



Ontario

Québec



Addressing Aging: Options for Intergovernmental Collaboration

February 2016

School of Public Policy and Governance, University of Toronto

Matthew Casselman, Simon Gooding-Townsend, Emma Helfand-Green & Guy Miscampbell

NOT FOR PUBLIC DISTRIBUTION | DIFFUSION RESTREINT



Content

- **Issue Summary**
- **Understanding the Problem**
- **Challenges**
- **Proposed Policy Direction**
- **Strategic Options**
- **Risk Assessment**
- **Implementation**
- **Strategic Communications Plan**



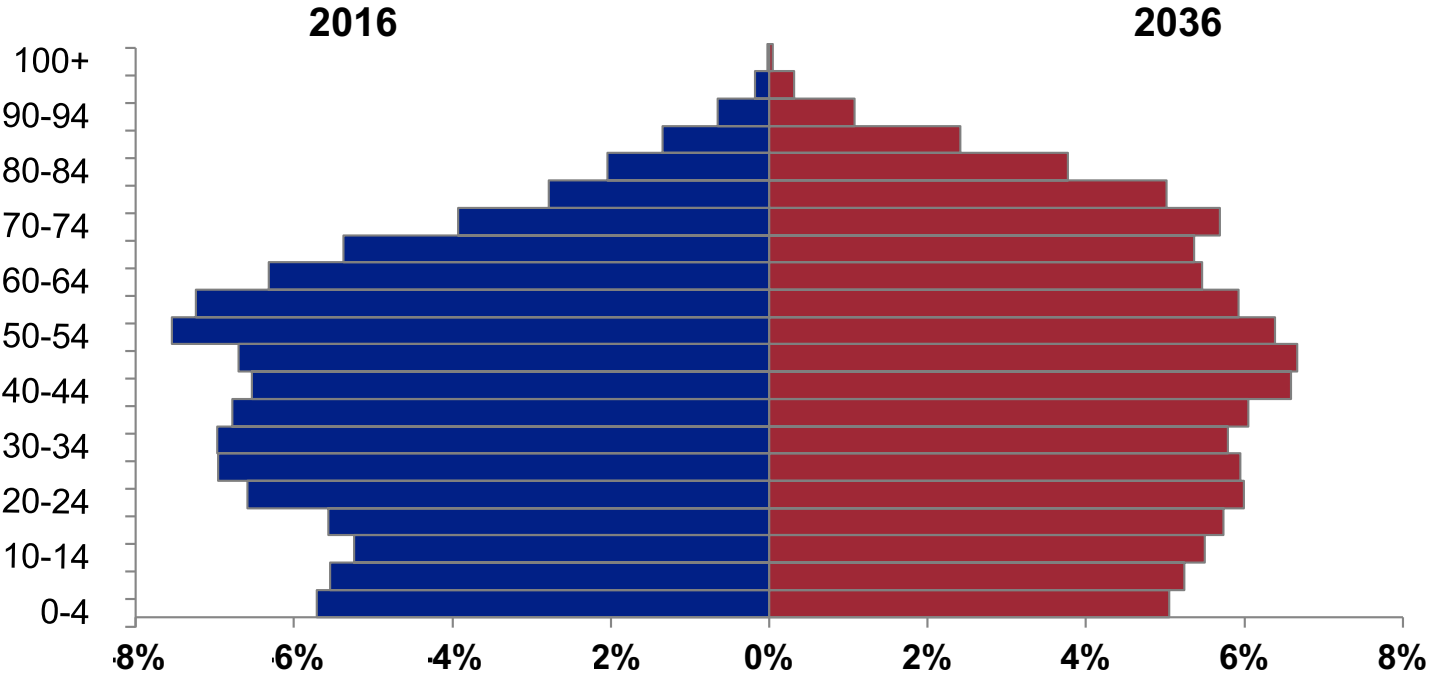
Issue

“How can Quebec and Ontario work with other levels of government to address the challenges of an aging population?”



