

health care sector, although some system will be put into place to reimburse health sector organizations for their additional taxes paid on supplies and services purchased by the organization. There will be no mechanism in place to reimburse higher costs faced by these institutions which are a direct result of the goods and services tax.

Some of these higher costs facing hospitals, for example, will be administrative costs of determining what amount of tax should be reimbursed. Because some hospital purchases will be tax free, such as groceries, prescription drugs and some medical devices, not all non-labour expenses of hospitals can be used in calculating the tax paid. There must be a separate accounting of each item in order to determine whether it qualifies for the federal refund. Consequently, the administrative costs to each hospital will be increased.

Cash flow problems and lost interest will also be an added cost. A study prepared by the Canadian Hospital Association calculates that even at a rate of 8 per cent GST, that is 1 per cent lower than the proposed tax, hospitals will face increased costs of up to \$2,000 per bed per annum or \$356 million for health care facilities considered as a whole. This means that there will be enormous sums of money remitted to the government with probable delays of anything up to six months or perhaps even longer before refunds come back. Hospitals will be required to pay the carrying costs of such a loan to the government and absorb the interest costs.

In addition, inflationary effects on wage bills will have an impact on hospitals also. The largest expenditure in health care is for wages. The Minister of Finance has projected inflation of close to 3 per cent as a result of the goods and services tax, although many other economists expect it to be at least twice as high as that.

Unionized workers have quite reasonably given notice that they do not intend to allow their incomes to be eroded by this inflationary impact and will bargain for wage packages to make up the difference. This will result in enormous cost increases to hospitals and to other health employers.

We can see that the financial base of tax exempt institutions will be eroded by the goods and services tax. Other sectors of the health care system will also be

adversely affected. Doctors will be facing higher input costs as well in terms of staff wages, rent and insurance costs, for example. In order to maintain their incomes, the Canadian Medical Association has given notice that it will be bargaining for higher fee scales from the provinces in order to compensate for this lost income as a result of the goods and services tax.

Other health care providers who are not insured by provincial plans will also be negatively affected. Such practitioners as psychologists, dietitians, audiologists, family counsellors, speech therapists and physiotherapists who are not insured under their provincial plans will see the cost of their services rise by the full 9 per cent. This sector is completely ignored by the so-called tax exempt provisions.

Every major study of health care in the past 10 years has emphasized the need to use alternative health care providers in the system, such as those I have just mentioned. There has also been an emphasis on the need to provide better out-patient facilities and nursing homes in these studies. However, all private providers of these services will also face 9 per cent increases in their costs, and consequently those who are purchasing those services will be faced with a 9 per cent increase in price.

All of these increases must be absorbed by the consumer. Higher health care costs for hospitals will mean that taxpayers must pay higher provincial taxes to make up the differences or the province's deficits will increase. This is doubly likely, given the huge cuts to Established Programs Financing made by this government and the further cuts to this program covering health and education under Bill C-33, which is presently before the House.

I would like to quote from the Canadian Medical Association statement regarding the goods and services tax and the problems it will create for health care. The treasurer, Dr. Railton, when testifying before the House of Commons Finance Committee stated:

While it is impossible to calculate precisely how much, there is little doubt that the goods and services tax will increase the cost of operating hospitals and nursing homes—especially those operating privately. The GST will also increase the costs of community support programs, like homemaker services, that allow patients to be cared for at home rather than in the more costly health institution.