



Northwest
Territories Legislative Assembly
Member for Great Slave

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HONOURABLE PREMIER ROLAND
OF THE NORTHWEST TERRITORIES

Serious Ramifications of Proposed Changes to Supplemental Health Benefits Program

Although I agree that something needs to be done to support low income families without health insurance, I have some serious concerns with the direction this Government is taking with respect to the changes proposed by Minister Lee to the existing Supplementary Health Benefits Programs.

I bring them to your attention as it is clear to me that if any common sense is to be applied, it must be applied at the Cabinet level. Minister Lee appears completely committed to the new Supplementary Health Benefits Program being laid out with a planned implementation date of September 2010.

Regular Members have attempted to get the Minister to consider reason and common sense. Unfortunately, rather than healthy debate, the Minister responds (taken from the March 25, 2010 Hansard in response to MLA Bisaro) by saying, "I need to really wonder. I have to ask her does benefiting 2,000 people who are not benefiting now mean anything to us as a policymaker?" This approach is counterproductive and for the record, of course the 2,299 people who are not currently covered matter and should be part of our informed decision making. To suggest otherwise is simply insulting to Regular Members who have a duty and an obligation to hold Cabinet to account.

I am going to lay out some concerns, observations and recommendations that I hope you take the time to read. It may be a bit long but as I said before the Minister does not appear open to reasonable debate. The time is rapidly running out and changes will be implemented that I believe will have serious financial and social ramifications, which will affect all residents of the NWT for a long time.



CURRENT STATUS

Currently, the Department of Health and Social Services (DHSS) offers three Extended Health Benefits Programs. These are the Extended Benefits Seniors Program, the Extended Health Benefits for Specified Conditions and the Alberta Blue Cross program which covers Métis Health Benefits, Prescription Drug and Dental Benefits for Seniors and Prescription Drugs for Specified Medical Conditions.

These programs cover (for the most part) services that are provided on an outpatient rather than inpatient basis. Services currently covered (at no cost to residents) in the hospital are not affected by the proposed changes. Further, regular clinic services are not affected by any of the proposed changes. Those services remain at no cost to NWT residents.

Under the proposed plan, all of the Extended Health Benefits will be scrapped with the exception of the Alberta Blue Cross coverage for Métis Health Benefits. In their place will be a new income tested Supplementary Health Benefits Program. This program is very similar to the one put forward earlier in this session with one obvious difference. This time DHSS did some research to support their model.

This is at the heart of my first major concern with the new model.

Biased Research and Lack of Options and Alternatives

When DHSS attempted to bring forward their initial changes to the Extended Health Benefits programs they did so with no evidence or well thought out arguments to support their proposal. It was rolled out with a lack of consideration for its possible ramifications, and it was clear that nothing other than creating an income tested program to support those low income earners without insurance was considered. There was much public opposition. DHSS's approach was soundly trounced by Regular Members when a motion was prepared demanding that Cabinet go back to the drawing board and find an alternate way to provide support to the low income earners without insurance.

In order to make decisions in the best interest of the people that we serve, we as politicians must have access to unbiased information, options and alternatives. Without this it is impossible for us to know that a model or plan being presented and agreed upon is, in fact, the one that works in the best interest of our residents.

In this case, the Minister was encouraged to develop a stakeholder group that was supposed to be fully engaged and help identify some possible alternatives (options) to accomplish this. With their input the Department should have been able to conduct meaningful and unbiased research into a number of alternatives. A group was established. However, contrary to the Minister's opinion, this group was not fully engaged and were never asked to provide some options to help these low income earners that could be further researched. I have been in touch with a number of these stakeholders and none of them feel that this was the case.

Instead, the Department conducted very specific research to support the model they wanted, an income tested Supplementary Health Program. All of their research suggests that this is the best model available to us. Unfortunately, we will never know if this is true because they failed to consider and do research on any other model. In fact, during that April 7 public meeting, the Assistant Deputy Minister representing the DHSS indicated that since 2007 the Department has focused on income tested models. Furthermore, the Department failed to do any research (or has not presented the research to the public) that demonstrates the pros and cons of their income tested model. They are only presenting the positive, that low income earners are covered. Contrary to their belief (presentation), there are many negative ramifications for their new program. I will discuss these later.