A Changing Population

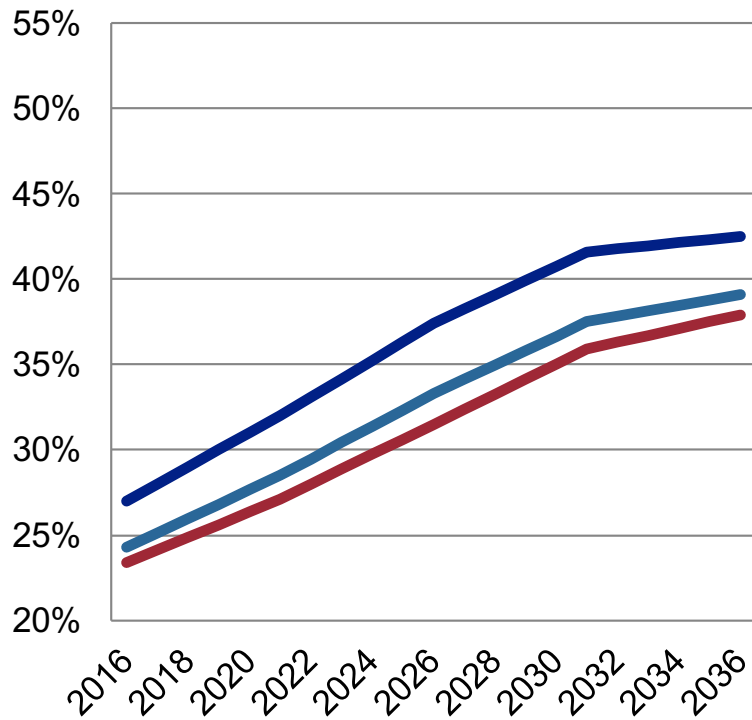
- The population profile of Canada* is aging rapidly, driven by the boomer cohort approaching retirement age;



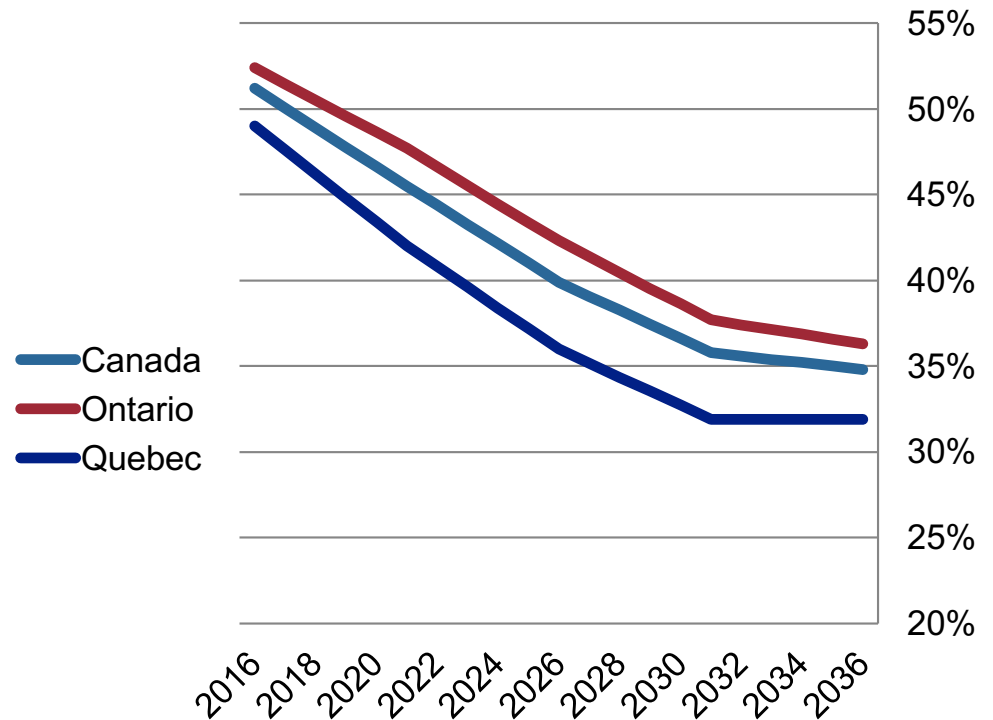
Source:
 Statscan
 Population
 Projections:
 Medium Growth
 Scenario
 * For further
 details see
 Appendix 1.

Distribution and Dependency

Elderly (65+) as a Percentage of Total Population



Working Age (15-64) as a Percentage of Total Population



Source: Statscan Population Projections: Medium Growth Scenario

Framing the Problem

- The three contributing factors affecting this problem are:
 1. *Increased expenditures*
 2. *Decreased revenues*
 3. *Mismatched services*
- There is a need to take action to prevent issues a decade before they become acute, and to 'age proof' programs.



Understanding the Problem: Expenditure

Expenditure Challenge: Without significant policy reform, the aging population will place unsustainable pressures on many government programs and services.

- Strain on the health system with increasing demands on costly hospital care, long-term care facilities, palliative care and prescription drug benefits;
 - In 2009, approximately 45% of Provincial and Territorial governments' health care expenditure was spent on seniors.
- More recipients will be eligible for costly government income security programs (e.g., Old Age Security/Guaranteed Income Supplement).



Understanding the Problem: Revenue

Revenue Challenge*: An aging population has the potential to worsen existing revenue challenges facing governments.

