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CHST Spells COST for Disabled

The problem

The Canada Health and Social Transfer (CHST) announced in the 1995 federal Budget will dismantle the Canada Assistance Plan (CAP). CAP is the legislation that, since 1966, has allowed Ottawa to share with the provinces in the cost of welfare and social services. The CHST – slated to take affect in 1996-97 – will combine CAP monies with federal transfers for health and postsecondary education now paid under the Established Programs Financing (EPF) arrangement into a single block fund for health and human services.

The withdrawal of the legislative base for welfare and social services, combined with rapidly declining federal dollars, will translate into cuts for welfare programs in particular. Almost certain to be lost are many items of special assistance that are currently provided through welfare systems – the very items that help maintain people with disabilities and the elderly in their community and out of expensive nursing home and institutions.

In actual dollars, the cost of CHST will drop rapidly over time. In human terms, the cost of the CHST will be very high.

CAP provisions

Many Canadians think of welfare simply as the payment of benefits to people who require cash assistance. Others regard welfare simply as the payment of benefits to people who don't deserve cash assistance. Both assumptions are wrong.

The Canada Assistance Plan provides for two major types of aid: basic assistance and special assistance.[1] *Basic assistance* refers to the financial aid that provinces pay to eligible households in the form of cash benefits. Basic assistance covers essential items including food, clothing, shelter and utilities; some provinces provide a small clothing or personal allowance a part of their basic assistance package. (While 'essentials' are defined in the Act, CAP sets no benchmarks with respect to adequacy or minimum

payments. Welfare benefits very considerably from one province to another, but in all parts of the country fall well below poverty lines and average incomes.[2])

Provinces also make available *special assistance* to help offset the costs associated with health- or disability-related needs. The latter include wheelchairs, prosthetic equipment, special eyeglasses, hearing aids, medications, medically-prescribed diets, homemaker services and attendant services. Special assistance may be provided in three forms: a case payment, the actual item or the service.

But special assistance is granted on a discretionary basis. Each province and territory, as well as municipalities in the two-tier provinces of Nova Scotia, Ontario and Manitoba, determine the special assistance they will make available. 'Two-tier' refers to welfare systems in which provincial governments deliver benefits to persons deemed to require financial aid on a long-term basis, while municipalities pay financial assistance to persons considered to be unemployable over a short-term period.

Special assistance

The rules and the availability of special assistance vary widely throughout the country. While welfare workers must abide by certain policies, they have the authority to decide which individuals qualify for special assistance and how much they will receive. (It should be noted that the following is an illustrative, rather than exhaustive, description.)

Newfoundland covers the cost of special diets for medical reasons and diabetic allowances up to $45 a month. Additional social assistance of up to $89 a month may be granted to persons who are medically certified a blind. Those who require supportive services to help them live on their own may receive a flat-rate allowance ($125 a month for a single person with a disability and $250 for a couple where both spouses are disabled). Assistance may be paid for housekeeper services under special circumstances. Travel expenses for health-related reasons may be covered.

In Prince Edward Island, persons with disabilities and those with certain health problems may be granted an allowance for shelter costs. Up to $40 a month may be included for special needs arising from a disability, although this allowance is not payable to persons living in a residential or nursing home. A maximum $51 a month may be available or items of personal care which people with disabilities are unable to provide for themselves.

Nova Scotia, like most other provinces, covers part of the cost of approved prescription drugs for welfare recipients with disabilities. The City of Halifax, which delivers welfare to residents of that municipality, may pay for special medical diets, transportation for medical reasons and meals-on-wheels for infirm seniors.

In New Brunswick, seniors and persons with disabilities may be eligible for assistance of up to $150 a month to offset housing costs. (The Canada Assistance Plan shares the Assistance for Reduction of Rental Costs only on behalf of the welfare recipients; the province pays the full amount for other claimants.)

Quebec grants special benefits to cover the cost of medical supplies, requirements and diets. For example, it allows $100 a month for hemodialysis, $100 a month in the case of paraplegia for designated welfare recipients, $20 a month for diabetics and $20 a month for the

installation of special equipment. Travel expenses for medical reasons may be paid. Certain beneficiaries may be eligible for extended coverage for dental or pharmaceutical purposes.

