

Doctors Nova consents to the disclosure of our submission, in whole or in part, and there is no part of the submission that requires confidentiality. There are no personal identifiers that should need to be removed.

Minister's Consultation Process on Proposed Federal Tax Changes

October 2, 2017

Doctors Nova Scotia is the oldest medical association in Canada. With a membership of over 3,500 we represent all practicing and retired physicians, medical students and residents in the province.

On July 18, 2017, the Federal Department of Finance announced proposed changes that will affect private corporations. The proposed changes, if enacted as written, will have a negative impact on physicians in Nova Scotia and indeed across the country, by removing some of the tax saving and tax deferral benefits currently available. Approximately 75% of doctors in Nova Scotia are incorporated.

Nova Scotia doctors were given the ability to incorporate by the Nova Scotia provincial government in 1995 through the creation of the Medical Professional Corporations Act (<http://nslegislature.ca/legc/statutes/medprof.htm>).

While the Act was introduced in 1995, Physicians in Nova Scotia were provided the benefits of incorporation as of October 1st 1996. At that time, the province was facing significant economic challenges and physician shortages, ironically not dissimilar to today. While there was no specific quid pro quo, it is clear that incorporation was provided to physicians in lieu of the ability to compensate doctors competitively in comparison to other provinces. Incorporation was designed as a way to compensate doctors through a revised tax system.

Although the federal government is proposing these changes, the changes will have a significant impact on Nova Scotia physicians, patients, and the provincial government. Nova Scotia physicians pay some of the highest taxes in the country, and the province is in the midst of a significant recruitment and retention shortage. Within the province, physicians largely use their corporations for retirement and/or family planning purposes, since physicians do not have pensions, sick leave, sufficient parental leave or many other benefits that employees would have. Changes to the tax rules for private corporations would affect 75% of the province's physicians and create a further disincentive for physicians to practise in Nova Scotia.

Within Nova Scotia, one of the unintended consequences of the proposed tax changes is on recruitment and retention. Currently there are approximately 90,000 Nova Scotians without a family doctor (Statistics Canada). The provincial government's Physician Resource Plan identifies the need to recruit 512 full-time equivalent (FTE) family physicians over the next 10 years. Of those, 465 FTEs are to replace existing practising family physicians and 47 are new family physicians needed to address increased patient need (Nova Scotia Department of Health and Wellness, 2016). The province also needs to recruit 558 specialists over the next ten years (Nova Scotia Department of Health and Wellness, 2016). The Federal government's proposed tax changes will impact recruiting

and retaining doctors in the province. In addition to paying the highest personal taxes in the country, Nova Scotia doctors are paid among the bottom third in the country.

In a province facing significant financial challenges, and where physicians are paid below the national average, physicians may choose to work in other jurisdictions if the impact of the proposed changes are not mitigated.

Doctors Nova Scotia surveyed its members to determine how the tax changes might impact them. The survey was circulated from August 18 to 31 and 864 physicians responded. Highlights from the survey include:

- 56% of physicians who responded to the survey indicated that they know a colleague who will leave the province if the proposed changes are enacted.
- 52% of physicians who responded to the survey indicated that they are considering moving their practice or professional activities to another jurisdiction if the proposed changes are enacted.
- 43% of physicians who responded to the survey indicated that they'll consider reducing the number of hours they dedicate to their practice or professional activities if the proposed changes are enacted.
- 42% of physicians who responded to the survey indicated that they'll consider changing their practice profile (this is, cease offering less remunerative services) if the proposed changes are enacted.

The impact of the tax changes is compounded by the current practice environment in Nova Scotia. Physicians have been vocal with their concerns about physician shortages and physician burnout.

In a 2017 survey through a partnership with the Centre for Organizational Research and Development at Acadia University, Doctors Nova Scotia found that 50 percent of responding physicians reported experiencing symptoms of burnout and another 20 percent reported feeling ineffective.

The Physician Burnout Survey measured a range of variables critical to physician well-being, including work engagement, workload and fairness. In the survey results, 70 percent of the physicians who participated reported feeling overextended, disengaged, ineffective and/or fully burned out.

These feelings of burnout, combined with inferior compensation and sudden and dramatic tax changes, could result in physicians leaving the province, working fewer hours, or retiring earlier than anticipated – all of which negatively impact patient care and all of which we heard through the tax survey.

We support the opportunity for physicians to be incorporated and to practice as small business owners. Incorporation allows physicians to derive benefit from their clinical practice that they would not otherwise potentially get; the ability to save for retirement, to retain funds within their corporate structure for future use beyond a pension, and also recognizes that many physicians have planned their work and clinical practice within a small business framework for over twenty years. Furthermore, physicians were provided the benefits of incorporation through an Act of the provincial legislature, and as essentially a publically paid service, physicians have little to no

capacity to offset any loss of income through a price increase or increased marketing that might generate additional sales.

In short, Doctors Nova Scotia simply views incorporation, and the benefits of incorporation, as one of the components of a physician's total compensation package, no different than the fees that are set for services delivered. Again, this has been the case in Nova Scotia for over twenty years. A change to any component of the compensation package will impact the capacity of physicians to practice; of this there is no doubt.

The physician work force in Nova Scotia is extremely fragile, we mention above the challenges with retention and recruitment and the growing challenges with physician burnout. Make no mistake that, whatever the intent of the proposed changes, they will have the unintended consequence of moving Nova Scotia back to the mid 1990's in terms of physician retention and recruitment; ironically the time when incorporation was provided as one way of addressing recruitment and retention challenges. Those who cannot remember the past are condemned to repeat it.

We urge the federal government to give serious consideration to the impact of these proposed changes on the people of Nova Scotia; they will be most affected. Physicians can, and perhaps will, take whatever action they deem necessary to respond to these changes. The people of Nova Scotia, the patients of our physicians, don't have many options. This will hurt.

