

# **The Role of the Federal Government in Provision of Care for Seniors**

## **Framework for Planning and Road Forward**

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# SOME GOING IN ASSUMPTIONS

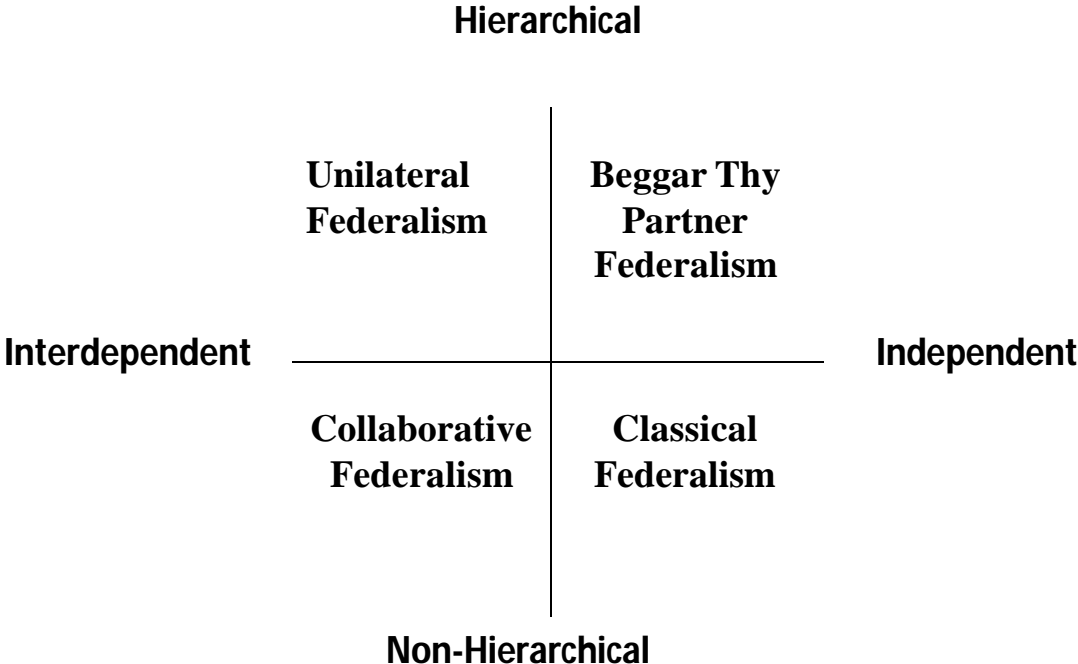
- Caregiver policy should be linked to income and wealth position of seniors
- Caregiver strategies can be usefully distinguished between those that are demand-side oriented and those that privilege supply
- Different government strategies may be appropriate at different points on the care continuum
- The constitution makes clear that the provinces have the lead role in overseeing the care system

# THE FEDERAL ROLE IN CARE GIVING PAST AND PRESENT

- Focus is on role of federal government
- Unique federal clients (veterans, Aboriginal, federal prisoners)
- Main Instruments
  - **Retirement income system**
  - **Spending power (intergovernmental and direct)**
  - **Income tax system**
  - **EI**
- Soft power instruments (research, Royal Commissions, advisory bodies etc)

# ONE WAY OF ANALYZING EFFECT OF FEDERAL POLICIES ON INTERGOVERNMENTAL RELATIONS

**Figure 1**  
**Forms of Federalism**



# RETIREMENT INCOME SYSTEM

## Demand-Side

- The retirement income system is the principal *demand-side* strategy in that the dollars follow the individual, not institutions
  
- Public System (OAS/GIS/SPA, CQPP, Provincial top ups)
  - Mature
  - Good anti-poverty outcomes
  - Modest earnings replacement outcomes by OECD standards
  
- Private
  - Employer-sponsored
  - Savings
  - Defined contribution versus defined benefit
  - Uneven outcomes
  
- System Outcome
  - Modest well balanced system (distributes risks in balanced way)
  - Also balanced from federalism perspective (to come)
  - But also leaves many elderly with little or no means to purchase care if family not available

Note that from a funding viewpoint this includes fully funded, partially funded, and pay-as-you-go elements.