Ontario permits small monthly amounts for medically-certified special diets (e.g., $19 a month for high protein diets, $6 a month for restricted sodium diets). Up to $64 a month may be paid for the care of a guide dog for a blind or deaf person who qualifies for assistance. In 1991, the provincial government introduced a new category of aid referred to as 'special needs.' These include diabetic supplies, surgical supplies and dressings, and transportation reasonably required for medical treatment. Because these items are considered to be 'necessities,' municipalities must pay for them whether or not they provide other types of special assistance. There is also provision for a community start-up allowance for persons who have been discharged from an approved institution and are setting up a residence in the community.

Manitoba pays for a housekeeper or attendant services under special circumstances such as illness. Additional assistance may be granted for medically-prescribed special diets (e.g., $27 a month for diabetics, $43 a month for a controlled fat diet and $33 a month for a controlled sodium diet). Certain recipients may qualify for a meals-on-wheels allowance. Transportation for health-related reasons as well as 'extended health services' – such as basic drugs, dental and optical supplies – may be covered.

Saskatchewan allows for homemaker services where these are required for medical reasons. Special health-related and medically-prescribed diets may be paid as well.

Alberta may grant a personal needs supplement of up to $20 a month and a small monthly amount for special diets. The cost of extraordinary transportation for health-related services may also be covered. Alberta may pay up to $1,000 as a start-up allowance for persons coming out of institutions and setting up residence in the community.

British Columbia may authorize payment for shelter costs incurred during hospitalization when the absence is due to circumstances beyond individual control. The province may also pay the monthly fees for registered guide dog (up to $62 a month), up to $20 a month in supplementary diet allowances and homemaker/housekeeper services under special circumstances for people unable to care for themselves or their dependents. Recipients of 'handicapped benefits' in British Columbia may be eligible for a one-time grant of $200 to cover the costs of entering full-time employment.

Yukon may pay a housekeeping allowance for special care and a small monthly allowance for certain categories of recipients, who by reason of age, illness or disability, have special dietary needs and requirements. The Northwest Territories allows a small amount for special diets. It will also provide for prosthetic devices or other disability-related items not covered under any other program.

No legislative base

It is difficult to determine from the current data on the Canada Assistance Plan the amount actually spent on health- and disability-related items through the special needs provisions of welfare systems. The problem arises from the fat that these items are supported primarily through the so-called 'assistance provisions' under CAP. These provisions do not disaggregate the expenditure on special needs items – that may

be provided as cash, vouchers or services – from the costs of basic welfare assistance.

This problem was described in a Caledon publication entitled *Small Technicality: Big Problem*. The paper explained that much of the help made available through welfare systems is delivered as 'income-in-kind' such as technical aids and equipment.[3] There is a substantial goods and services component hidden in the numbers – and, more importantly, in the public debate on welfare.

Most welfare bashers are unaware of the fact that provincial welfare programs provide essential goods and services to help people live independently in communities. Without these supports, there likely would be hundreds or even thousands of Canadians who would require a nursing home or institutional setting because they simply would be unable to live on their own.

The Caledon Institute criticized the Social Security Review for its myopic approach to the issue of personal supports; in fact, the government completely closed its eyes to the problem.[4] This is a serious concern not only for persons with disabilities who comprise 16 percent of the population – but for the entire country as well.

One in five Canadians will be over age 65 by the year 2021 – and disabilities are most common among seniors. In 1991, 46 percent of all persons aged 65 and over had some form of disability, compared with 27 percent of people aged 55-64, 14 percent of those aged 35-54, eight percent of persons aged 15-34 and seven percent of children under age 15.[5]

Moreover, seniors with disabilities are more likely than their younger counterparts to have a severe form of impairment which substantially reduces their capacity to perform the activities of everyday living. In 1992, 32 percent of persons with disabilities aged 65 and older had severe disabilities compared with 20 percent of those aged 55-64 and 15 percent of persons aged 35-54.[6] There has been very little systematic planning to prepare for the fact that a substantial proportion of the Canadian population will require personal supports at some point in the not-to-distant future.[7]

The complete lack of recognition of this problem in the Social Security Review was serious in and of itself. But the changes ushered in by the 1995 Budget (the real Social Security Review) could be devastating.

Collapsing the Canada Assistance Plan into a larger transfer that included health and postsecondary education will see welfare and social services suffer dramatically.[8] By withdrawing CAP, there is no guarantee that provinces will invest in welfare and social services. There will be no public clamour to sustain programs that are seen to benefit a small part of the population. *Yet most people are unaware of the fact that welfare systems also serve a quasi-health role by paying for and supplying many of the goods and services that are not supported under medicare*.

