federal governments money funded health care, or funded the provincial tax cut?

This is basically what has happened in Ontario where federal transfers and health care spending have both increased, but neither has kept pace with provincial tax cuts.

Everyone is tired of provincial–federal squabbling over money for health care. Unfortunately, it is politically much easier to blame the other level of government than to acknowledge that tax cuts are responsible for the health care funding problems.

The solution to the problem lies in a change in funding arrangement that ensures accountability by both partners. When medicare began, the federal government contributed \$1 for every dollar the provincial government spent on health care that met federal requirements for universal coverage. All the subsequent changes have blurred the lines of responsibility.

This lack of accountability is a disaster. Both levels of government claim to be taking care of health care while in reality putting their priority on tax cuts that leave public care underfunded.

One of the mandates of the Romanow health care commission is to deal with this problem. Mr. Romanow has talked about ensuring sustainability of health funding. An adequate solution will ensure that the public can

clearly identify the money that both levels of government are putting, or not putting, in to health care. A return to a dollar for dollar matching of federal and provincial contributions would be one excellent strategy for achieving this goal.