

BRIEF PRESENTED TO

**THE STANDING COMMITTEE ON FINANCE**

DEALING WITH PRE BUDGET CONSULTATION

presented by

**THE CANADIAN ASSOCIATION OF RETIRED TEACHERS**  
(ACER-CART)

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**INTRODUCTION**

The Canadian Association of Retired Teachers, ACER-CART, represents well over 125 000 members through the thirteen provincial organizations of retired teachers across Canada. Although our membership is limited to retired teachers, our objectives and policies reflect the problems faced by most Canadian seniors on a daily basis.

Canada will face major challenges in the years to come. Demographic information paints a challenging picture: Canadians retiring at an earlier age and an aging population. Governments will have to make tough decisions; cooperation between the different levels of government will be a necessity if Canada is to overcome the major challenges in the areas of health, home care, education, pension and retirement income.

The latest statistics indicate that the number of seniors is growing, representing over one third of the Canadian population. This segment of the Canadian society cannot be ignored. Canada is too rich a country not to respond to the basic needs of some of its citizens. Many seniors are part of a very vulnerable and isolated group, age having taken its toll. While some seniors can call on close relatives and friends in times of need and receive special support, many are not so lucky. The latter often feel abandoned and put on the sidelines while the parade marches on. With the advancement of technology, many seniors have been left to fend for themselves; unfamiliar with the electronic world of computers, the internet and email, many are untrained in these areas and unable to access basic information to maintain a minimum quality of life. Their existence becomes one of living alone, on a day to day basis in cramped quarters with barely the necessities of life, afflicted with serious health problems and living in substandard housing.

Seniors have made significant contributions to society. The quality of life in many communities is the direct result of the numerous hours of volunteer work by seniors, for example, food banks, literacy programs, visits to hospital patients, administrative duties in cancer clinics. Many worthwhile programs would have to fold without their personal help and support. Seniors are productive members in their community, asking little in return except respectability, independence and a sense of accomplishment. Having invested in their youth time, energy and money in search of a carefree and peaceful retirement, now, out of the work force, they are simply looking for a life with minimum headaches and pain. They expect a standard of living at least equal to the standard enjoyed when they were in the work force.

Seniors are a proud lot; maintaining their autonomy and independence is of prime importance. Staying at home for as long as their health will permit, close to their loved ones, is an integral part of their quality of life. Their choice is clear: life in the community close to family members and friends instead of in an institution with strangers.

Our brief recognizes the importance of reconciling the seniors' need for autonomy and independence with a guarantee of a minimal quality of life, without

causing intergenerational conflicts. ACER-CART does not advocate taking from one group to give to another. Canada has ample resources to meet the needs of all Canadians, regardless of age, sex, ethnicity or cultural background. ACER-CART strongly believes that the solution lies in establishing basic social priorities.

We are not unique in this approach. As a member of the Congress of National Seniors Organizations (CNSO-CONA), ACER-CART has discussed such problems with representatives of other seniors organizations.

We wish to thank the members of the Standing Committee on Finances for allowing us to elaborate on some points and are prepared to answer any questions in the official language of your choice. Sincere thanks to the legislative clerk, Richard Dupuis and the committee assistant, Patrick Paradis for their information which made our preparation much easier.

You will be presented with numerous submissions. The task of incorporating some of the proposals in the budget recommendations might at times seem near impossible. For this reason, we will limit our presentation to the following six areas with a summary of the recommendations at the end.

#### SENIORS' ORGANIZATIONS

HOME CAREGIVERS

INCOME TAX

NATIONAL PRESCRIPTION DRUG AGENCY

NATIONAL FORMULARY OF PRESCRIPTION DRUGS

CATASTROPHIC DRUG TRANSFER

#### SENIORS' ORGANIZATIONS

Over the past years, the federal and provincial/territorial governments have made honest efforts to develop better communication with the many seniors' organizations across Canada. One such attempt was the provision in the last federal budget calling for a Seniors' Secretariat. Such a body would respond to the need of putting in place the necessary communication links between government (elected officials and bureaucrats ) and organizations representing seniors.

