CARP BRIEF

TO

THE ONTARIO LEGISLATIVE ASSEMBLY STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

ON

THE 2004 PROVINCIAL BUDGET

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INTRODUCTION

CARP is Canada's Association for the Fifty-Plus. CARP really stands for Canadian Association for Retired Persons, but we retired the word "retired", because many of our more than 400,000 members are still working and, anyway, since its inception, CARP membership has been available to everyone 50 years of age and older – retired or not.

Our membership in Ontario tops over 250,000 and our magazine, 50Plus, is read by more than 650,000 Ontario and almost 1 million people nationally. CARP's website is accessed by over 250,000 "unique hits" a month.

A national non-profit organization, CARP does not receive operating funds from any level of government in order to maintain non-partisanship.

With a mission to protect the rights and quality of life for older Canadians, our mandate is to provide practical recommendations for the issues we raise. In other words, we don't just "carp".

ISSUES

1. Eradication Of The Deficit

This consultation is, of course, being held in the shadow of the province's $5.6 billion deficit. CARP strongly urges the government to eradicate this deficit over the 4 years of its term in office rather than over the first one or even two years. Adopting a more gradual timetable for paying off the deficit will enable Queen's Park to undertake many of the initiatives promised during the election –which the majority of Ontarians endorsed with their votes.

2. "Means Test For Seniors RE: Prescription Drugs"

The elimination of the deficit must not be undertaken on the backs of seniors.

In recent months there has been a great deal of rumination by Queen's Park about the possibility of eliminating "rich seniors" from ODB prescription drug coverage. This public musing has caused a great deal of fear and panic among seniors. And, in any event, the proposed policy is ill-conceived, counterproductive and ineffective.

In any case, CARP has asked Queen's Park for its definition of a "rich" senior – and has received no response. When such an initiative was considered by the previous Tory government, it was rejected by them as well as by the Liberal Party, then in opposition. According to Liberal policy health advisers consulted by CARP on this matter, it was found that in order to realize meaningful savings, a "rich" senior would have to be identified as someone with an annual income starting at $28,000 – which both the government of the day and the official Opposition rejected because it was an unconscionably unrealistic and low threshold. The proposal was quickly and quietly buried – and should be allowed to rest in peace.

By the way, Ontario currently has a two-tiered payment system for prescription drugs for seniors. Low-income seniors who receive Guaranteed Income Supplement pay $2 per prescription and the rest pay a $100 co-payment, plus up to $6.10 per prescription. This means that the province currently realizes potentially over $100 million for this program.

In other provinces, such as Quebec and British Columbia, experience with tinkering with complex differential income-based fees for prescription drugs has proven disastrous because the cost of drugs was beyond the financial capacity of many seniors. They were forced to either not purchase the necessary drugs or to not purchase food, pay rent or property taxes. As their health deteriorated they entered hospitals, thereby increasing public expenditures for health care. Obviously, such a policy defeats the purpose of maintaining good public health with positive public savings. As well, it proved more costly to administer than the potential income that might be realized.

This policy represents a long term – and dangerous – solution to a short-term problem of retiring the deficit.

3. Funding for Home Care

In order for the government of Ontario to maintain the best cost-effective health care system, Ontarians who are frail, chronically ill or in the post-acute phase of an illness should be able to remain in their homes as long as they safely can – and outside of more costly hospitals. However, this objective cannot be accomplished unless the province makes proper home

care available. That home care is more cost effective than hospitals has been demonstrated by study after study, most recently by Dr. Marcus Hollander that CARP and other groups commissioned. ***(Please SEE APPENDIX ONE.)***

During the election campaign, the Liberal Party promised an infusion of $300 million to bolster the home care system, in recognition that home care in Ontario was in serious decline. Therefore, CARP urges the government to honour this pledge immediately by announcing in the 2004 budget the first of four equal annual payments over its current term in office – followed by adequate funding thereafter. The Ontario home care system continues to experience severe cut backs in service provision – to delay any longer in providing the necessary funding will worsen a deteriorating situation to that point that it may be impossible to save.

CARP realizes that, perhaps by this fall, Ontario will have over $600 million from the federal government for health care, including three types of home care – post-acute, acute mental health and palliative end-of-life care. However, these funds do not include chronic care in home care, which makes up the bulk of home care services. Therefore, CARP advises the government to guarantee that any money freed up in the home care budget, as a result of this new infusion of federal funds, will be re-invested in chronic care home care. Moreover, the flow of provincial funds into home care should begin at once – and not wait for the new federal funding.

Finally, to be truly effective, home care must be regarded and funded as a component part of an integrated, holistic health care system, together with nursing homes. Both comprise Ontario's long-term care system. The current approach that divides the Ontario health care system into competing silos is both inefficient and costly.

4. Review of Ontario's Guaranteed Annual Income System (GAINS)

The GAINS program requires a major upgrading.

This program tops up the income of poor seniors who subsist on Old Age Security and Guaranteed Income Supplement. Their total annual income from all of these sources is currently, for a single, $13,141 and for a couple, $21,622. By the way, the amount for single seniors is $1 above Ontario's guaranteed minimum annual income for seniors. And, this amount needs serious upward revision! It must also be noted that, unfortunately, this total income is well below the national low income cut off line of around $16,000 for singles and about $24,000 for couples.

GAINS currently provides an annual maximum of $1095 per single and $903.48 per couple (or $91.25 per month for singles and $75.27 per month for couples). Minimum increases are under $3.00 per month.

Between 2001 and 2003, increases have ranged from a minimum of about 50 cents to a maximum of $8.25 per month!