According to the Hansard for February 9, 2009, Minister Lee stated:

We understand that there is a lot of work that needs to be done. We are taking it back and putting it under full review. [...] I am not going to put anything off or on the table. I think that the message is loud and clear that we need to review the program changes. [...] I just want to let the Member and the public know that the government is taking these program changes back. We are going to review it from top to bottom and we pledge that we have to have very good financial analysis to bring them back. I am committed to working with the stakeholders and the Standing Committee on Social Programs on the process and the substance of this review.

Clearly, this is not what happened. When a Minister says that he or she is going to do something (in public – the House) the Minister must live up to that promise. In this case the Minister did not and as a result we are once again faced with making decisions in the absence of meaningful information and alternatives as we have incomplete information on only one type model of model – income tested.

To her credit, the Minister has indicated that all alternatives raised during the current public hearings will be considered. However, I believe this to be an empty promise. Given how long (well over a year) it has taken to get the research they prepared to justify their model, it is completely unreasonable to assume that DHSS will be able to do the research into options/alternatives and provide any meaningful analysis prior to the Department's targeted implementation date of September 2010. The April 7 public meeting should be considered the start of the public consultation process. It was acknowledged even by the Department's representative that evening that the discussion did not have the opportunity to address all of the points the Department indicated were important for considering. Among those points not covered are issues like how to transition from the current program; how to make provisions for catastrophic drugs/medical costs; equipment costs and rare diseases, potential residency requirements; and how to encourage third party coverage.

Further, given that the Department's aggressive timelines indicate having a program designed by June for a September 2010 implementation date suggests that they have no interest in doing any further analysis or research. The decision is made. This entire public consultation phase is a farce, insulting and not for the public good. The people of the NWT are smart, and are very aware of what is really going on.

Current Public Hearings and Questionnaires

As indicated above, the deadlines for these hearing suggest that no input from the public can actually be considered in a reasonable and responsible manner.

More troubling is the process itself. The public discussion materials talk specifically to the plan the Department wants to implement. It does not address any of the potential negative ramifications and focuses primarily on the uncovered low income earners. It contains no options. Then, it asks questions which are written in such a way that they force the reader to respond in the affirmative and only allows you to provide yes and no answers.

I have talked to a number of people about this process. All are frustrated. All feel that based on the biased information provided and framing of questions that they have no choice but to respond in the affirmative in most cases. However, they all indicate that they would prefer to answer "yes, but" and this process does not allow a "yes, but" response. It appears to me that DHSS knows the answers they want and have tailored the questions to obtain those responses. This limits the ability of people to provide meaningful input as well as options and alternatives.

Threshold Proposals Fail to Recognize Cost of Living

The thresholds being proposed by the Minister of Health and Social Services fail, completely, to recognize the cost of living in the NWT.

For example, a family net income threshold of \$70K to \$89K is not representative of a families actual disposable income or money they have available to pay monthly bills in the NWT. For example a resident of the NWT with a net Income of \$75K based on line 236 of his/her income tax return only has a take home pay of around \$50,000 (\$4,200 monthly). Average monthly expenses for someone of this salary are around \$3,800/month based on the following:

- Rent - \$1,400
- Heat - \$150
- Electricity - \$100
- Water - \$60
- Car payment (needs transportation to get to and from work) - \$250
- Insurance (home, auto) - \$125
- Telephone - \$75
- Groceries - \$600 based on \$150/week which is low and does not including ever going out to eat
- Television - \$60
- Internet - \$60
- Gas for automobile - \$90
- Student loan - \$200
- RRSP - \$200
- Savings for emergencies - \$200
- Savings for future - \$200

This only leaves \$400/month for miscellaneous costs (clothes, entertainment, holidays, etc...). Sure, you could probably find cheaper accommodation but you will not be able to find much for less than \$1,100 or \$1,200 per month. Regardless, these thresholds may be reasonable on paper but they completely fail to recognize the cost of living in Yellowknife and the ability to pay. As a result, these proposed thresholds fail to meet the needs of northerners.