- Federal and Provincial governments currently experiencing slow growth and revenue challenges;
- A shift in the dependency ratio and slower population growth may lead to lower growth in economic output and income and increase the possibility of labour shortages;
- If labour supply growth slows as expected and labour productivity growth remains at its average pace, real GDP would slow substantially.

* For further details see Appendix 2.



Understanding the Problem: Mismatched Services

Mismatch of Services: Current government services are inadequate to address the needs of an aging population.

- There will be an increased demand for long-term care facilities and prescription drug coverage which are not currently fully covered by public health care systems;
- Existing pension and income security programs may not address individuals' specific retirement needs and may provide perverse incentives to workplace participation.



Challenges

Federal and Provincial Roles

- Responsibility for policy areas is shared between governments;
- Provincial preferences and political contexts differ.*

Regional and Population Diversity

- Variation in wealth and level of personal savings and debt;
- Regional differences in need and opportunity.

Current Fiscal Position

- Slow economic growth combined with high government debt which constrains governments' ability to act.

Public Expectations

- Service level expectations are deeply ingrained;
- Resistance to revenue-generating tools such as taxes and fees.

Time Horizon

- Risks of inaction are not immediate or tangible;
- Difficult to create political and public momentum for change.

* For further details see Appendices 3-6.



Proposed Strategic Approach

Develop a collaborative Federal and Provincial engagement strategy that focuses on three key policy areas to address population aging.

Restructure *Health & Home Care* services to control expenditure*

- Invest in preventative health models;
- Improve care coordination for high cost users;
- Expand community and home-based care.

Develop a *Workforce & Productivity* strategy that supports economic growth*

- Increase participation of underrepresented groups in the workplace;
- Research and innovation and emerging industry supports;
- Eliminate existing interprovincial barriers.

Establish sustainable *Income Security* programs*

- Enhancement and asset testing for income security supports;
- Provide more incentives for individual saving and working;
- Expand pension coverage.

* For further details see Appendices 7-9.



Models of Federalism in Action

- Facilitator and Enabler: ***Introduction of HST***
 - Ensures dissention does not derail progress;
 - Supports implementation and program delivery differences;
 - Cultivates support through perceptions of public control;
 - Provincial leadership required before transfer of funds.
- Convenor and Consensus Builder: ***Canada Health Accord***
 - Effective when there is broad national consensus for common action;
 - Little enforcement mechanism;
 - Narrowed scope to increase breadth of support.
- Jurisdictional Innovation: ***Canadian Medicare***
 - Allows for reverse innovation and trials;
 - Can increase public support through absence of downloading;
 - Can lead to inconsistent patchwork and high barriers.



Options Overview:

1. Collaborative Engagement (Recommended)
1. Pan-Canadian Approach
1. Traditional Approach



Option 1 (Recommended): Collaborative Engagement

Quebec and Ontario leadership aims to secure enhanced Federal support to make significant changes in the policy areas that will have the most impact in addressing aging population.

Quebec and Ontario will work together and reach out to the Federal Government for support (funding and policy).

This option would include:

- Joint announcement of bilateral partnership between Quebec and Ontario;
- Proceeding with key Quebec and Ontario reforms and policies;
- Specific asks of Federal government to support or fund Quebec and Ontario initiatives;
- Cooperation with other provinces on distinct issues.



Option 1 (Recommended): Collaborative Engagement Examples

1) Restructure *Health and Home-Care* services to control expenditure

- Quebec health funding models now incentivize more patient interactions;
- Ontario reduced the growth of health costs to 1.6% annually;
- *Objective:* Federal grants for health systems transformation to preventative care.

2) Develop a *Workforce & Productivity* strategy that supports economic growth

- Plan Nord supporting resource development in Northern Quebec, including First Nations;
- Ontario low-income tuition grant to increase post-secondary education participation;
- *Objective:* Support for First Nations labour force development.

3) Establish sustainable *Income Security* programs

- Long-term administration of Quebec Pension Plan;
- Introduction of Ontario Retirement Pension Plan;
- *Objective:* Federal support for provincially administered plans.

* For further details see Appendix 10.



Recommendation: Action by Policy Leadership

Key Considerations

- Protects Quebec and Ontario's control of policy design;
- Ability to achieve greater success than current provincial initiatives depends on enhanced federal support;
- Targets reforms to address structural challenges;
- Quebec and Ontario demonstrate pan-Canadian leadership through their example;
- Publicly aligns Quebec and Ontario's positions;
- Strong cooperation between Quebec and Ontario and with the federal government facilitates subsequent involvement of other provinces.



Option 2: Pan-Canadian Approach

Addressing our aging population requires action by all provinces and the federal government.

This involves major requests through the Council of the Federation and First Ministers' Meetings to achieve pan-Canadian agreement on key goals. All partners would identify areas for collaboration and Federal support for provincial policy innovation before taking action.