# INCOME TAX SYSTEM

## Demand-Side

- Various income tax provisions put money into seniors' hands making this demand-side as well
- Most provisions are *generic* in sense that not explicitly intended for care giving
  - Medical expenses
  - Age exemption
  - Pension deduction
  - Pension-splitting
- One *targetted* care giver provision
- *Disability* amount also targetted but not at seniors
- Cost of generic provisions many times higher than targetted
- All provisions are non-refundable tax credits- not helpful to poorest
- Credits do not interfere with PT programs- classical federalism- but do affect PT revenues if PTs have tax collection agreement with Ottawa

Note: bolstering this system is pay-as-you-go

# SPENDING POWER

## Supply -Side

- Money does not follow citizen/it follows institution
- The largest federal spending power initiative was via Canada Assistance Plan, introduced mid-1960s, a 50:50 matching grant arrangement
- CHST (1995-1996) ended matching grant by rolling CAP into EPF block fund
- CST (2003) is province-friendly
- But the price is that there is no longer policy link to actual social expenditures
- Transfers to Organizations (New Horizons etc) are alternative but relatively small
- In this area Ottawa generally not intrusive in provincial programming though some PTs may occasionally dismiss them as 'boutique' programs

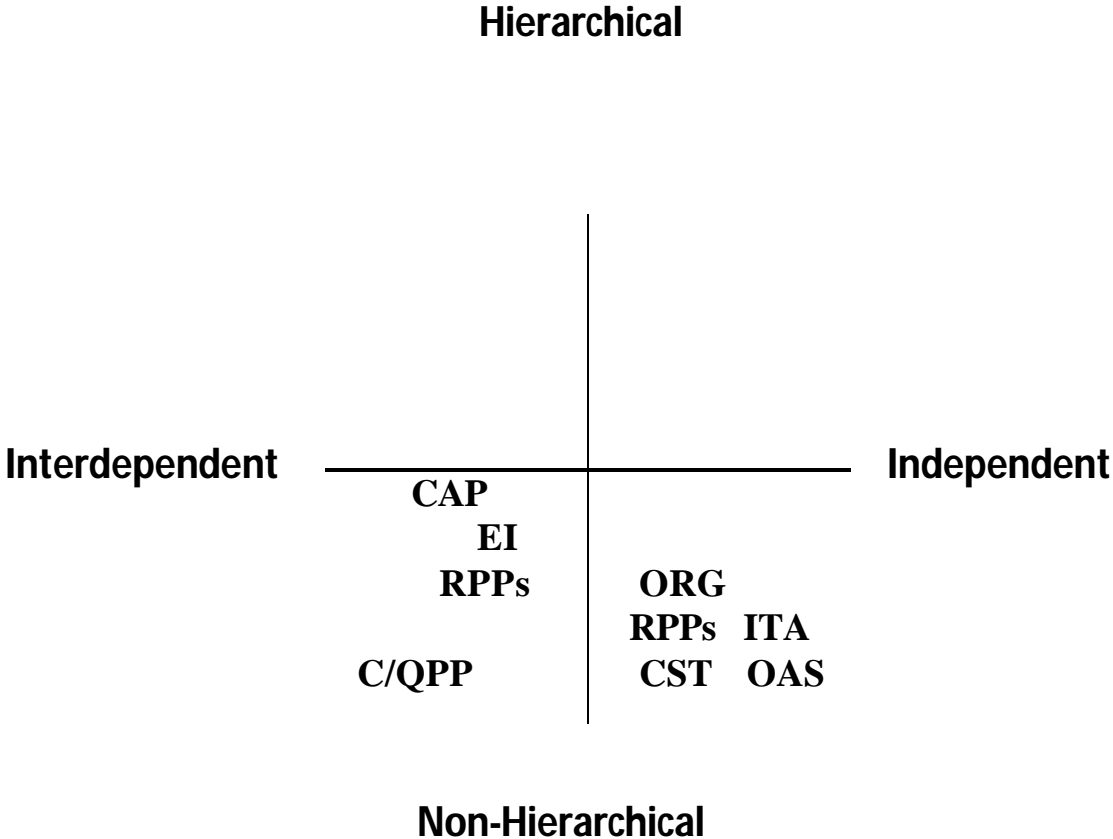
Note: Historically this has been pay-as-you-go funded