DELAY AND TIMELINE

Based on these three areas alone (biased research, lack of alternatives and options as well as the public hearing concerns, biased thresholds) there is enough reason to delay this entire process, go back to the drawing board, engage the stakeholders as

originally promised and come back to the Legislative Assembly and the people of the NWT with a real assessment including options, alternatives which include lists of weaknesses and of strengths for each alternative. Currently, given the Minister's track record on this I am not sure the Department can provide an unbiased review of this. It appears to me as though they have their plan set in stone. As such, I strongly encourage Cabinet to conduct an independent review to ensure an unbiased perspective. It is the right thing to do.

I am deeply concerned with the timing of this initiative for yet another reason – that of open and public debate. The Minister has indicated that she wants a program designed by June (it will not take that long considering that she already knows what she wants done) and implemented in September. This House reconvenes in May (2 week session) and again in October. The Minister's timeline essentially eliminates any possibility for public debate in the House. In May there will be no document to discuss and the final product will be implemented before we return in October. I believe this timing is intentional and undermines our political process. It shows serious disrespect for Regular Members and our role within this Legislature. I strongly encourage you and Cabinet to reconsider this unjust timeline.

The above concerns are not my only areas of worry. Much is wrong with the Minister's direction on this initiative.

INCONSISTENT MESSAGING FROM THE DEPARTMENT – What's True?

I recently had an opportunity to review some threshold information provided by the Department and ask some questions. Unfortunately, the responses were contradictory and left me wondering what is true. Does the Department have the answers? Are they really ready to implement this program while so much confusion and uncertainty still exists?

Specifically, I asked whether people who have third party insurance could seek top up funding through these existing programs. When asked the first time the answer was no, not if they have third party insurance unless they fall under the threshold amounts. When asked a second time, the answer was yes, everyone can apply for top up coverage. Both of these answers have significant financial ramification on the GNWT.

Currently, there is a formulary of special conditions (often referred to as Catastrophic Conditions) which is used to determine eligibility for this program. More common and

less significant medications (cholesterol) are not covered. Under the new program there is no formulary. All conditions and medications are eligible for support.

As such, if the answer to the question above is yes, every resident of the NWT (even those with third party insurance) will be able to apply for a top up for their non-special condition medications. As an example, let us say that I take three medications at a total cost of \$200/month. I have third party insurance which covers 80% of my medication costs. Therefore, I pay \$40/month or \$480/year. I make around \$84,000 based on line 236 of my tax return which means my co-payment, according to the new program, is around 30%. So, I can apply for the new Supplementary Health Benefits Program for a top up of \$28/month or \$336/year. This is a new cost to the GNWT. Assuming that the 9,500 people working for the GNWT, Community Governments, Band Councils, etc... are in similar situations, **the potential increased annual cost to the GNWT for this service could be around \$320,000/year**. This increased cost does not address the extra manpower that will be required to facilitate the increased demand on staff resulting from the flood of applications that may be received.

It does not make financial sense to open this program up to these increased costs. This will result in significant cost increases. These same Departmental inconsistencies also have severe ramifications on persons with Catastrophic (Specified) Conditions.

Another example of inconsistent information from the Department involves a statement from Minister in the House on March 25, 2010 that "any family making a net income between \$50,000 to \$170,000, depending on the family size, would get covered 100 percent." That is not consistent with the information distributed at the April 7, 2010 public meeting and does not instill confidence that the Department is prepared to move forward according to its stated timelines.

Specified Conditions Inequity & Cost Increases

I do not believe that the Department has thought through the ramifications that the changes to the Specified Conditions policy are going to have on residents of the NWT.

John Doe (Non-Aboriginal, lives in Yellowknife, works at airport) has a rare arthritis condition which renders him unable to move or undertake the activities of daily living (work, etc.) unless he receives a monthly shot of medicine. With the shot it is impossible to tell that he is sick at all.