- Policy changes could include Federal pension enhancement, pan-Canadian immigration strategies and major health system transformation;*
- Focuses on consensus building and development of national approaches;

Key Considerations

- Quebec and Ontario will be expected to compromise when collaborating with other governments to identify priorities;
- Promotes more integrated program design and may be more comprehensive;
- Various government agendas and unique challenges may limit the scope of action;
- Generating broad agreement is time-consuming.

* For further details see Appendix 11.



Option 3: Traditional Approach

Quebec and Ontario have a substantial ability to respond to the needs of their aging populations. This option does not redefine pre-existing intergovernmental relationships. Quebec and Ontario do not announce a new bilateral strategy.

- Does not include public announcements about new strategies and intergovernmental partnerships;
- Specific policy actions in areas where provincial governments have the capacity to act using existing channels.

Key Considerations:

- Gives Quebec and Ontario greater control and certainty over policy outcomes;
- Allows for more rapid action on key policy solutions, but areas for action may be limited;
- Does not take advantage of federalism to facilitate a comprehensive response, and could impede future interprovincial coordination by increasing barriers.

* For further details see Appendix 12.



Option Comparison:

Option 1: Collaborative Engagement

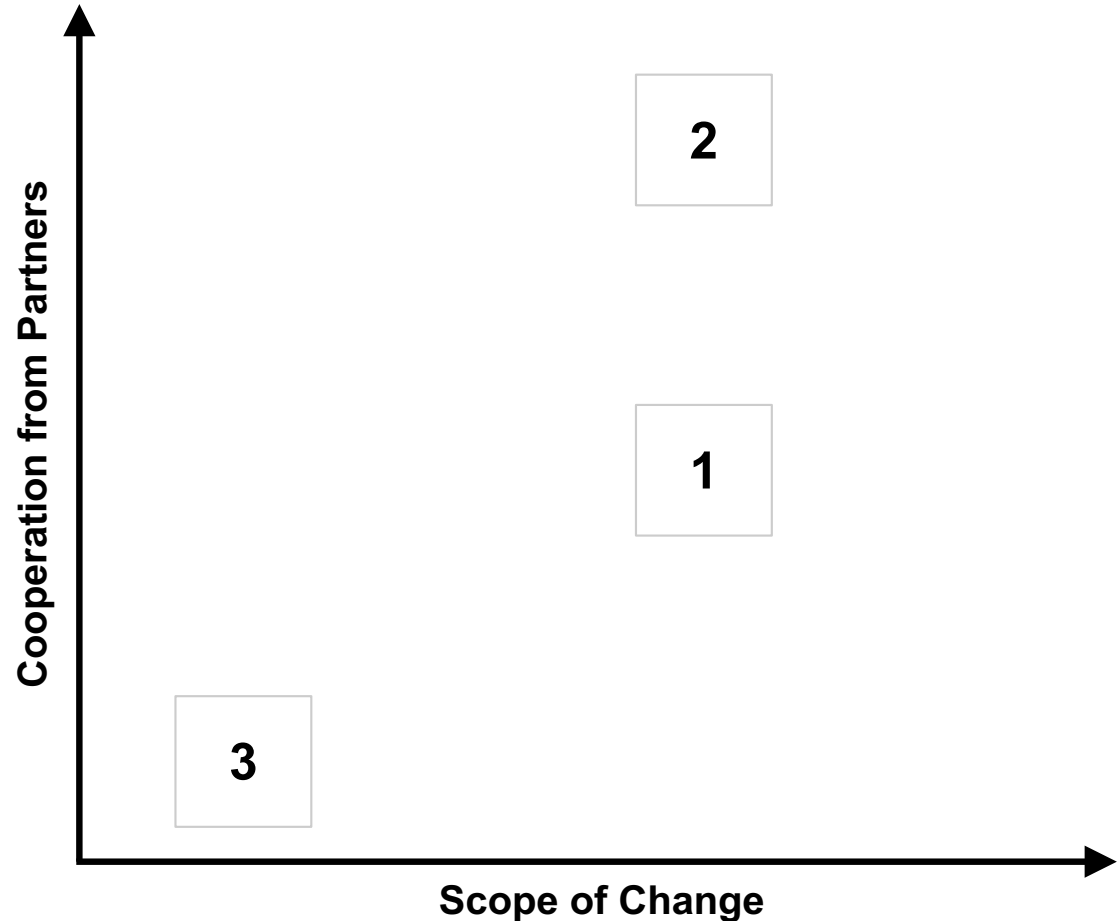
Quebec & Ontario are ready to take a leadership role on issue but require Federal partnerships.

Option 2: A Pan-Canadian Approach

Address issue with all governments in Canada through long term collaboration.

