TELE-FACTS

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"Opting Out" of Shared-Cost Programs

AN ADDRESS BY

HON. E. C. MANNING

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Hon. E. C. Manning:

Good Evening, Ladies and Gentlemen:

The purpose of these telecasts is to provide you with factual information about the public affairs of our Province. We want to keep you fully and accurately informed concerning our efforts, as your government, to safeguard your interests and to do the best job we possibly can to ensure the continued progress and development and stability of this Province. In recent weeks, I have told you of some of the highlights of the far-reaching new program we have prepared for the coming year. I do hope you will let me have your reaction to these proposals and give us the benefit of your criticisms and recommendations. Please let us hear from you at your earliest convenience, as from now until the session opens in February, we'll be busily engaged in preparing the necessary legislation, and we want to be sure that we have your views before this legislation is finalized and enacted into law. Address your letters to "Tele-Facts, Box 2300, Edmonton, Alberta. When you write, if there are questions that you would like to ask on any matters relating to your Provincial public affairs, send them along, and we will try to answer them during these weekly telecast programs.

Tonight, I'd like to deal with two matters about which we have had a number of enquiries. In the first place, I want to clarify a point I perhaps didn't make sufficiently clear when I outlined the increased government subsidies we are proposing for the coming year under the Alberta voluntary prepaid Medical Insurance Plan. I told you that the subsidies for those with no taxable income would be increased from approximately 50% to 80% and for those with taxable income

of up to $500.00 the subsidy would be increased from 25% to about 50%. What I didn't make clear was that these percentages apply to the premiums for policies for a family of three or more. The subsidies for single persons and for couples have, from the inception of the plan, been at a somewhat lower percentage than the amount of subsidy for families of three or more, and this variation will continue. I think most of you will agree that the cost of medical services is of particular concern to families, and that it is reasonable for the government subsidies to be weighted somewhat to give recognition to this fact. These percentage figures are all being reduced to a fixed dollar amount, and in a week or so, I will be able to give you the exact amount of the subsidies in dollars for each category of insurance. In the meantime, I wanted to make clear that the percentages I quoted were for families of three or more.

The major matter I would like to discuss with you tonight arises out of a number of enquiries we have received asking about the Federal legislation under which a Province can "opt out" of various shared-cost programs. We have been asked, for example, why, if Alberta is not satisfied with the Federal Government's Medical Insurance Program, doesn't the Province simply "opt out" of the Federal program and go ahead with its own program with Federal financial assistance. Considerable confusion and misunderstanding exists concerning this business of "opting out" of a joint Federal-Provincial program, whether it's in the field of health or welfare or medical insurance or any other field. A great many people are under the impression that if a Province doesn't like a joint Federal-Provincial program, it can "opt out" and then alter the

program to suit its own desires and still continue to receive Federal financial assistance. Unfortunately, this isn't the way the "opting out" provision works. Actually, the "opting out" arrangement alters only the method by which the Federal Government pays its share of a program approved by the Federal Government as a joint Federal-Provincial responsibility. As long as these programs are operated as joint programs, Ottawa's financial assistance to the Provinces is in the form of a direct financial grant, paid by the Federal Government to the Provincial Government—either a percentage of the cost of the program, or in some cases a fixed dollar amount. This is paid over to the Provinces by the Federal Government. Under some programs, it is paid annually and under other programs — semi-annually or quarterly.

This arrangement continued for a number of years when the Province of Quebec took exception to this method of Federal financial assistance in fields, which under the British North America Act, come largely in the area of Provincial responsibility. The argument which Quebec raised was that it infringed on a Province's right to have the Federal Government collect revenue in a Province and then pay it to the Province as a lump sum grant as the Federal Government's share of a shared-cost program. So Ottawa agreed to an alternative method of providing its share of financial assistance under these programs, and this is how what has become known as the "opting out" legislation came into being. Under this legislation, if a Province decides to "opt out" of a shared-cost program, Ottawa agrees to withdraw from the field of personal income tax in that Province by some stated number of percentage points. The Province then moves into that part of the income

