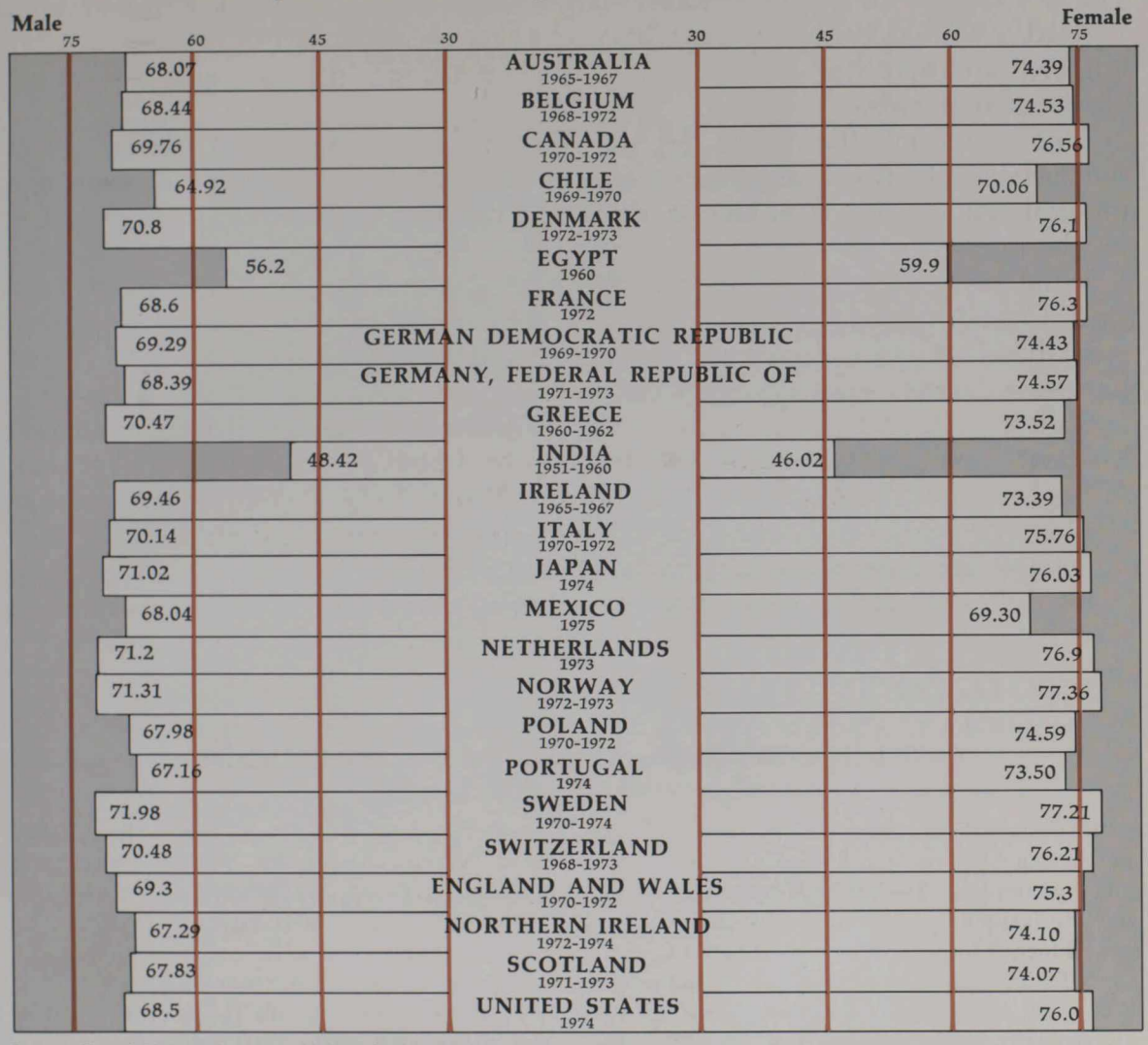
Expectations of Life at Age One for Selected Countries



Source: United Nations *Demographic Yearbook 1975*

of medical practitioners and certain surgical-dental procedures performed in hospital. In April 1977 the federal government began to contribute to extended-care services, such as the costs of intermediate nursing-home, adult-residential, home and ambulatory health care services. Most provinces provide benefits beyond those covered by the basic federal program. (For details see the chart on page seven.)

In the first phases of the program, the federal government's financial contribution was based on a formula which gave high-spending provinces somewhat less than half their health costs, and low-spending ones slightly more. Under this system the cost of poor planning by one province was to a great degree shared by all, giving provinces little incentive to improve. Each year the costs went up. In fiscal 1975/76 the federal share rose 20.3 per cent, and in 1976/77 it went up another 14.4 per cent. To some degree this reflected flaws in the system. In most provinces, home-care patients and those in nursing homes had to pay some of the cost, while those in hospitals did not, and doctors were inclined to hospitalize as many as possible.

After extended federal-provincial negotiations, new arrangements were made last year. The federal government lowered its taxes to enable the provinces to raise theirs by an equal amount. It will also adjust its cash payments over a five-year period so that each province will receive an equal per capita grant. These grants will be increased as the GNP grows. The federal government also agreed to make additional per capita contributions toward the new extended-care programs. A province's own level of health expenditure no longer determines the federal contribution, and provinces with above average medical costs must raise taxes or their health premiums.

Each province chooses its own financing methods. Most use general revenues. Ontario and Alberta charge participants monthly premiums covering both hospital costs and medicare. Quebec supports medicare through a provincial income surtax and a payroll tax paid by employers.