Numerous programs attest to the government's commitment to address the concerns of seniors. Ministries have set up internal divisions and programs such as the Canadian Seniors Partnership, Seniors Canada-on-line, New Horizons, one-stop portals where individuals can access services from different levels of government at the same site, Service Canada.

These efforts are to be praised. It remains, however, that their impact on seniors is very limited. Many seniors prefer communicating with government through their organization. Seniors develop, often through an organization's recreational and social activities, a sense of belonging. This is where they will talk about their concerns and problems; this is where they feel accepted and secure; this is where they feel listened to.

Government must realize the importance of strong seniors' organizations where two-way communication between the members and their elected representatives is a way of life, where seniors are free to express their views, where seniors know that their concerns will be brought to the government's attention well before any policy is developed. Government cannot ignore the benefits seniors' organizations can provide to the Canadian society, especially at a time when the population is aging.

Some of the large seniors' organizations have a well defined and large membership. Their budget allows for:

- paid administrators and secretarial staff;
- extensive research;
- conferences, conventions and workshops;
- staff training;
- websites and newsletters;
- meetings with representatives of other organizations to discuss common issues;
- even lobbying activities.

On the other hand, many seniors' organizations have very limited funds, leaving them out of the communication loop. They cannot regularly consult members to take their pulse on areas of concern. Presentations to government are non-existent because of financial constraints not because of a lack of will and commitment.

Government is in a better position to address the major problems facing seniors if it is informed of their problems, their needs and challenges. Input prior to setting policies must not be the exclusive prerogative of organizations with financial clout. Such an approach is undemocratic and is based on the principle that the squeaky wheel gets the oil. The danger lies in issues being pushed to benefit a specific small group of seniors at the expense of a much larger group in need of assistance. In the name of fairness, public funds must be made available to seniors' organizations so that they can effectively

consult and inform their members and do the necessary research in order to truly represent the views of all Canadian seniors.

In our view, the best approach is one where seniors' organizations look out for seniors. The federal government may ask how can such an approach be implemented in a fair and just way. ACER-CART believes that the most sensible approach is to make the funds available to a consortium of seniors' organizations. With such a scenario, seniors' organizations from across Canada would have to come together, consult with one another, discuss basic policies and recommend specific programs through consensus building. Such a consortium will result in less duplication and better representation of the overall needs of seniors. Ministers and bureaucrats can react much faster to the recommendations of a single group rather than be saddled with numerous briefs from a large number of organizations, most arguing at times for similar policies and programs.

**RECOMMENDATION:** That financial grants be made available to a consortium of seniors' organizations so that the consortium can fulfill its responsibilities and provide effective public policy input that truly represents the views of Canadian seniors.

### HOME CAREGIVERS

Seniors have special needs, especially in the area of health care, long term care and home care. Policy makers must take an integrated approach to health care, one that will ensure seniors a measure of independence, a quality of life, and death with dignity through care at home, in long term care facilities and in hospital settings. Home care must be viewed as an essential element of the national health care system.

Changing demographics are increasing dramatically the demand for health care. Costs are skyrocketing and are more and more being absorbed by individuals seeking to maintain a minimal quality of life. Too often these additional costs are borne as out-of-pocket expenses, by persons on fixed or non-indexed income, without the benefits of an extended health plan.

Government has no choice but to invest in less expensive preventive home care and home assistance and investigate different possibilities of expanding joint funding of home care programs.

Home care enables seniors to stay in their homes longer with family members and friends close by. A familiar environment provides comfort, stability, companionship and quality of life while reducing the use of acute care facilities. A stay-at-home senior with the help of a caregiver translates into a major reduction in the overall costs of health care.

More and more, family members are stepping up to the plate and making sacrifices to guarantee that an elderly member of their family will be cared for

at home, at times with the assistance of health care professionals. Their goal is to provide a healthier, more familiar and personal environment for their loved ones. To achieve this, many family members are discontinuing regular jobs to be at home caring for sick family members. Such decisions too often result in loss of wages and benefits, reduction in pension, changes in seniority or negative impact on job security.