tax field from which Ottawa has withdrawn and levies and collects that tax itself within its own Province. As far as the taxpayer is concerned, this doesn't alter the amount of taxes he pays, because if Ottawa withdraws, say 10 points of personal income tax, and the Province moves in and picks up the same number of percentage points, the taxpayer pays exactly the same; but this provides the Province with a source of revenue which is what Ottawa calls the "fiscal equivalent" of the amount of money they had previously been paying to the Province as an outright grant under a shared-cost program. Actually, therefore the "opting out" arrangement is nothing more than a different method of providing the revenue for the Province that otherwise Ottawa would pay in the form of a direct grant. But, here is the important point that so often is overlooked. The substitution of this "fiscal equivalent," as it is called, in the field of income tax in place of outright grants paid by the Federal Government to the Province, does not leave the Province free to alter the provisions of the shared-cost program for which this "fiscal equivalent" to outright grants is paid. In other words, the net result of "opting out" of a shared-cost program is a change in the method by which the Federal Government shares a portion of the cost of that program; but it doesn't give the Province the right to change the nature of the program simply because it has chosen this "fiscal equivalent" in lieu of the direct financial grants that previously were paid.

Let me give you a specific example. One of the best-known shared-cost programs is the Federal-Provincial Hospital Program. Under this program, Ottawa shares roughly half of the costs with the Provinces (that is, the approved costs) of hospitalization. This is paid to the Province

by Ottawa as a direct fiscal grant. Now if any Province, decides to "opt out" of the hospitalization program, Ottawa has undertaken to withdraw 14 percentage points from the field of personal income tax. The Province would then pick up these points provincially, and the money obtained from that additional income tax would be in dollars roughly the same as the grant which Ottawa previously was paying. The taxpayer, as I have said, would continue to pay the same, because Ottawa would have withdrawn 14 percentage points which the Province would then pick up. The same amount of money, therefore, would be in the Province's hands, only instead of Ottawa collecting the 14 points of income tax, the Province would collect it directly.

This arrangement, and this is the important point, is conditional on the Province not altering the provisions of the shared-cost program. If the Province alters the program after it "opts out" and reduces the total amount of money it spends on the program, then Ottawa will reduce the number of percentage points from which it withdraws from the income tax field and leave that much less of the income tax field to the Province. So all "opting out" really amounts to is a different method of financing the Federal share of a shared-cost program. It doesn't give the Province any freedom to alter the program.

Coming to the proposed Federal Medicare scheme — if a Province "opted out" of the Federal Medicare scheme, Ottawa would agree to vacate a substantial part of the personal income tax field. The Province would then pick it up, and this would be the method of obtaining Federal financial aid. But it doesn't give the Province any right to alter the provisions of the Federal Medical Insurance Plan. So really all Ottawa's offer to the Provinces

amounts to, when they say that if you don't like it, you can "opt out", is it gives the Provinces a choice of two methods by which it can obtain Federal financial assistance; but as far as the provisions of the plan are concerned, the Province has no greater freedom if it "opts out" than it has under the present arrangement. Their requirements — that the Federal Medicare Plan must be arbitrarily applied to all, must be paid for wholly with public funds, and must be administered exclusively by government or government agencies, — if any of these features, to which some of us have taken strong exception were altered, then the Federal Government immediately would refuse to participate in helping finance the cost of the Plan. So when Ottawa says that this program is an offer to the Provinces which they are free to accept or reject, such statements really are meaningless. The Province's only option is to take the program in its entirety, or to refuse it in its entirety; but if it refuses it, it can only refuse to accept the benefits, it cannot refuse to pay its share of the costs because the extra Federal taxes that will be levied to pay the Federal share of a national Medicare Plan will be levied on all Canadians, so those in a Province that refused to accept the Plan, will be paying their share of the cost the same as those that are in the Plan — the only so-called option is the right to refuse any part of the benefits. I think you will agree that this is hardly an option at all.

Please let us have your reactions to any or all of these matters. Send in any questions you would like to have answered, and join us again next week — same time — same station. Thank you Ladies and Gentlemen, and Good-night.