- John has third party insurance through his employer, which covers 2/3 of medicine costs.
- The medication costs \$2,400/month.
- John makes \$84,403.18/year (box 14 of T4)
- According to box 236 of his income tax return he has a net income of \$77,000 (approximately \$6,400/month before taxes)
- John's monthly expenses are approximately \$5,650/month (Taxes - \$1,600; CPP - \$185; EI - \$75; Union Dues - \$25; Pension - \$250; Rent - \$1,400; Heat - \$150; Electricity - \$100; Water - \$60; Car payment (needs transportation to get to airport on a daily basis) - \$300; Insurance (home, auto) - \$150; Telephone - \$80; groceries - \$700 based on \$175/week which is low and doesn't including ever going out to eat; Television - \$60; internet - \$60; gas for automobile - \$100; student loan - \$250)
- Monthly disposable income is approximately \$800/month (used for RRSP - \$300/month; savings for emergencies \$200; leaving approximately \$300/month for miscellaneous expenses and entertainment).

Based on the old program John's employer-paid insurance covered \$1,600 of the monthly cost and the GNWT through the Specified Conditions Program paid, the remaining \$800.

Under the new program there are two possibilities depending on which of the two Department responses (identified above) you chose to listen to:

Under the first scenario, given that John has third party insurance, he will be responsible for the \$800/month himself. Considering that he only has \$300/month maximum available he will drastically have give up some of his normal savings (i.e. no more RRSPs, no more savings for emergencies, no more fun). John will have no choice but to review his circumstances and may choose to leave the NWT, which will cost the GNWT significantly (loss of Federal Transfer payment \$22,500/year; loss of tax income \$4,200; loss of volunteer services; loss of taxes from goods purchased; loss of community involvement). Can the GNWT afford to lose all of this? I do not believe so.

Under the second scenario, he will be able to apply for some top up but be required to pay a co-payment. The co-payment will be based on his net income (line 236 of his tax return). According to the Department's threshold chart he will be required to pay a 30% co-payment which equals ($\$800 \times 30\% = \$240/\text{month}$) \$240/month or \$2,880/year. This is not as extreme as the first model but will still be a significant hit for John. The cost of living in the NWT is high and people's decision to stay is often

based on little advantages and disadvantages. It is a fine line. This increased cost, where there used to be none, might be the tipping point for John deciding to leave. This is based on a real constituent who has indicated that he will leave based on this harsh decision by DHSS. He is not the only one. As a note, the results are same for John Doe regardless of whether the Department chooses the \$30,000 or the \$50,000 threshold with a minor adjustment to the monthly co-payment. Under the \$50,000 threshold John would only be paying \$200/month.

If John were to reduce his drugs or stop taking them altogether he would be unable to work and would become dependent upon the GNWT Social Assistance Program. At least his medications would be covered.

As indicated earlier, I do not believe that DHSS has done all of the modelling on this, and certainly has not considered all of the ramifications on persons with catastrophic (specified) conditions of implementing this new program.

These people deserve better. Families deserve better. The north deserves better.

SENIORS

Years ago, very few Non-Aboriginal seniors chose to remain in the NWT once they retired. Most fled to warmer climates where living was easier. In 1983 a wise GNWT Cabinet decided to find some ways to encourage NWT seniors to stay in the NWT. They clearly recognized the value in keep them here:

- Federal Transfer Payment (\$22,500/person)
- Taxes paid
- Goods and services purchased
- Volunteerism
- Incentive for younger people to remain or return (be close to parents)
- Etc.

Given the high cost of living here there were limited options available. One of the most effective programs was creation of Extended Health Benefits for Seniors. I have talked to many seniors and they feel that this program helped them make the decision to stay in the NWT upon retiring. Financially, it is not a huge advantage, but it is enough to tip the scale slightly in favour of staying in the NWT. They have all indicated that even minor adjustments, which result in increased costs to them, could easily tip the scales back in favour of leaving the NWT forever.

Minister Lee says that this will not happen. I believe that to be naive. The possibility certainly should not be discounted off hand.