Family members and friends making such decisions should be fully protected through appropriate legislation put in place by a joint effort of the federal, provincial and territorial governments. Moreover, the federal government must allocate the necessary funds to fully compensate personnel leaving a regular job to care for sick family members. Changes to regulations related to the Canada Pension Plan (CPP) and the Employment Insurance (EI) must be made to guarantee that these persons are not unduly penalized for their decisions to stay at home as caregivers.

Such compensations may take many forms: direct payments to the home caregivers, fiscal deductions for loss of revenues and benefits, new categories within CPP and EI , and/or joint benefit programs by different levels of government.

A consortium of seniors' organizations, with adequate funding from the federal government, could organize a company of volunteer seniors willing to visit other seniors in their homes to assist in basic care. This reinforces the need for special grants to a consortium of seniors' organizations to make this a reality.

**RECOMMENDATION:** That the federal government provide increased funding for direct compensation to relieve the pressure and for adjustments to CPP and EI on personnel who must discontinue or scale back regular jobs to care for sick family members.

### INCOME TAX

Our tax structure may seem fair and progressive in theory; but in practice, the present tax system does not offer a level playing field for all Canadians. It is evident that some sectors of the Canadian society are at the receiving end of much greater fiscal advantages than others.

We could debate why, over the past years, tax revenues from corporations have been on the decrease while the amount of revenues raised through personal and indirect taxes has been increasing. We are aware that corporations feel more accountable to their stockholders than to the average Canadian. Any increase in corporate tax will be passed on to the consumers. ACER-CART is concerned that the government may move in the direction of additional corporate tax cuts, even when our social programs require an immediate infusion of new funding.

More than fifteen years ago, Parliament made an all-party solemn pledge to eradicate child poverty by year 2000. Statistics show that, five years past the deadline, not a single dent has been made in this direction. There are as many, if not more, Canadian children living below the poverty line in 2005 than there were in 1985. As retired teachers, we can recall the numerous faces of hungry children in the classroom. We were then, as active teachers, and are now, as retirees, conscious of the negative impact such conditions have on learning, self esteem and equality of opportunity. A massive investment must be done in this area, if for no other reason than to keep a promise dating back almost twenty years.

The financial status of women, especially senior women, has barely improved over the same period. Poverty remains a constant plague, affecting every aspect of their lives, undermining their quality of life, threatening their physical and mental health. Canadian society is viewed by outsiders as civil and caring, the country of unlimited opportunities. This is the main reason Canada was chosen as their new home. The reality for many Canadian senior women, some marginalized over the years, is quite a different world. Their living day to day conditions are such that they are often placed in the dreadful position of having to choose amongst adequate housing, food or proper health care. Too many are isolated, living in unhealthy quarters because this is all that their meager income will allow.

In the past, finance ministers have boasted about the novelties introduced in their budgets: proposed higher limits for RRSP contributions, taxable amount of capital gains reduced to 50%.; projected higher basic exemptions and so on. In theory, these measures are presented as attractive and excellent tax advantages for all Canadians. In practice, such is not the case.

Many Canadians have limited income. These individuals have barely enough money to pay for the basic essentials. There is very little money left, once the rent, utilities and food have been paid, to invest in a RRSP or the stock market. While government claims that the tax system is fair and equitable and that everybody can take advantage of the new rules, the fact remains that lower income earners are once again left behind, unable to take advantage of any tax break for lack of money. The policies adopted by government are too often aimed at maintaining the present class structure in society instead of trying to reduce the large economic gulf between social classes.

A perfect example can be found in the proposed increase in the allowable RRSP contribution. The government proudly announced a new ceiling of \$22 000 to take place in 2010; in reality, this is a break only to individuals with an annual income in excess of \$120 000. What was not mentioned was the 18% cap on the previous year's earned income. Any increase in the dollar amount of the RRSP contribution limit while maintaining the 18% cap is clearly a major tax break to the exclusive advantage of high income earners. Why not a straight amount in dollars for everyone without the 18% cap? It seems that

the proposed policies want to maintain the present imbalance between the social classes even at retirement. Another example is the Registered Educational Savings Plan (RESP). Contributions to a RESP will be eligible for a maximum annual government grant of up to \$400. This is a very generous offer, but not to middle and lower income parents who do not have sufficient leftover money to make a \$2000 contribution to be eligible for such a grant.

