

Federal-Provincial Fiscal Arrangements

weeks ago, Quebec will lose \$100 million in the first year as a result of the new agreement, by comparison with what the province would have received had the old agreement continued without change. The bulk of this loss will be the result of the change in the revenue guarantee provision. It has now been brought to my attention that Premier Lévesque's estimate of the loss was probably on the low side. Since the meeting of the first ministers there have been some developments and announcements by the federal government which make it obvious that the government will further reduce the money that the provinces would have received under the old agreement.

● (1510)

When we look at how the established program financing is going to be affected by the new agreement we are being asked to support, we find this, Mr. Speaker. The Minister of National Health and Welfare (Mr. Lalonde) some time ago offered the provinces \$20 per capita to finance nursing homes and other intensive care facilities, replacing an earlier offer which he made in 1975 to share the cost of such facilities 50-50. Anyone who has followed the course of the financing of hospital care in this country realizes that it was a colossal blunder on the part of the federal government to restrict its 50-50 cost-sharing program to intensive care hospitals. The provinces are, after all, responsible for the actual delivery of hospital services and for caring for sick people, not the federal government. The federal government had been prepared to pay 50 per cent of the cost of keeping patients in intensive care hospitals, hospitals that are very expensive to run and which cost up to \$200 a day. On the other hand, the federal government has not been prepared to pay for the much lower cost of keeping a person in a nursing home or rehabilitative hospital, facilities that cost very much less but which, from the point of view of the provinces, cost the provinces more than their 50 per cent share of intensive hospital care financing.

Bill C-37 contains provisions which affect the \$20 per capita offer that the Minister of National Health and Welfare made some time ago, restricting it even further. When this was brought to the attention of the federal government, the federal government agreed to hold its offer open until there was provincial consensus, setting a time limit of February 15 for the provinces to agree among themselves. I am told that last Friday the Minister of National Health and Welfare sent a telegram to the provinces indicating that the federal government would proceed with the \$20 per capita figure I have already mentioned, on the ground that five provinces, representing 84 per cent of the population, had already agreed to his proposal. These provinces, with the exception of the province of Quebec, are the rich provinces, the provinces of British Columbia, Alberta, Ontario and Nova Scotia. This means, Mr. Speaker, that those provinces which tried to diversify their hospital care services, such as Manitoba and Saskatchewan—in accordance with the desire and recommendation of Ottawa—so that these facilities would be less costly both for them and for the federal government, are now going to be penalized, while those provinces which have not begun this

[Mr. Orlikow.]

process, the wealthier provinces in this country—British Columbia and Ontario—will benefit.

This proposal to switch from the open-ended, equal sharing formula to an annual grant which is based on population and gross national product is going to mean bonuses for those provinces with lower quality services, such as Ontario, and penalties for provinces which have recently improved their services, such as Manitoba. Unfortunately for pensioners, people who are handicapped, and others in need of assistance, this change will probably inhibit any further improvement in services. After all, if Ottawa is not going to share the cost, why should the provinces which are really strapped for money proceed with such improvements? As I said last night, existing services will undoubtedly, over a period of several years, be reduced in quality.

The minister's plan was outlined in a proposal which was sent in mid-January to the provincial health ministers. Since then he has made a few minor revisions, but nothing very fundamental. The original deadline was extended, as I have indicated, but now the options have been closed off. The decision of the federal government means that the Ontario government will get an extra \$50 million in the coming fiscal year; British Columbia will get \$23 million, despite the fact they have relatively low levels of adult care services; Alberta will gain \$90 million because it will no longer be penalized for having facilities of too high a quality to qualify for cost-sharing. Meanwhile, poorer provinces such as Prince Edward Island stand to lose \$2 million in the next year; Saskatchewan will lose up to \$2 million; and Manitoba will gain about \$800,000 the first year but will lose money in subsequent years. The last three provinces which I mentioned have probably had the best adult care services in the country.

Because none of the proposed grants will be earmarked for adult care services, the provinces will be under no obligation to improve or even to maintain such services. Furthermore, the recent removal of automatic cost-sharing will discourage the provinces from improving their services because suddenly they will be facing double the cost. All of this is because the federal government would give each province \$20 or \$21 per person for theoretical expenditures for adult care services, regardless whether the province spends \$1 or \$1,000. The \$21 would increase or decrease each year in accordance with a three-year average of the gross national product.

This may be fine for the bureaucrats who develop budgetary details because it will give them a better idea of what their costs are likely to be. But it takes no account at all of the actual record of the provinces in the past. It takes no account of the needs of the people. It is a proposal based simply on a formula that makes it comfortable for the federal government and its finance department. This is just one example of how the government's proposals will affect the provinces adversely.

I want to deal for a moment with the whole question of equalization. The federal government forced the provinces to agree to an equalization program based on what the Minister of Finance (Mr. Macdonald) has described as the "representative tax system" approach. The provinces were given two