

capita. The per capita entitlement for complementary services, which has been available since 1977-1978, totalled \$20. Residents of all provinces therefore receive an equal amount for health services.

Federal EPF contributions per capita are adjusted each year using an escalator. This escalator corresponds to a three-year compound moving average of the growth of GNP per capita. The use of a moving average based on the three calendar years preceding the fiscal year during which transfers are paid eases the effects of possible sharp fluctuations in the rate of growth of GNP, thus, the escalator takes into account only the average rate of growth of GNP.

The escalator has been adjusted each time changes have been made to EPF transfers since the mid eighties. For the 1985-1986 fiscal year, the escalator used to compute EPF entitlements corresponded to:

$$\text{the cube root of } \frac{\text{(per capita GNP for 1984)}}{\text{(per capita GNP for 1981)}}$$

With the passage, in 1986, of Bill C-96, (*An Act to amend the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977*), the escalator was reduced by 2%. For example, for the 1986-1987 fiscal year, the escalator was equal to:

$$\text{the cube root of } \frac{\text{(per capita GNP for 1985)}}{\text{(per capita GNP for 1982)}} - 0.02$$

In fact, the escalator was reduced by 2% from 1986-1987 to 1989-1990. Then, total per capita transfers were frozen at their 1989-1990 level. Thus, the total entitlement of a province increases solely on the basis of an increase in the province's population.

In light of the 1991 federal budget, the freeze on transfers could be extended until 1994-1995. It is also possible that the escalator will subsequently be reduced by 3%. Consequently, for 1995-1996, it could equal:

$$\text{the cube root of } \frac{\text{(per capita GNP for 1994)}}{\text{(per capita GNP for 1991)}} - 0.03$$