The stock market is not for everyone. Many Canadians, seniors especially, prefer a lower return on their investments in exchange for more security of the capital invested, in many cases opting for a guaranteed investment certificate (GIC) instead of stocks, bonds and mutual funds. .

ACER-CART is deeply committed to a fair tax system where each Canadian, regardless of income and status, can take advantage of all tax breaks. No individuals should have an unfair advantage solely on the basis of a higher income.

For these reasons, ACER-CART strongly recommends that the following measures be incorporated in the upcoming budget:

- That household income splitting for tax purposes be implemented immediately. This would allow couples to split all revenues (salaries, commissions, investment income, pensions including CPP, ...) in order to take advantage of a better marginal tax rate, leaving some couples with more disposal income. Note that such splitting is already allowed for CPP; we are recommending an extension to include all household income.
- That defined benefits pension plan limits be increased to \$3000 effective immediately. This would allow for a better planning for retirement and might translate in fewer demands on social programs in later years.
- That the minimum withdrawal rates from registered retirement income funds be lowered.
- That the age at which registered retirement savings plans (RRSP) must be converted to an annuity or a registered retirement income fund be raised to 73 by January 2006. Life expectancy is on the rise; there is the real danger that some citizens will outlive their retirement investments and thus require help from government. It is also a new reality that many citizens take early retirement but return in the work force with another employer or start their own business.
- That the federal government have Old Age Security income treated as tax-free income.

- That the federal government increase the pension income deduction from the present \$1000 to \$2500 immediately. Seniors are living longer and their needs are increasing, especially in the areas of health care, home care and long term care. Moreover, seniors are faced with major increases in the costs of utilities, public transit, fuel and rent, even health care through health premiums or dispensing fees.
- That the federal government re-introduce the deduction for interest income with a limit of \$3 000. This would bring fairness for all investors and counterbalance the advantages now given to capital gain income. Why should individuals have only half their capital gain income considered taxable income while others are fully taxed on their interest income? Income should be treated as income for everyone, not a selected few. No Canadian should be fiscally punished because of his or her choice of family of investment.
- That the federal government allow 100% of all medical expenses not covered by a provincial health plan or another insurance plan to be claimed. ACER-CART recommends that such expenses be treated

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In consultation with the provincial and territorial governments, the federal government should seek to establish a National Prescription Drug Agency under the Canada Health Act to control costs, evaluate new and existing drugs, ensure quality, safety and cost effectiveness of all prescription drugs.

The mandate of such a national agency, staffed by representatives of both levels of government, would be to simplify the present process whereby each province has its own set of rules, to reduce duplication and to guarantee a more uniform coverage across the country. One must remember that the Canadian Charter of Rights and Freedoms refers to equal treatment as one of the fundamental rights guaranteed Canadians. An analysis of the present provincial health care structures indicates clearly that equality in terms of access to medical services, in terms of quality of health services and especially in terms of cost to the patient is wanting.

Under a National Prescription Drug Agency, new and existing drugs would be evaluated through a completely different system whereby the process would be entirely in the hands of the agency, not the drug companies, allowing for a more open and transparent approach. Drug companies wishing to introduce new drugs on the market would submit them to the national agency who would have full control over the process, the information released, the time frame and the conditions of acceptance. The costs associated with such an evaluation would be entirely the responsibility of the drug company. With such an approach, new drugs would be tested against placebos and against existing drugs, therefore indicating clearly the marked benefits of the new drugs over existing drugs. The result would be a simpler and cheaper approach with a better control of quality and process without duplication leading to savings in health costs.

When governments meet, this is but one area which should be discussed, especially under the umbrella of transfer payments. The present system allows for too much duplication. One must remember that there is but one taxpayer and there is a limit to the tax burden one can be saddled with. New avenues to save money and reduce costs through better cooperation must be fully explored.