# EMPLOYMENT INSURANCE COMPASSIONATE LEAVE Demand-Side

- EI Compassionate Leave is recent substantial policy initiative intended to enable persons who are close to seriously ill (parents, spouses, kids, etc.) to spend up to 6 weeks with them providing care (e.g. end of life emotional support)
- Person receiving benefits able to leave work without jeopardizing work situation
- For moment small program but growing
- 2005 SCC ruled EI maternity/parental benefits constitutional so this also likely constitutional; but this program probably could not be expanded much without raising constitutional (pith and substance) questions

# Benign Impact of Programs on Federalism (1)

Figure 2



## Impact on Federalism: Benign (2)

- All of the demand and supply federal programs are unhierarchical and most are in the classical (bottom right) quadrant
- CAP was seen by some interpreted as hierarchical and others not so but in any case no longer in place
- In sum, current federal programs not a serious source of tension in federation either because they allow governments to act autonomously or because FPT interdependence well managed
- The converse of this is that the federal government has not yet addressed caregiving in a way that prepares for what lies ahead
- Since this is mainly PT constitutional space, what are options are open to the federal government?

# POLICY OPTIONS (1)

## *Demand-Side Options*

1. Expand the retirement income system on a pay-as-you go basis by enriching OAS/GIS;
2. Expand the retirement income system on a funded basis by enriching C/QPP;
3. Expand the retirement income system on a funded basis by enriching tax registered vehicles (RPPs, RRSPs, etc);
4. Expand the role of tax system to leave substantially more money in the hands of those with current care needs and those who provide such care on a non-paid basis (family and volunteers) on a refundable basis.

