

Cost Estimate of Election Campaign Proposal

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Short title: Increasing the Canada Health Transfer (CHT) and Changing the Provincial Distribution of the CHT To Reflect Population Demographics

Description: This policy aims to increase the rate of growth in the Canada Health Transfer (CHT) to 6% per annum until it represents 25% of total public health spending, at which point it will grow in accordance with increases in public health spending so that it continues to cover 25% of public health spending.

This policy also proposes a change to the provincial distribution of the CHT to reflect population demographics; specifically, CHT transfers would be allocated based on the provincial share of the Canadian population aged 65 and over.

Operating line(s): Canada Health Transfer

<u>Data sources:</u>	<u>Variable</u>	<u>Source</u>
	CHT amounts and forecast	PBO EPC baseline
	Nominal GDP amounts and forecast	PBO EPC baseline
	Total public health spending and forecast	PBO Fiscal Sustainability Report 2018; Canadian Institute for Health Information: National Health Expenditure Trends, 1975 to 2018
	Population demographic projections	Statistics Canada, Projected population, by projection scenario, age and sex, Table 17-10-0057-01

Estimation and projection method: The proposed CHT benchmark of 25% of total public health spending was calculated using data from the Canadian Institute for Health Information report, "National Health Expenditure Trends, 1975 to 2018". The benchmark was forecasted using projections of public health spending in the 2018 PBO Fiscal Sustainability Report.

The proposed increase in the CHT was calculated by increasing the 2019-2020 CHT amount by 6% annually until it reaches the 25% of total public health spending benchmark, at which point it increases at the same rate as public health spending, remaining in step with the benchmark.

The incremental fiscal cost of the proposal was calculated as the difference between the projection with the proposed increases in CHT and the PBO baseline CHT projection.

The proposed change in the provincial distribution of CHT funding will have no impact on the overall cost of this proposal.

Uncertainty
assessment:

The estimate has moderate uncertainty. Nominal GDP forecasts are sensitive to the economic outlook. Projected baseline CHT amounts and projected provincial health spending are sensitive to a variety of factors including the economy and changes in population demographics.

Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	-	787	1,905	3,096	4,287	4,892	5,465	6,092	6,802	7,578

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost