



## Budget 2016: Recommendations to the Department of Finance

A healthy and secure future is every Canadian's goal. But between uncertain economic times, a changing workplace and an ageing population, many older Canadians face financial and healthcare challenges that they cannot meet on their own. For them and all Canadians as we age, the federal government has a role to play in reforming the retirement security landscape and the delivery of healthcare to meet their chronic care needs, improving the future for all Canadians.

Retirement income insecurity, even poverty, is a reality for many older Canadians despite working hard and contributing to the country throughout their working lives. Many have not been able to save enough and do not have workplace pensions, and as older workers, their employment is often precarious. Increasingly, they are taking on caregiving responsibilities for loved ones and relying on expensive prescription drugs and home care services to manage multiple chronic conditions.

The federal government identified retirement security and healthcare as priorities during the recent federal election. The 2016 budget is an opportunity for the federal government to fulfill its promises to Canadians, create a clear pathway to retirement income security, and transform healthcare for all Canadians.

### **CARP recommends that the federal government:**

- 1) Create a clear pathway to retirement security with the goal of ensuring that no one faces poverty in old age**
  - a. Reduce poverty for today's seniors:**
    - i. Restore OAS eligibility age back to 65 from 67
    - ii. Increase the GIS especially for single, low-income seniors
    - iii. Increase OAS/GIS to bridge the poverty gap
    - iv. Establish the Senior's Index for OAS, GIS tied to wage rates
  - b. Prevent retirement insecurity for future generations:**
    - i. Modestly increase the CPP
    - ii. Create a supplementary Universal Pension Plan
- 2) Transform healthcare to meet the needs of all Canadians**
  - a. Support family caregivers**
    - i. Income support – immediately implement EI compassionate leave changes and make the caregiver tax credit refundable
    - ii. Workplace protection, training and respite care
  - b. National Home Care Strategy**
    - i. Sustainable funding – enact promised \$ 3 Billion Investment
    - ii. National standards of care and access
  - c. National pharmacare plan**
    - i. To ensure that all Canadians can access needed medications regardless of income and postal code



## **1) Create a clear pathway to retirement security with a goal of ensuring that no one faces poverty in old age**

The federal government has a role to play in reforming the retirement security landscape so that no Canadian faces poverty in old age. CARP has long called for a comprehensive approach to ending poverty in old age, including restoring the OAS eligibility age to 65, increasing the GIS and CPP, and creating an equivalent to OAS spousal allowance for single older Canadians as important first steps.

CARP's recommendations were reflected in the government's election promises including their promise to increase the GIS for single, low-income seniors by \$920 per year, lower the eligibility age of OAS back to 65 from 67, and introduce a Seniors' Index to ensure that OAS and GIS benefits properly align with increases in seniors' cost of living and to maintain their relative standard of living. CARP is calling on the federal government to create a clear pathway to retirement security with a goal of ensuring that no one faces poverty in old age.

### **Reduce poverty for today's seniors: Restore OAS eligibility age back to 65, increase the GIS, and establish the Seniors' Index for OAS and GIS**

Poverty in old age should not be the future for any Canadian. But over the past 20 years, the poverty rate among seniors in Canada has tripled from 4% in 1995 to 12% in 2012<sup>i</sup>. At present, 600,000 Canadians aged 65 years and older live in poverty, and the number is increasing.

Among low-income seniors, single seniors are more prone to have low incomes than their married or coupled counterparts. Eighteen percent of single women and 14% of single men over 65 live in poverty, with annual incomes under the after-tax low-income cut-off of \$20,000 per year, with a critical mass living well below the cut-off<sup>ii</sup>. Statistics Canada has recently adopted the OECD measure of poverty called the Low Income Measure or LIM (after tax). Using this new measure of poverty, the picture is starker: for singles, the poverty rate for females (28% in 2013) is higher than for males (just under 24%)<sup>iii</sup>.

This situation is unlikely to improve in the future, particularly for single older women. Over 30% of single women between 45 and 64 are also low-income, and 70% of part-time workers and 66% of minimum wage earners are female<sup>iv</sup>. Fewer Canadians have workplace pensions than ever before and an uncertain economic landscape means older workers face even more precarious employment than before.

The combination of OAS and GIS is a determining factor in keeping older Canadians out of poverty, especially for single seniors<sup>v</sup>, but it does not close the poverty gap entirely. The LIMs are set at about \$22,000 for single seniors and \$31,000 for couples whereas the maximum OAS/GIS benefit is set at \$16,000 for singles and \$26,000 for couples. Between the LIM and current OAS/GIS benefits, a significant amount must be filled from savings and private pensions, if any. There is a clear need to increase OAS/GIS to bridge the growing poverty gap.

Once appropriate levels of the public pension and income supplement are achieved, the proposed Seniors Index can ensure that future payments keep pace. Indeed, the proper measure for the index is not necessarily cost of living but wage rates, which better reflect standards of living.



According to a study by Statistics Canada<sup>vi</sup>, seniors experience a higher rate of cost inflation than non-senior families, primarily because a larger proportion of their budgets are spent on items such as mortgages, rent, tenant expenses, and utilities, which, on average, have increased in price more than other goods. However, the difference between the growth in the median income of seniors and the amounts of the OAS/GIS is far greater.

CARP is calling on the federal government to help today's seniors by restoring the OAS eligibility age back to 65, increasing the GIS especially for single, low-income seniors, increasing OAS/GIS to bridge the poverty gap and introducing the Seniors' Index tied to wage rates. Together, these measures will help to prevent poverty in old age for all Canadians. Public pensions and income supports must be reviewed in structure and size to ensure no one will age into poverty in the future.

### **Prevent retirement insecurity for future generations: Modestly increase the CPP, create a supplementary Universal Pension Plan**

The retirement landscape has changed, and Canadians are faced with financial challenges, disappearing workplace pensions, and uncertain economic times. Two-thirds of working Canadians, 12 million people, do not have workplace pension plans and Canadians are increasingly unable to save sufficiently for their own retirement. Increasingly, retirement insecurity is a reality for many Canadians.

CARP has called for a modest increase to the CPP and welcomed the federal government's election promise to work with the provinces to increase the CPP. Unfortunately, the FTP finance ministers' decision to forestall any action on increasing the CPP at their meeting in December enraged the vast majority (84%) of CARP members.<sup>vii</sup> CARP is calling on the federal government to exercise more leadership in convincing the provinces to help ensure a more secure retirement for all Canadians.

A modest increase to the CPP alone will not prevent retirement insecurity for future Canadians. On average, an individual should have approximately 60-70% of their pre-retirement income for retirement.<sup>viii</sup> The CPP is designed to replace 25% of earnings up to a ceiling of \$51,100, a maximum annual benefit of \$12,000. On average, Canadians receive only \$7,000 of CPP benefits annually. A modest increase to the CPP will not cover the rest of the 70% of their pre-retirement income for needed for retirement. Therefore, CARP has called for a supplementary Universal Pension Plan (UPP) that would work like the CPP, allowing Canadians to safely supplement retirement savings in a large national plan<sup>ix</sup>. CARP is advocating for a UPP with mandatory enrolment, independent of government or single employers, which would use the existing payroll deduction mechanism, employ professional management, and focus entirely on optimal performance.

CARP's UPP model would provide reliable, predictable benefits, allowing Canadians to better plan for retirement. It would provide Canadians true portability across jobs and provinces. Like the CPP and unlike other retail investment options and PRPPs, its size would offer greater protection against market shocks. Through a supplementary UPP and modest increase to the CPP, the federal government has the opportunity to help all Canadians save better for their own retirement.