GAINS is in dire need of a meaningful increase that takes into account the hikes in rents and property taxes, energy, food, transportation (automotive or public transit) and health care (home care, medications not covered by or de-listed from the ODB and OHIP and de-listed services like audiology and physiotherapy), etc. For example, the current average rent in Ontario is calculated by the government as around $850 per month -- which translates into 78% of the monthly income of a single senior on GAINS. For a single senior, this leaves a balance of $245 per month for all the other necessities noted above. As a result, larger numbers of seniors are being forced to turn to food banks.

5. Protection of Pension Funds

The downturn in markets as well as mismanagement of investments have had a negative impact on many pension funds. In Ontario, the Participating Co-operatives of Ontario Trusteed Pension Plan (PCOTPP) declared bankrupcy.

PCOTPP pensioners have had their pensions severely reduced. Survivors of original pensioners have been cut by as much as 75%. CARP has discussed this situation with the Financial Services Commission of Ontario (FSCO), which stated that, due to the non-union nature of the PCOTPP, it is not protected under the Ontario Pension Protection Fund.

Representatives of these pensioners met with the former Minister of Finance, the Hon. Janet Ecker, to present a number of practical recommendations for provincial intervention to shore up the pension plan (*Please SEE APPENDIX TWO*). Nothing was done.

CARP endorses the group's proposals that, based on precedents, the government pass special legislation to contribute funds to the PCOTPP in order to stabilize the plan and allow time for regeneration. And, secondly, that it reforms the Ontario Pension Protection Fund to ensure that no pensioner has to suffer penury.

6. Protection of RRSPs and RRIFs from Creditors

In Ontario, creditors can lay claim against RRSPs and RRIFs, unless they are issued by an insurance company. This should not be permitted under any circumstances because of its long-term impact on debtors and, indeed, on programs lik eGAINS that have to supplement the income of RRSP- or RRIF-holders who have lost their pensions to creditors.

Currently, PEI, Quebec and Saskatchewan have exempted these retirement income vehicles from creditors. CARP urges Ontario to join their number. This can be done quite easily by a short amendment to the Ontario Execution Act that will exempt RRSPs and RRIFs for seizure by creditors.

7. Affordable Rental Housing

CARP supports Queen's Park's decision to finally begin to match the funds provided by Ottawa for the construction of 20,000 new affordable rental units. However, it is imperative that the rents for them must be truly affordable rather than reflective of the so-called provincial average rent, which is about $850.00 – more than most low- and modest-income seniors can afford.

Moreover, CARP urges the Ministry of Finance to collaborate with Ottawa, the other provinces/territories and, within Ontario, with the Ministry of Infrastructure, Ministry of Municipal Affairs and Housing and other appropriate Ministries (e.g., the Minister Responsible for Seniors) to plan for the next round of building affordable housing after the current program is completed. The proposed 20,000 new units will not go far enough to meet current and future demand.

8. Property Taxes on Mobile Homes

Municipalities have been given authority to levy property taxes on mobile homes, retroactive to January 1, 2003. This new policy has caused great consternation among thousands of mobile home owners, a large number of whom are seniors. They had not budgeted for these taxes and, therefore, are finding it extremely difficult to pay them.

Moreover, unlike a bricks-and-mortar house, purchasers of mobile homes directly pay GST and PST when they purchase them in recognition that

they are a form of goods. Therefore to pay property tax on mobile homes imposes double taxation.

At present assessment is done on a pooled or aggregate basis on all of the different models in a mobile home park rather than individually based on the actual value of each vehicle. Moreover, a mobile home depreciates over time – like any vehicle and unlike a bricks-and-mortar house -- and, therefore, should be assessed as a vehicle, including depreciation.

Mobile home owners do not own the land on which their vehicle is stationed and therefore services provided to them are either included in or added to the rent they pay to the mobile home park owner, who should be responsible for payment of property taxes, like any rental unit owner.

Furthermore, municipalities are applying their new taxing power in inconsistent ways. Some are collecting the tax; others have assessed contents and the home; still others have delayed imposing them.

CARP suggests that the Ministry of Finance review this taxation power. As a first step, public consultations should be undertaken with municipalities, campground owners and renters. A moratorium on the collection of additional property taxes should be imposed until the review is concluded. Taxes already paid should be held in escrow until the outcome of the review.

9. Reform of Locked In/Life Income Funds (LIFs)

LIF reform was initiated by the previous government a few years ago. Among other changes, LIF funds were made somewhat more accessible if the LIF-holder could prove life-threatening economic or medical circumstances. However, CARP urges that accessibility should be liberalized even more to replace the out-dated paternalistic policies that still govern access. In this way, retirees with LIFs or RLIFs can draw on their own funds when required, since they are usually not able to augment their income by working. Ontario can turn to New Brunswick and Saskatchewan for examples of more modern and realistic policies in this matter.

10. Funding for Public Transportation

CARP urges this Committee to advise the government to include increased funding for public transportation in the 2004 budget. The reasons for this are obvious. Public transportation is a healthy and environmentally friendly alternative to vehicular gridlock and pollution. And it is the economic life's blood of the urban and rural parts of our province. Yet Toronto – Canada's largest city and its economic engine -- is the only major city in North America in which the public transportation system is not financially supported by the provincial (or state) government.

For many seniors, public transportation is the only viable means of independence and escape from isolation. It is an entry into quality of life – mentally, emotionally, psychologically, physically and socially. But seniors can use public transportation only if it is available, accessible and within their economic means.

CONCLUSION

CARP has presented, what we believe to be, a doable and practical program for necessary financial policies and reforms that Queen's Park can undertake to enhance the well-being for its 50plus and seniors population. Our association would be pleased to work with the government in any way we can to implement our recommendations.

APPENDIX ONE

APPENDIX TWO