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Manitoba Liberal Caucus 169-450 Broadway Ave R3C 0V8

September 7, 2022

Dear Prime Minister Trudeau, Minister Duclos and Canada's Premiers,

We are writing today to urge the Federal Government to consider two vital aspects to federal health funding for provinces.

First, it is absolutely critical that future changes to Federal Funding restore equity, which was stripped out of health agreements by the Conservatives in 2007, effective in 2014.

Second, it is critical to ensure that when provinces receive new health care funding, citizens and governments are clear that it will actually be applied to health care.

In their 2007 Federal budget omnibus bill, the Harper Conservatives created a ticking time bomb for Canada's health care funding model that began in 2014.

Prior to 2014, the health care funding model took into consideration extra costs for provinces such as demographics and population, including age and poverty, as well as distances. The 2007 Federal Budget, changed that formula when funding was calculated on a "strict per-capita basis." The result was that every province in Canada faced reduced health transfers, except Alberta.

The Globe and Mail article '*The funding formula for health care is broken*', published on October 9, 2013, estimated that,

"Based on estimates for 2014-15, Alberta will receive \$954-million more under the new formula than under the current formula – \$235 for every man, woman and child in the province.

Every other province will lose money as follows: Ontario, \$335-million; British Columbia, \$272-million; Quebec, \$196-million; Newfoundland, \$54-million; Manitoba, \$31-million; Saskatchewan, \$26-million; Nova Scotia, \$23-million; New Brunswick, \$18-million; and Prince Edward Island, \$3-million."

The new formula ignored both size and population dynamics, penalizing large provinces with dispersed rural and northern populations, including Manitoba, Ontario and Quebec, as well as provinces with aging populations, like Canada's Atlantic Provinces.

The Conservatives also moved to unilaterally change annual health care increases from 6% a year to 3%. When the provinces objected, they were told they could raise taxes.

Finally, Conservatives also put provinces on a "fixed allowance" of transfers, which meant that some provinces had total transfers capped for years. In the case of Manitoba, equalization transfers were cut.

In 2010-11, total federal transfers to Manitoba were \$3.348-billion. Five years later, that total had increased to \$3.359-billion. This is an increase of \$11-million, which amounts to a per capita increase per Manitoban over five years of \$8.50.

Since the Federal Liberals came to power, while the base rate of the CHT has remained the same, there have been major increases in other payments that are not counted in the CHT.

Equalization payments for Manitoba in 2022-23 are projected to be \$2.933-billion, which is \$1.195-billion more than in 2015-2016. In the 2017 Federal Budget, the government introduced a new \$11-billion health care fund. Manitoba's share was \$400-million over ten years to fund home care and mental health services. The Manitoba PC government delayed signing it for two years. This fund is not considered to be part of the CHT.

At the same time that the federal government was ramping up investment for health care, those funds were not making it into provincial health systems. In Manitoba, from 2016-2019, the PC government capped, froze, or cut total health spending for three years straight.

While the PCs pleaded poverty for health care and blamed the federal government, they had no trouble finding the money for hundreds of millions of dollars in tax reductions, the bulk of which end up in the hands of a wealthy few shareholders or property owners.

This context is critical to the debate, and to the unanimous call by Premiers on July 12, 2022, asking to increase the current Federal contribution from 22% to 35%, based on the historic claim that the Federal Government once promised to fund health care on a 50-50 basis.

This, too, has to be put in context. No Canadian should be under the impression that the Government of Canada suddenly broke a promise to fund health care in a 50-50 split with the provinces. No such agreement has been for nearly half a century.

The last time a 50-50 split existed was 45 years ago, when the Federal Government negotiated a new deal with the provinces and the Established Programs Financing (EPF) transfers were put in place. It provided a mix of block funding and transfers of federal tax points to the provinces, which would be the equivalent of a 50-50 split, but people's taxes would stay the same. That agreement took effect in April, 1977, and the Canada Health Transfer has never been over 25% of funding share since.

Equalization payments and transfers are usually described as existing to ensure that all Canadians can get roughly the same services at comparable tax rates. They are much more important than that. Equity is essential to a health care formula that is efficient because funds flows to people and provinces to provide care to the people and communities that need it, not those who don't.

Equalization and federal transfers are essential to the health and stability of our national economy. Every confederation - Canada, Australia, and the US, have federal transfers in order to stabilize their economy.

They make the whole country richer and expand the capacity of the economy because it means that provinces can invest in the services that are the foundation of any community's prosperity: health, education and infrastructure.

If the Federal Government restored an equitable health care funding formula tomorrow, it would not cost a dollar more, but would result in an immediate increase health care funding in British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

This is a moral as well as political issue.

Health care is not an ordinary social service. It makes the difference between whether people live or die, whether they can see, hear, walk, work, or see their children grow up. A per capita formula for health ignores the real and growing inequalities in our country. There are Indigenous people in Winnipeg whose life expectancy is a decade less than the rest of the community.

Anyone can get sick. Not everyone can pay for it. Building a stronger and more responsive health system in Canada starts with a basic principle: the funds need to go to where they are needed most. We need a health formula based on equity, paired with commitments from provinces that federal transfers won't be used to subsidize tax cuts.

We hope you agree.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Dougald Lamont', with a long horizontal line extending to the right.

Dougald Lamont, MLA for St. Boniface
Leader, Manitoba Liberal Party