## 2) Transform healthcare to meet the needs of all Canadians

Canadians want to live healthy lives for as long as possible. They expect the healthcare system to deliver appropriate care that is comprehensive and responsive to their needs across the full healthcare spectrum from acute care, to chronic care, and to end of life care. Many Canadians view healthcare as a social contract between citizens and their government, and they expect certain values to govern the relationship – universality, quality, and access – values found in the *Canada Health Act*. Canadians expect national standards of quality care, timely access, value for money, and care responsive to their needs. This means putting the “Healthcare Citizen” – whether patients or taxpayers - at the focus of any healthcare system transformation.

The current healthcare system falls short of such expectations and needs. According to the recent report of the Advisory Panel on Healthcare Innovation<sup>x</sup>, the system is fragmented and struggling to meet the needs of Canada’s ageing population despite vastly increased spending. The report calls for a system-wide transformation in which patient needs are prioritized, national standards of quality care exist, and timely access to care is available regardless of postal code.

Older Canadians are increasingly taking up caregiving responsibilities and relying on expensive prescription drugs and home care services to manage multiple chronic conditions. The first most critical step in a system-wide transformation is to address the urgent need to transfer chronic care into home and community-based care, starting with comprehensive caregiver supports, a national home care strategy, and a national pharmacare plan.

### **Support caregivers: Income support, workplace protection, training and respite care**

One in four Canadians, just over eight million, are unpaid caregivers who provide care to a chronically ill or disabled loved one. Three-quarters (75%) of these individuals provide care to a person aged 65 or older.<sup>xi</sup> As the population ages, more Canadians will become caregivers and face various burdens and challenges, including loss of income, additional caregiving and medical expenses, mental and emotional distress, and even health decline.

Caregivers need income support, workplace protection, and formal training and respite care. CARP is calling on the federal government to implement its promise to expand eligibility for the EI Compassionate Care Benefit to include those caring for people with serious illnesses, rather than limiting coverage to those caring for people with terminal diagnoses. The federal government should also implement its promise to provide greater flexibility for caregivers, allowing six months of compassionate care benefits to be claimed in blocks of time over the course of a year-long period.

The majority of caregivers are female (54%) and between the ages of 45-64(44%), which is of particular concern.<sup>xii</sup> Women in this demographic tend to outlive their spouses, often forego employment to provide caregiving, and face a greater likelihood of financial insecurity in retirement, even poverty. Therefore, the 2011 Federal Caregiver Tax Credit should be made fully refundable to also benefit caregivers with modest or no taxable income.

## **National Home Care Strategy: Sustainable funding, national standards of care and access**

Most Canadians want to live independent and healthy lives in their own homes as long as possible as they age. However, too often, homecare programs are unavailable and national standards of care and access do not exist. The amount, quality, and access to care vary between provinces, even within a province<sup>xiii</sup>. A national home care strategy is needed to ensure sustained funding and national standards.

During the federal election, the federal government promised to spend \$3 billion, over the next 4 years, to deliver more and better home care services. In addition to funding, CARP is calling for national standards of care and access to ensure Canadians have access to quality home care regardless of their income and postal code.

## **National Pharmacare Plan: Access to medication regardless of income and postal code**

Many Canadians are managing multiple chronic illnesses that require them to take several prescription drugs. On average, a person aged 65 or older uses six drugs that can cost out-of-pocket thousands of dollars annually, depending on the province of residence<sup>xiv</sup>. Prescription drugs are necessary treatments to prevent deterioration, even death, but at present, they are an insurmountable financial burden for many Canadians.

According to CARP's poll, 10% of CARP members admit to skipping prescription drugs due to costs<sup>xv</sup>. This is consistent with other studies that show people are less likely to use drugs when costs are higher. Three-quarters of CARP members want governments to take action on national pharmacare, and the majority believe drug prices should be identical across Canada.<sup>xvi</sup> CARP members are also in favour of national drug purchasing and a national formulary as the best ways to lower drug costs.<sup>xvii</sup>

CARP is calling on the federal government to work with the provincial and territorial governments to establish a national pharmacare plan to ensure that needed prescription drugs are accessible and affordable to all Canadians regardless of income and postal code.