In 2008/2009 1,681 seniors accessed the Extended Health Benefits Program for Seniors for a total of \$3,576,652. This is approximately \$2,100/senior/year. If 10% (168) of these individuals were to give up on the NWT due to Minister Lee's harsh new program the GNWT would lose approximately \$3.8M in Federal Transfer Payments as well as more in local taxes. The loss of community (volunteerism, etc.) is impossible to calculate and the change to our social make up would be irreversibly altered (for the worse).

As indicated in the Minister's literature, 40% of the seniors who access the program have third party insurance leaving approximately 1,090 without. Of these, 499 earn under \$50K. These individuals would be fully covered. Based on the inconsistent messaging, the 40% with coverage would have to either pay all of the difference or be able to seek a co-payment top up for the difference. The others without insurance would have to pay the co-payment top up. Regardless, 1182 seniors will be adversely affected by these proposed changes. If 10% of these (118) were to decide to leave the GNWT would lose approximately \$2.7M in transfer payments on top of all of our other losses as outlined above.

The Regular Members asked to the Minister to conduct a full cost accounting exercise of the options. This would have shown the positive and negative outcomes of the proposed changes. It would have helped quantify what the seniors are telling us, that some will leave. When they leave others will follow. Until this is done, it is premature to make any permanent changes to the Supplementary Health Benefits currently offered by the GNWT.

The seniors deserve better. The north deserves better.

OTHER MAJOR CONCERNS

Regardless of the above concerns related to process I do have some specific concerns related to the proposed plan that I think Cabinet must consider before moving forward:

Double Tax

All residents of the NWT already pay taxes that go toward health care costs. People who make more money pay more taxes. Now Minister Lee is asking them to pay more again.

This is the beginnings of a two tiered healthcare system where the people making money have to pay for services that many receive for nothing (or minimal costs).

This is not fair or just.

Impact on Hospital Costs

Another implication that I do not believe the Department has considered is the impact on the Hospitals and Health Centres throughout the NWT. Currently, services provided in hospitals are at no cost to residents.

If this program is implemented, individuals may choose to stop or decline treatments due to extreme costs. In response, their health may decline resulting in additional hospital care. Or, physicians may choose to facilitate treatment within health facilities to ensure that the costs will be covered by government rather than put the costs on the residents. Either way, the demands on the hospital will increase, which will ultimately drive the costs of health care up further.

If anything, we should be trying to find ways to provide services outside of the hospital. It is more cost effective to have people stay out of hospitals. This new program seems to fly in the face of the direction that we, as a Territorial Government, must be going in to control the high costs of our health care system.

Overall Effect on Population

In the news recently Statistics Canada reported that the NWT was the only jurisdiction in Canada to decrease in population during 2009 (down 0.3%). Although not a giant decrease, it is still a decrease and talks to this initiative. We need to be focusing on programs, services and economic initiatives that encourage people to live and work in the NWT. Taking the proposed direction and putting this much attention on an initiative that will encourage people to leave the NWT is unwise. I strongly encourage you, as Premier, to change the Minister's direction on this initiative. Yes, we need to find a way to support low income families without insurance (see recommendation below) but it must not be done at the expense of other valuable residents of the NWT.

Premier Roland, you can turn this initiative around. You can put it on the right track and support the people of the NWT. Let us build our population, not reduce it.

Existing Employers of Low Income Earners Will Stop Providing Coverage

Providing 100% coverage for everything will create a disincentive to those NWT businesses that do provide insurance to their low income workers. It will be in the employees best interest to have the employer discontinue their coverage as most insurance plans only provide a partial top up (80%). This will significantly increase costs to the GNWT.

RECOMMENDATIONS

Clearly something needs to be done to assist the low income families in the NWT who do not currently have third party insurance. I do not believe that it should be done on the backs of seniors or persons with specified conditions.

Minister Lee keeps asking for options and alternatives. Here is one that she and her Department have failed to consider. It too may not be the best suggestion, but at least it should be considered and have the same level of analysis and research done on it as the Department's plan before it is thrown out or accepted.

