



Information

Royal Commission on the Future of Health Care in Canada

Funding Recommendations

The Royal Commission on the Future of Health Care in Canada issued its report in November 2002. The report included recommendations described as a “roadmap for a collective journey by Canadians to reform and renew their health care system.” The report noted that “the system continues to do many things well. At the same time, there are a number of things it can and must improve.”

In addition to a series of recommendations on how to renew and reform health care, the Romanow report made three principal recommendations regarding Government of Canada support to provinces and territories for health care:

- The Government of Canada should provide \$15 billion over three years (2003-04 to 2005-06) for short-term targeted actions, recognizing “immediate challenges that must be addressed to improve Canadians’ access to health care services.” This funding would focus on “a common set of priorities” for health reform;
- Federal transfers in support of health should reach \$15.3 billion in 2005-06 through a new Canada Health Transfer, which would provide “stable, long-term, predictable and adequate funding for Canada’s health care system;” and,
- Going forward from the base (\$15.3 billion in 2005-06), the Romanow report suggested applying an escalator clause. An escalator would ensure that federal transfer support to provinces and territories provided for predictable and stable growth.



Romanow Recommendation: \$15 billion over 3 years (2002-03 to 2005-06)

The Romanow report recommended that the federal government provide an additional \$15 billion over three years (to 2005-06) to provinces and territories for health. In 2003, as part of the First Ministers' Accord on Health Care Renewal, the Government of Canada provided \$12 billion in new cash transfers. An additional \$3 billion by 2005-06 would be required to meet the Romanow report's recommended \$15 billion target.

The Romanow Report Recommendation¹

(\$ Billion)	2003-04	2004-05	2005-06	Total
Funding	3.5	5.0	6.5	15.0

¹ Apportionment of 2003-04 and 2004-05 levels based on Finance Canada assumptions.

Increases in Federal Transfers: 2003 Health Accord

(\$ Billion)	2003-04	2004-05	2005-06	Total
Health Reform Transfer	1.0	1.5	3.5	6.0
Diagnostic/Medical Equipment Fund	0.5	0.5	0.5	1.5
2003 CHST Supplement	1.0	1.0	0.5	2.5
2004 CHST Supplement for Health		1.0	1.0	2.0
Total increase in transfers	2.5	4.0	5.5	12.0

Romanow Recommendation: \$15.3 billion in Transfer Support in 2005-06

Under Mr. Romanow's methodology, federal cash support for health should reach \$15.3 billion in 2005-06. Given the existing level of federal transfer support, that leaves a gap of \$1 billion by 2005-06, using the Romanow methodology.

Provincial/Territorial Health Spending

(\$ Billion)	2005-06
Expanded CHA Spending (Romanow)	61.3
<i>Target levels for federal support</i>	15.3

The Romanow Report Allocation of Federal Support for Health

(\$ Billion)	2005-06
CHT/CST ¹	10.3
Health Reform Transfer	3.5
Diagnostic/Medical Equipment	0.5
Total	14.3

¹Canada Health Transfer and Canada Social Transfer amounts are combined, and then split 43:57.

Also includes the 2003 CHST Supplement, which is also divided 43:57 and the 2004 CHST supplement for health.

Costing the Long-term "Romanow Gap"

(\$ Billion)	2005-06
Long Term Funding Gap (using Romanow split)	1.0

Romanow Recommendation: Future Growth in Federal Support Tied to Escalator

The Romanow report also recommended that an escalator be applied to federal transfers to ensure that future federal support is predictable and growing. The report suggested two possible types of escalator:

- It stated that a “cash escalator should be expressed as absolute increases to the total transfer, and set out over a five-year time horizon to provide predictability.” Further, this escalator would be “based on expenditure projections that are agreed upon by both orders of government.”
- The alternative, which the report identified as preferable, was a “fixed escalator formula...[which] could be set at the rate of growth in Canada’s economy ... multiplied initially by 1.25...based on the long-term trend (1960 to 2000) between growth in total health expenditures relative to the growth of the Canadian economy...”

As a result of the 2003 Accord, federal cash transfers for health and other social programs are growing at an average rate of 8 per cent annually over the five-year period of the Accord (2003-04 to 2007-08).