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<sup>i</sup> <http://www.conferenceboard.ca/hcp/details/society/elderly-poverty.aspx>

<sup>ii</sup> Statistics Canada. 2006 Census of Population, Statistics Canada Catalogue no. 97-563-XCB2006029. [http://www12.statcan.gc.ca/census-recensement/2006/dp-pd/tbt/Rp-eng.cfm?A=R&APATH=3&D1=0&D2=0&D3=0&D4=0&D5=0&D6=0&DETAIL=0&DIM=0&FL=A&FREE=0&GC=01&GID=844033&GK=1&GRP=1&LANG=E&O=D&PID=94206&PRID=0&PTYPE=88971%2C97154&S=0&SHOWALL=0&SUB=0&TABID=1&THEME=81&Temporal=2006&VID=0&VNAME=&VNAMEF="](http://www12.statcan.gc.ca/census-recensement/2006/dp-pd/tbt/Rp-eng.cfm?A=R&APATH=3&D1=0&D2=0&D3=0&D4=0&D5=0&D6=0&DETAIL=0&DIM=0&FL=A&FREE=0&GC=01&GID=844033&GK=1&GRP=1&LANG=E&O=D&PID=94206&PRID=0&PTYPE=88971%2C97154&S=0&SHOWALL=0&SUB=0&TABID=1&THEME=81&Temporal=2006&VID=0&VNAME=&VNAMEF=)

<sup>iii</sup> CANSIM 206-0041

<sup>iv</sup> Canadian Women's Foundation: <http://www.canadianwomen.org/facts-about-poverty#7>

<sup>v</sup> Canadian Women's Foundation: <http://www.canadianwomen.org/facts-about-poverty#7>

<sup>vi</sup> <http://www.statcan.gc.ca/pub/11-621-m/11-621-m2005027-eng.htm>

<sup>vii</sup> <http://www.carp.ca/2015/12/22/131375/>

<sup>viii</sup> Antolin, Pablo, Private Pensions and the Financial Crisis: How to Ensure Adequate Retirement Income from DC Pension Plans: <http://www.oecd.org/daf/fin/44628862.pdf>

<sup>ix</sup> <http://www.carp.ca/wp-content/uploads/2015/01/Pension-Paper-Oct-2014.pdf>

<sup>x</sup> <http://www.hc-sc.gc.ca/hcs-sss/innovation/index-eng.php>

<sup>xi</sup> Statistics Canada. 2012. "Portrait of Caregivers" <http://www.statcan.gc.ca/pub/89-652-x/89-652-x2013001-eng.htm>

<sup>xii</sup> Carstairs, S. and Keon, WJ. (2009). Canada's Aging Population: Seizing the Opportunity (Ottawa, Ont.: Special Senate Committee on Aging)

<sup>xiii</sup> [http://www.auditor.on.ca/en/reports\\_en/en15/3.01en15.pdf](http://www.auditor.on.ca/en/reports_en/en15/3.01en15.pdf)

<sup>xiv</sup> Canadian Institute for Health Information "Drug Use Among Seniors on Public Programs: 2002-2008," <https://secure.cih.ca/estore/productFamily.htm?pf=PFC1404&locale=en&lang=EN&mediatype=0>.

<sup>xv</sup> <http://www.carp.ca/2010/10/07/carp-pharmacare-report/#sthash.Lc7pk4nT.dpuf>

<sup>xvi</sup> <http://www.carp.ca/2010/10/07/carp-pharmacare-report/#sthash.Lc7pk4nT.dpuf>

<sup>xvii</sup> <http://www.carp.ca/2012/10/05/carp-health-care-update-report/#sthash.U2zAk2zE.dpuf>