Alternative

Create a Benefits Plan for Low Income Families without insurance which helps these individuals purchase third party insurance; keep the specified health conditions program but modify it so that all applicants must have third party insurance; keep the seniors benefits policy but require that all seniors must have (or attempt to obtain) third party insurance.

We need to create a benefits plan for low income families without insurance. Rather than covering the costs ourselves (GNWT) has any thought been given to creating an income tested co-payment program that actually purchased the third party insurance for these individuals? Under this program we could use the existing thresholds established by the GNWT to determine the amount of money the GNWT would cover on a monthly basis for family or individual health insurance coverage based on something like the Alberta Blue Crosses basic family plan. Manulife may be another provider to consider.

- Extended health coverage (includes ambulance services, psychologist services, accidental dental care)
- 70% reimbursement for eligible prescription drugs - \$10,000 maximum per participant each benefit year
- 100% coverage for standard dental check-ups and cleanings, and 80% coverage for fillings, extractions, and root canals to a combined maximum of

\$600 per participant in each benefit year. (Three month waiting period from enrolment date.)

- \$10,000 in the event of an accidental death of a participant

This program would only be available to individuals who do not have third party insurance through their employer.

The cost of this is around \$800 per person annually (based on Alberta Blue Cross).

- ✓ Under this program (using the \$50K threshold) an individual making less than \$50K will be able to have insurance funded by the GNWT.
- ✓ Under this program (using the \$50K threshold) an individual making between \$50K and \$69K would have to pay \$160 while the GNWT pays \$640.
- ✓ Under this program (using the \$50K threshold) an individual making between \$90K to \$109K would have to pay \$240 while the GNWT pays \$560. The catch is that the majority of employers who pay this kind of money already provide third party insurance so there probably would not be many who fall into this category.

Based on Minister Lee's quote of 2,299 people in need this program would cost approximately \$1.8M. It would avoid the possibility of double dipping by high income earners with third party insurance as outline above (the \$400K in extra costs annually). It will also help the GNWT move services out of the hospital as people will not be inclined to turn down services provide out of the hospital for cost reasons.

One challenge is that some employers may decide to stop providing third party insurance if a program like this were to be implemented. This will definitely happen under the Minister's plan. To avoid this the GNWT would have to work with employers to provide them with some sort of incentive to continue providing third party insurance or some penalty for not offering it? Much research into this area is going to have to be done to ensure that costs do escalate and get out of control, and that we do not create a disincentive for local businesses.

A key element to this alternative is that you leave the existing Specified Condition and Seniors Benefits programs in place. The only change I would suggest to these is that in both programs everybody should be required to obtain (or at least try to obtain) third party insurance. If their net income is low they can always access the program outlined above to help obtain third party insurance. If a senior is able to demonstrate that they are completely unable to obtain third party insurance they should still receive coverage under the Seniors Plan.

Overall, this approach seems more reasonable to me than Minister Lee's approach, it seems to have fewer negative ramifications. I acknowledge that it must be costed out. Due diligence, research and analysis is required to determine if it is possible before any decision is made. However, it is an option, and it must be considered in the best interest of our residents.

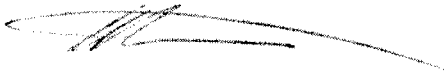
The concerns I have outlined make up only a small percentage of the concerns that are being expressed by residents of the NWT. There are many, many more. In addition, I am certain that there are many individuals out there who have other alternative suggestions. Alternatives and options that must be heard and considered before any final decisions are made.

Premier Roland, you must consider the ramification of Minister Lee's proposed changes before you and your cabinet make a decision which will hurt the NWT. You must do what is right, what is just and what is for the public good. Allowing the Minister of H&SS to rush this decision through before all options, scenarios, alternatives, etc. are properly analysed and financial ramifications are understood is short sighted and illogical. You must have all of the information before a decision is made. You must understand who is affected and how. You must understand where costs will increase and where cost saving might be found.

Do not make this decision lightly.

Know what you are getting into.

Sincerely,



Glen Abernethy
MLA Great Slave