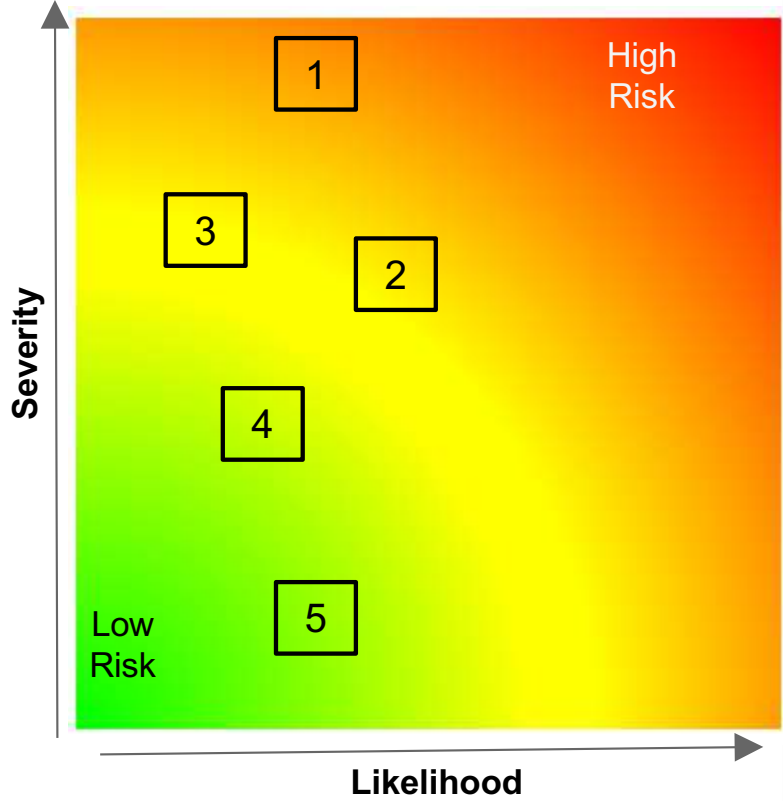
Option 3: Traditional Approach

Quebec & Ontario will move forward independently using available tools.



Risk Assessment of Recommended Option

	Risk	Mitigation
1	Federal Government does not agree to cooperate.	Move on provincial-only policies combined with ability to fold into future federal initiatives.
2	Difficulty achieving public buy-in for action.	Demonstrating early wins in key transformational areas.
3	Aging population issue becomes acute before action is taken.	Continue monitoring priority areas combined with strategic planning/foresight.
4	Inability to achieve necessary large-scale policy changes.	Refocus on localized, provincial responses.
5	Risk of harming relations with other provinces by not supporting their interests.	Highlighting bilateral relations and aiming to avoid policies that harm relations.



Decorative vertical bar on the right side of the slide, featuring a blue fleur-de-lis logo and a white floral logo on a dark blue background.

Implementation Strategy*

Immediate to Short Term (1 to 12 months)

- Announce Quebec and Ontario's plan for collaboration at a "*Summit on Population Aging*";
- Develop publicly communicated milestones regarding future goals;
- Joint Quebec-Ontario Cabinet meeting discussions expanded to include senior officials;
- Approval of joint work plan to outline process and areas for action with Federal government;
- Official announcement of bilateral agreement publically to build momentum for action.

Medium Term (12 to 18 months)

- Secure private and third sector endorsement (think tanks, businesses, thought leaders);
- Call on the Prime Minister to meet with the Quebec and Ontario Premiers;
- Share specific action and policy identified in the meeting with Premiers and Prime Minister.

Long Term (18 months to 3 years)

- Develop specific policy implementation strategies and introduce legislative changes needed for specific policies;
- Move forward with Federal-Provincial policy changes;
- Conduct a review on progress and status of collaboration to be shared publically.

* For further details see Appendix 13.



Strategic Communications Plan

Key Objectives:

- Build awareness of the issue and the need for action;
- Build support for the approach being taken by Ontario and Quebec and the policies it entails.

Key Messages:

Ontario and Quebec:

- Recognise the need to respond to the challenges of an aging population;
- Will be taking action to plan for the future prosperity of their provinces and people;
- Ask that the Federal Government support them in transforming their services;
- Encourage the Federal Government and other Provinces to join them in taking action.

Media Availability:

- Premiers and Ministers available for interview. Senior Public Servants available for technical briefings.

Supporting Materials:

- Supporting press releases, technical briefings on demographic projections, current initiatives and proposed powers/responsibilities.

* For further details see Appendix 14.