Medicare covers only items that provinces define as insured health care services. By contrast, extended health care services, which can include home care and other equipment and support, are generally not considered to be insured services. Provinces are permitted to charge user fees for extended health care services. Health- and disability-related items can cost hundreds or even thousands of dollars.

It could be argued that there *is* assistance to offset the cost of personal supports; the tax

system includes a medical expenses credit worth 17 percent of allowable medical expenses in excess of three percent of net income. But there are several shortcomings with the credit. First, it is a prescriptive list of allowable medical expenses and many items are not included. Technologies change quickly but lists of allowable expenses determined by federal bureaucrats do not. There are often long time lags between new items and the release of an updated list.[9]

Second, the medical expenses credit is a non-refundable tax credit – which reduces federal and provincial income taxes. This means that claimants must have a certain amount of income and thus pay taxes in order to derive any benefit from the credit. The maximum medical expenses credit goes to taxpayers whose income taxes exceed the amount of the credit. Canadians whose taxes are less than the credit benefit only by the amount of their taxes (since the credit reduces their taxes to zero).

The non-refundability feature of the credit excludes a good number of people with disabilities, many of whom have very low incomes.[10] Neither can roughly one-half of elderly Canadians – with incomes so low they do not pay income tax – take advantage of the medical expenses tax credit.[11]

Because the average amount of medical expenses claimed rises with income, so too do the benefits paid by the credit in the form of federal and provincial income tax savings. In 1992 (the latest year for which the data are available), average federal and provincial tax savings from the medical expenses credit amounted to $366 though the benefits vary widely according to income level – from just $53 for taxfilers with incomes under $10,000 to $3,027 for those with incomes over $250,000. (It should be noted that this tax credit is available not only to persons with disabilities and the elderly but may be used by the entire population as well.)

Declining funds

Another problem with the proposed Canada Health and Social Transfer is that it represents a drastic reduction of federal funds currently spend on human services.

When the CHST is put in place in 1996-97, it will pay the provinces $26.9 billion – $2.5 billion less than the $29.4 billion that would have been spent under the current system (CAP and EPF). In 1997-98, the CHST will pay the provinces only $25.1 billion - $4.5 billion less than they would have received under the old system. These reductions amount to 8.5 percent for 1996-97 and 15.2 percent for 1997-98, an enormous $7 billion over the two years.[12] These losses are over and above the $466 million that had been removed from transfers to the provinces by the 1994 federal Budget and the $5.8 billion that was lost by Ontario, Alberta and B.C. between 1990-01 and 1993-94 as a result of the cap on CAP.[13]

The new CHST will consist of tax points and cash transfers, like the current Established Programs Financing (EPF) arrangements for health and postsecondary education. EPF was partially de-indexed in 1986 when the Tories introduced a GNP-less-three-percentage points in 1989 and then frozen in 1990. Partial de-indexation has had the effect of siphoning billions from federal cash transfers to the provinces.[14]

The Liberals did not restore full indexation to the EPF formula when they came to power. Far from it, the Minister of Finance announced additional cuts in federal transfers to the pro-

vinces in his 1994 and 1995 Budgets. Assuming that the CHST is only partially indexed using the established GNP-less-three-percentage point formula and also adjusted for changes in provincial population, Caledon estimates that federal cash transfers will disappear by 2011-12. Federal cash transfers will end two years sooner in 2009-10, if the CHST did not adjust for population growth. If the federal government were to freeze its entitlement at the starting level of $26.9 billion and provide no annual adjustments, then the end to cash transfers will come in 2006-07. The precise date when the federal cash disappears varies from one province to another.[15]

But the specific date for the disappearance of the cash transfers is actually academic. Whatever the formula used to determine the base of the new fiscal transfers, the cash portion is dropping quickly. It will be gone entirely early in the next century. The withdrawal of federal cash will minimize – if not eliminate – federal influence over human services.

Conslusion

Some Canadians will be only too happy to learn that the new CHST puts welfare at serious risk. Perhaps they would respond differently if they knew that cuts to welfare – especially to special assistance provisions that support health- and disability-related items – place persons with disabilities at serious risk as well.

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Endnotes

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