# POLICY OPTIONS (2)

## *Supply-Side Options*

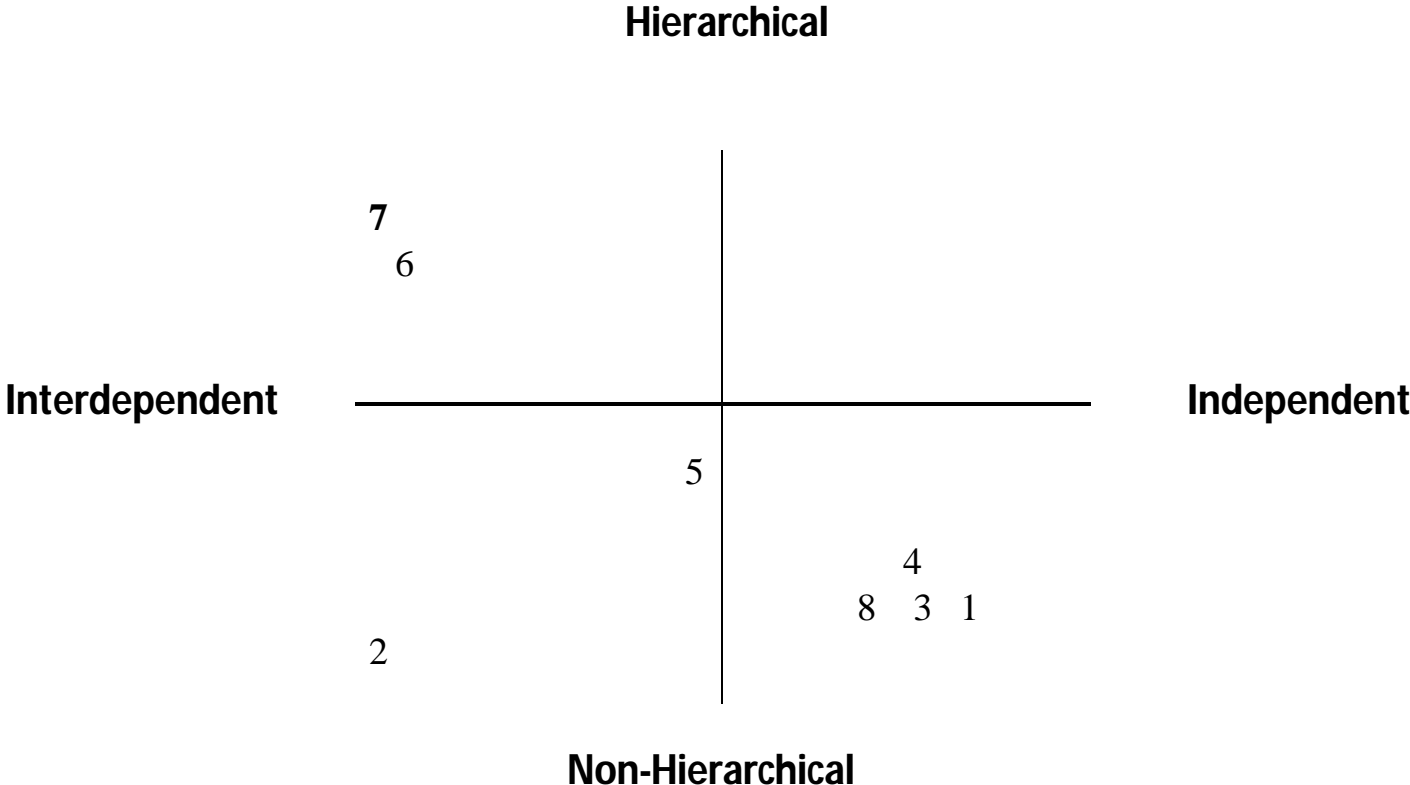
5. Build up the non-profit sector through federal contributions via the spending power;
6. negotiate a new federal conditional care block fund (an operating fund or a mixed capital and operating fund) with PTs with a 5 or 10-year escalation factor (spending power);
7. Negotiate new federal-PT conditional care matching grant program under which Ottawa would match PT spending on eligible care services subject to certain conditions including \$ cap (spending power);

## *Status Quo*

8. Maintain current arrangements. This would minimize federal role on supply side-and lead to gradual growth on demand-side.

# Comparing Options from Federalism Perspective (1)

Figure 3  
Comparing Options



## Comparing Options from Federalism Perspective (2)

- The 'strong' federal government options (Options 6 and 7) are potentially most provocative from an intergovernmental perspective unless they are negotiated under SUFA-like rules. If so, they would drop from unilateral federalism quadrant to collaborative federalism quadrant.
- These two options are most likely to accelerate supply-side growth.
- Demand-side options are much easier from a FPT relations perspective.

# COMPARING OPTIONS FROM WIDER CRITERIA

- **No one expects that federalism impacts alone should guide federal policy**
- **There are a range of broadly accepted criteria that would be added to the federalism impact in assessing merits of policy options**
- **However, the same criteria and with same weight need not apply at all points in care continuum. To extent that a person of labour force age can reasonably expect to need some degree of care in her/his later year, then that person should be expected to save for it (e.g. private insurance plan, more RRSP etc) rather than have the state do it for her/him**
- **This expectation is reasonable (empirically verifiable) from the low end to the upper middle or bottom of the high end of care continuum. For these situations, traditional policy criteria should apply (efficiency, fairness, targeting, personal choice, political accountability and credit for spending etc.)**
- **This expectation is not reasonable at highest levels of care. Since most people do not know in advance whether they will require highest level of care, mandating that they save for it, against the contingency that they might, would force 'over saving' in work years and possibly overconsumption after work. Efficiency, fairness, and dignity suggest something different appropriate here.**