Appendices: Table of Contents

- Appendix 1: Provincial Demographic Variation
- Appendix 2: Revenue & Debt Highlights
- Appendix 3: Quebec & Ontario Context
- Appendix 4: Existing Government Positions
- Appendix 5: Key Initiatives – Ontario
- Appendix 6: Key Initiatives – Quebec
- Appendix 7: Health & Long-Term Care Highlights
- Appendix 8: Income Security Highlights
- Appendix 9: Workforce & Productivity Highlights
- Appendix 10: Recommended Policy Examples
- Appendix 11: Option 2 Policy Ideas
- Appendix 12: Option 3 Policy Ideas
- Appendix 13: Implementation Plan - GANTT chart
- Appendix 14: Proposed Reactive Messaging



Appendix 1: Provincial Demographic Variation

Province	Population	Age			Median age
		0-14	15-64	65+	
Canada	34,880,491	16.2	68.9	14.9	40
Nova Scotia	948,695	14.5	68.4	17.2	43.4
New Brunswick	755,950	15	68.1	17	43.4
Newfoundland and Labrador	512,659	14.8	68.6	16.6	44.2
Prince Edward Island	146,105	15.7	67.9	16.4	42.6
Quebec	8,054,756	15.5	68.3	16.2	41.5
British Columbia	4,622,573	14.8	69.3	15.9	41.4
Saskatchewan	1,079,958	19.1	66.2	14.7	37.1
Ontario	13,505,900	16.3	69.1	14.6	39.8
Manitoba	1,267,003	18.8	67	14.2	37.6
Alberta	3,873,745	18.3	70.6	11.1	36.1
Yukon	36,101	17.1	73.5	9.4	39.4
Northwest Territories	43,349	21.4	72.4	6.2	32.1
Nunavut	33,697	31.7	64.9	3.3	24.7



Appendix 2: Revenue & Debt Highlights

- Provincial and Federal governments have high debt levels and many structural deficits;
- Debt servicing payment is increasing, reducing availability tax dollars to fund programs and investment;
- There is a risk that this trend will be exacerbated by the aging population as fewer active participants in the labour market support more inactive members;
- Some sectors have been more dramatically hit by recent changes in economy with implications for future government revenue.

Responsibilities

Federal	Federal transfers and revenue collection have trickle down effects and incentive implications
Provincial	Limited fiscal levers Concern over jurisdictional shopping
Municipal	Downloaded pressures, especially on frontline services
Private	Motivations shaped by incentive structures implicit in the tax/legislative framework



Appendix 3: Ontario and Quebec Context

Ontario

- Demographic profile closely matches the Canadian average;
- Ontario experiences above average immigration.

Quebec

- Older population than the Canadian average;
- Historical commitment to more generous social services, most notably child care;
 - Leader in integrating health and social services;
- Has a Minister responsible for seniors;
- Identifies programs and resources for seniors, in particular relating to health, social services, housing, and elder abuse;
- Have set the age threshold for some benefits at 70 (e.g. seniors activity tax credit).



Appendix 4: Existing Government Positions

Actor	Goal*	Relevant Programs/Pledges*
Federal Government	Fulfil mandate letter commitments; Maintain the quality of life for seniors; Enhance Federal-Provincial relations.	Ensure that the fiscal program is sustainable, Support delivery of more home care services, Increase the number of good quality jobs for young people, affordable housing strategies.
Ontario	Create and enhance provincial services; Demonstrate leadership on this file;	Ontario Retirement Pension Plan, Improvement of Long-Term Care Facilities, Affordable Drug Access, Health System Transformation, Social Assistance transformation, Affordable housing strategy.
Quebec	Consolidated service delivery for seniors; Demonstrate leadership on this file;	Quebec Pension Plan, Creation of a Minister for Seniors to coordinate services/reform.
Interprovincial	Maintain Provincial responsibilities; Fulfil individual mandate commitments; Cater for Province-specific issues.	Varied pledges including managing health budgets (BC), build more Seniors facilities (AB), Reform the income and employment support delivery system (SK).

*non-exhaustive, for demonstration purposes



Appendix 5: Key Initiatives - Quebec

	INITIATIVE	PRIORITIES
HEALTH/ LONG - TERM CARE	<i>Bill 10 & Bill 20</i>	Three key goals which include: 1) Facilitate and simplify public access to services, improve the quality and health care and make the system more efficient and effective; 2) Reduce bureaucracy; and 3) Establish structures for future reforms by implementing new methods of financing.
	<i>Aging and Living Together Strategy</i>	Includes an action plan for 2010-2017 for the next five years to help Québec society adapt to population aging with central goals of achieving intergenerational equity, promoting senior empowerment and strengthen current initiatives.
	Expansion of home care funding	In 2012, the Quebec government added \$110 million province-wide to its budget of \$500 million for home care.
WORKFORCE/ PRODUCTIVITY	Consultations on immigration reforms	Public consultations began in January, 2015 to solicit feedback on new directions for the future of Quebec's immigration policy to address workforce needs.
	<i>Ontario-Québec Trade and Cooperation Agreement</i>	Focus on reducing barriers that restrict trade, investment and labour mobility.
INCOME SECURITY	Quebec Pension Plan	Intended to mirror the CPP as a comparable program. It offers the same contribution rate of 9.9% as the CPP. It is a completely distinct pension fund with different rates of return. Returns on average have been lower than the CPP.