**RECOMMENDATION:** That the federal government, in consultation with the provincial and territorial governments, establish a National Prescription Drug Agency under the Canada Health Act to control costs, evaluate new and existing drugs, ensure quality, safety and cost effectiveness of all prescription drugs.

#### NATIONAL FORMULARY OF PRESCRIPTION DRUGS

This is a corollary to the previous point. Canada should have but a single prescription drug formulary. The present system of provincial and territorial formularies is outdated, slow and costly. Every province decides which drugs will be covered under its health plan, creating confusion among Canadians, especially those moving from one province to another and traveling across

the country. In some cases, we are facing uncertainty as to what is covered, what fees are involved, what it will cost, leaving one to wonder if we are living in the same country.

A national prescription formulary would reduce cost, but more importantly, guarantee equality of health services, at least for prescription drugs, across Canada.

**RECOMMENDATION:** That the federal government encourage the provinces and territories to adopt a national formulary of prescription drugs as a measure to control health costs.

### CATASTROPHIC DRUG TRANSFER

Many Canadians rely on medications for their very lives. Given the proportion of seniors making up the Canadian population and their special needs, a review of costs in providing necessary drugs is mandatory. This review should include, among other things: the way pharmaceuticals are prescribed to an aging population and the benefits to be derived from more holistic approaches to medical treatment. Adequate provision of medication ought to form an essential component in the national health care program.

All Canadian citizens have a right to health care. System inefficiencies, streamlining operations and restructuring of health care facilities should not be accepted as a sufficient reason to deny citizens this right, regardless of location and wealth. Health care services need to be provided as efficiently as possible.

All levels of government should determine, in concert, their share of the costs of health care and make a commitment to paying such shares for several years and that information concerning such agreements be made public.

The costs of prescription drugs are escalating: one reason often given by the drug companies being the high investment required to develop new and more effective drugs; another factor can be traced to the high marketing and promotional costs. This is adding an additional burden on the health care budgets of the provinces and territories. The results are often delays in or even refusals to include a specific drug on a provincial formulary, introduction of health premiums or non-coverage of dispensing fees. The consequences are almost always felt at the taxpayer's level.

The federal government has an obligation to guarantee a level playing field especially when health care is the main issue. Many provinces cannot afford to include some of the new drugs in their health plan, thus creating by default a multi-level health care across the country.

**RECOMMENDATION:** That the federal government establish a catastrophic drug transfer fund to allow provinces and territories to offset the high costs associated with prescription drugs.

## **SUMMARY OF RECOMMENDATIONS**

- That financial grants be made available to a consortium of seniors' organizations so that the consortium can fulfill its responsibilities and provide effective public policy input that truly represents the views of Canadian seniors.
- That the federal government provide increased funding for direct compensation to relieve the pressure and for adjustments to CPP and EI on personnel who must discontinue or scale back regular jobs to care for sick family members.
- That household income splitting for tax purposes be implemented immediately
- That defined benefits pension plan limits be increased to \$3000 effective immediately
- That the minimum withdrawal rates from registered retirement income funds be lowered.
- That the age at which registered retirement savings plans (RRSP) must be converted to an annuity or a registered retirement income fund be raised to 73 by January 2006.
- That the federal government have Old Age Security income treated as tax-free income.
- That the federal government increase the pension income deduction from the present \$1000 to \$2500 immediately
- That the federal government re-introduce the deduction for interest income with a limit of \$3000.
- That the federal government allow 100% of all medical expenses not covered by a provincial health plan or another insurance plan to be claimed.
- That the federal government allow 100% of all charitable donations to be claimed.
- That the federal government remove the goods and services tax (GST) on transportation and heating fuels.
- That the federal government, in consultation with the provincial and territorial governments, establish a National Prescription Drug Agency under the Canada Health Act to control costs, evaluate new and existing drugs, ensure quality, safety and cost effectiveness of all prescription drugs.
- That the federal government encourage the provinces and territories to adopt a national formulary of prescription drugs as a measure to control health costs.
- That the federal government establish a catastrophic drug transfer fund to allow provinces and territories to offset the high costs associated with prescription drugs.

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