# EVALUATING OPTIONS

Figure 4

## Criteria for Comparing Strategies at the Light and Middle Areas of the Care Continuum

	Demand-Driven Strategy				Supply-Driven Strategy		
	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7
Criteria	OAS/GIS	C/QPP	Tax Assisted Private Pensions and Savings	Enhanced Use of Tax Credits	Spending Power: Transfers to Providers	Spending Power: Block Fund for P/Ts	Spending Power: Matching Grants with P/Ts
Federalism Impact	Classical Federalism, Benign	Collab Federalism, Intense FP negotiations	Classical Federalism, Benign	Classical Federalism, Benign	Collaborative Federalism, Possible adverse P/T Reaction	Unilateral Federalism: Tension with PTs as minimum	Unilateral Federalism: Serious tension with PTs
Target Effectiveness	Weak in targeting dollars to those with care needs	Weak in targeting dollars to those with care needs	Weak in targeting dollars to those with care needs	Can target well	Targets well	May target well initially but “no displacement” hard to enforce over time	Targets well
Economic Efficiency	Good	Good	Good	Good	Mediocre	Not strong	Not strong
Personal Choice	Strong	Strong	Strong	Strong	Weak	Weak	Weak
Mobility	Strong	Strong	Strong	Strong	Weak	Good but not as strong as 1-4	Good but not as strong as 1-4
Political Acct and Credit	Strong	Strong	Good	Strong	Weak	Weak	Weak

## **Demand-side Scores Better for Light and Medium Parts of Continuum in Fig. 4**

- Not only are demand-side options more attractive from a federalism perspective, they generally score better from personal choice, mobility, economic efficiency, and political accountability and credit perspectives
- But 3 of 4 demand side options do not target efficiently on those with care needs. Only the income tax credit option 4 satisfies that important criterion
- Note supply-side options more difficult from federalism perspective and also generally score less well on the basis of the other criteria.
- This demand-side preference applies to light to medium care levels since many seniors will require such care and it is reasonable to expect them to plan for it during their work years.

# **BUT A DIFFERENT CONCLUSION APPLIES TO THE HIGHEST END OF THE CONTINUUM!**

- **But highest care levels are a classical case for risk pooling as during work years it is certain that only a minority will require it after they retire and most people cannot know whether they will be part of that minority . And those who have disease or impairment that ensures that they will have heavy needs before retirement years will often not be privately insurable.**
- **Also, the wider the social insurance or sharing pool the better the outcome. Hence pooling risk is best done on a Canada-wide basis. In this regard, Options 6 or 7 are relevant each with strengths and weaknesses.**
- **SUFA-like rules are ready-made for this issue. Under SUFA, a new Canada-wide initiative requires a majority of provinces to 'opt in' for a new FPT cost sharing program to be launched. PTs that do not opt in, however, are entitled to their share of the federal transfer provided those governments "meet or commit to meet the agreed Canada-wide objectives and agree to respect the accountability framework will receive their share of available funding".**
- **Thus, SUFA contains enough ambiguity to enable a province that wishes to run its own social insurance program to do so without preventing other PTs from acting collectively with the federal government.**

# There Are Also Soft Tools in Federal Kit Bag

- Soft tools
  - Research
  - Pilots
  - External bodies that report publicly (Commission, task forces etc)
  - Parliamentary reports
  - Advisory Committees
  - Bully pulpit, etc.
  
- Multiple rolls
  - To help everyone learn
  - To pre-condition PTs and public
  - To keep an issue alive that is flagging, etc.
  
- Tools may be important in current context
  - Economic uncertainty and fiscal deterioration make new large social programs low priority
  - But long term needs don't change
  - Soft tools may have a crucial role in interim in keeping issues alive (this conference)

## **Conclusion:**

# **Federalism is not a barrier to long term challenge!**

- The current mix of federal care policies is not a serious strain on the federation
- The current economic and fiscal context make a major spending initiative unlikely in this area in the next several years
- But sooner or later new demand and supply initiatives will be required. Finding the right mix will be the challenge.
- In interim (which may be long) soft tools have role to play in helping federal government, with collaboration of PTs, to hone in on best mix
- Reform to care system for aging population can eventually be achieved if there is political will and money in Ottawa.
- And it can be achieved without causing havoc to the federation.