Appendix 6: Key Initiatives - Ontario

	INITIATIVE	PRIORITIES
HEALTH/LONG - TERM CARE	<i>Patients First: Action Plan for Health Care</i>	Providing faster access to the right care, delivering better coordinated and integrated care in the community, closer to home and providing the education, information and transparency they need to make the right decisions about their health.
	Overhaul of the Community Care Access Centres (CCACs)	Elimination of the CCACs (which coordinate home care services) and expanded role of the local health integration networks to better standardize care, reduce administrative overhead costs and provide service.
	<i>Ontario Action Plan for Seniors</i>	Focus on healthy aging, senior friendly communities, safety and security.
WORKFORCE/ PRODUCTIVITY	<i>A New Direction: Immigration Strategy</i>	Attracting a skilled workforce and growing a stronger economy.
	<i>Ontario-Québec Trade and Cooperation Agreement</i>	Focus on reducing barriers that restrict trade, investment and labour mobility.
INCOME SECURITY	Ontario Retirement Pension Plan	Intended to supplement CPP (for those not covered by workplace pensions) and provide approx. 15% of a worker's pre-retirement income up to a maximum cap.



Appendix 7:

Health & Long-Term Care Highlights

- Canadians over 65 consume roughly 44% of provincial and territorial health care budgets;
- Provincial drug benefit plans that are targeted to seniors in Ontario and Quebec will face increasing demands for expensive prescription medications;
- Greater demand placed on the provision of long-term care facilities and palliative care.

Strategy: There is need to restructure health care services to focus on preventative care, and coordinated and home/community based care to contain costs and improve health outcomes.

Responsibilities

Federal	Provision of funding and standards for provincial health programs
Provincial	Primary responsibility for key spending areas and delivery related to health
Municipal	Partial delivery of long-term care facilities and public health
Private	Individuals pay directly for some expenditures (e.g. private LTC facilities)



Appendix 8: Income Security Highlights

- Debt levels at all time high compounded by lack of retirement savings;
- Cuts to OAS/GIS in 2012 budget target more vulnerable;
- CPP/QPP contribution rates of 9.9% are unsustainable, QPP faces greater challenges;
- Pension coverage rates in private sector below 1 in 4 Canadians.

Strategy: Senior social security must be sustainable and provide adequate income replacement, while systems are reconfigured to better incentive improved financial planning.

Responsibilities

Federal	Provision of baseline income replacement benefits
Provincial	Provides some supplementary benefits
Municipal	Traditionally not involved until recent legislative changes
Private	Contribution to safety net through payroll taxation and management of private plans



Appendix 9: Workforce & Productivity Highlights

- Canadian productivity is less than 70% of levels within the United States;
- Interprovincial and FDI barriers compound the problem (e.g. labour, trade, investment);
- Infrastructure deficits and modernization requirements require substantial investment;
- Threat of structural unemployment caused by skill gap.

Strategy: There is a need to incentive economic modernization and invest in emerging industries, educate and support individuals to reach full potential, and removal labour and trade barriers.

Responsibilities

Federal	Control over most fiscal levers, investment opportunities, and a significant leadership role
Provincial	Responsible for key files (Education, Labour, Economic Development) Gatekeepers for maintenance of internal barriers
Private	Drivers of change that are shaped by government policy and leadership



Appendix 10: Recommended Option Policy Examples

HEALTH

Ontario 2015 Health cost growth reduced to 1.6%

Expanded spending on community based care

Grants for provincial health systems to invest in substantial changes in focus from reactive to preventative.

Increase funding for long-term care facilities.

INCOME SECURITY

Ontario Retirement Pension Plan

NB Shared risk pension

Saving options: pooled registered pension plans, lifting exemption on self-employed.

Tax benefit clawback clauses (seniors age credit) and asset testing

WORKFORCE

Industry specific stimulus. (Aerospace & Auto Sector)

Occupational licensing harmonization (AIT)

Income tax strategy that encourages development of IP and applied research.



Appendix 11: Option 2 Policy Concepts

Possible policy action includes:

- Enhancements to Canada Pension Plan that increase income replace percentage;
- Clawback clauses in CPP and/or other senior directed programs and tax benefits;
- Develop national Pharmacare;
- Promote Indigenous peoples' labour force participation;
- Increase foreign credential recognition;
- Promote broad health systems transformation and consider funding formula amendments;
 - Incorporate long term care into Canada Health Act.



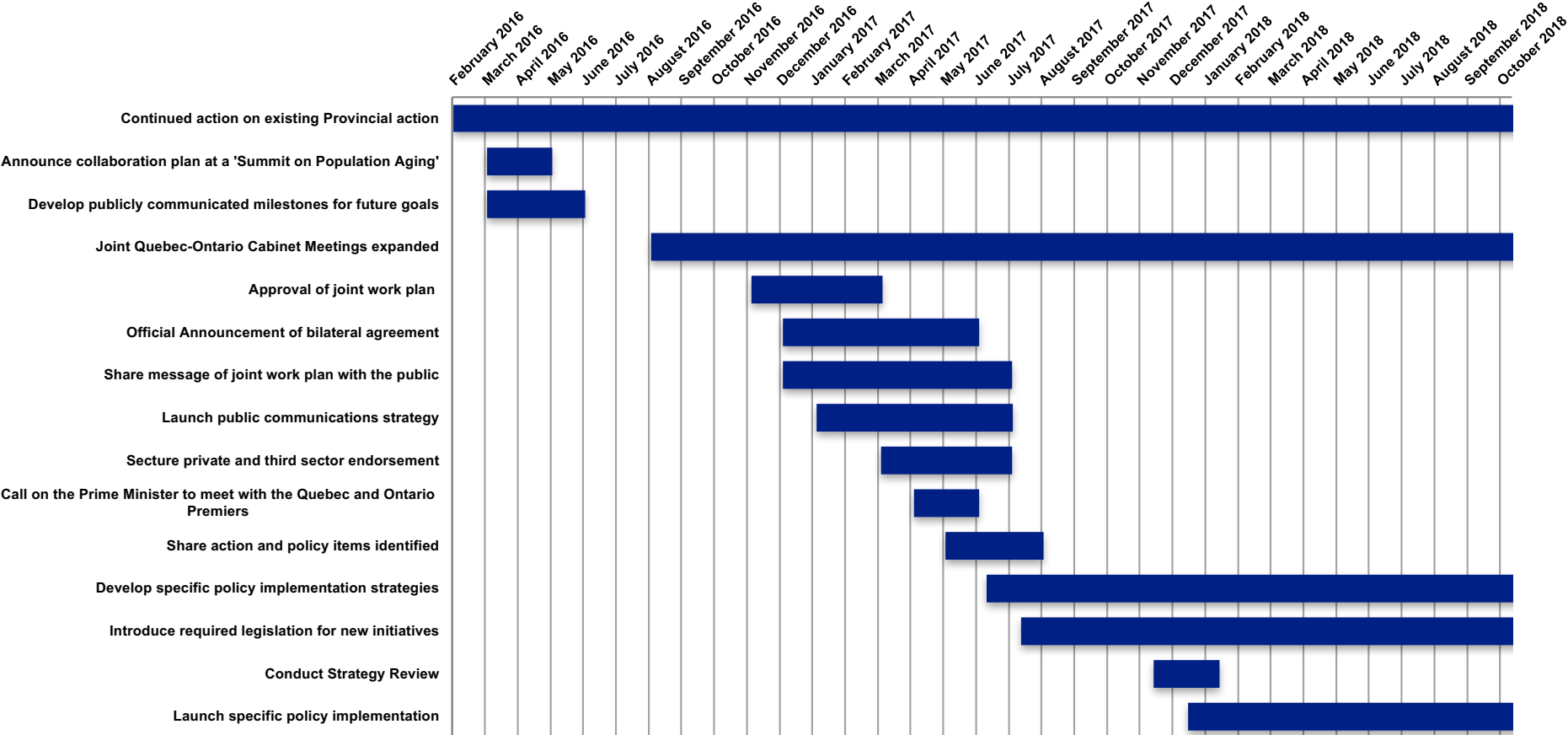
Appendix 12: Option 3 Policy Concepts

Possible policy action includes:

- Specific transformations of health system with a more significant focus on preventative care to address rising costs;
- Continued consolidation of administrative costs including folding in of CCACs with LHINs;
- Increase Ontario recognition of other provincial training and licensing credentials and other harmonization efforts, possible inclusion in agreements such as the New West Partnership;
- Engage in ORPP and QPP reform, even if at the expense of the portability principle.



Appendix 13: Implementation Plan - GANTT chart



Appendix 14: Proposed Reactive Messaging

Reactive Messaging:

- The Federal Government and other Provinces are welcome to engage with Ontario and Quebec on any of these issues, and Ontario and Quebec maintain their commitment to working cooperatively;
- These steps are required in order to protect high quality services for Ontarians and Quebecois in the future, and to provide a high standard of life for seniors.

