



# Nova Scotia's Political and Economic Environment

August 2018

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## **Introduction**

Doctors Nova Scotia's (DNS) current Master Agreement and C/AFP Agreement expire on March 31, 2019. In order to best position the association for those negotiations, DNS needs to understand the political and economic landscape of the province. This includes:

1. The political environment in Canada and Nova Scotia
2. The current economic landscape of Nova Scotia
3. The provincial health budgets and comparison to rest of Canada
4. The economic forecast for Nova Scotia compared to rest of Canada
5. An overview of the current Federal Health Transfer payment

## **Political Environment**

### **Federal**

In 2015, the Liberal party won the federal election with a majority government, winning 184 of the 338 seats. As of February 2018, the Liberal party had 183 seats, the Conservative party had 97, the NDP had 44 seats, Bloc Quebecois party had 10 seats, the Green party had one seat, and there was one independent seat and one vacate seat.

A Forum Research poll on April 27, 2018 (<http://www.forumresearch.com/>) showed the Conservatives with 43% voter support, the Liberals with 30% of the support and the NDP with 14% of the support. A number of factors have hurt the Liberal party lately, including the tax changes associated with small business.

The Canadian government has been running deficits and look to continue this in the future. The projected deficits are:

- 2017/18 projected deficit of \$19.4 B
- 2018/19 projected deficit of \$18.1 B
- 2019/20 projected deficit of \$17.5 B

There is no estimated timeframe when the federal budget will be balanced. The next federal election is expected to be October 2019.

### **Provincial**

In May 2017, the Liberal party won the provincial election with a second (albeit smaller) majority government, winning 27 of the 51 seats. Based on the CRA Atlantic Quarterly – Winter 2017 survey, the Liberal party's support among decided voters has declined from 45% (August 2017) to 37% (Winter 2018). The Progressive Conservative party's support among decided voters increased by 5% to 34% (between August 2017 and Winter 2018). The NDP has seen an increase among support of decided voters to 25% (Winter 2018), from 22% (August 2017). The percentage of undecided voters has increased to 26% (Winter 2018) from 23% (August 17). The next provincial election is likely to be held in fall 2020 or spring 2021.

The Nova Scotia government financials are improving and have moved from deficits to balanced budgets. The actual and estimated results are as follows:

- 2015/16 actual deficit of \$71.2 M
- 2016/17 actual surplus of \$149.6 M
- 2017/18 forecast net surplus position of \$21.3 M
- 2018/19 estimated surplus of \$29.4 M

**Nova Scotia Health Budget**

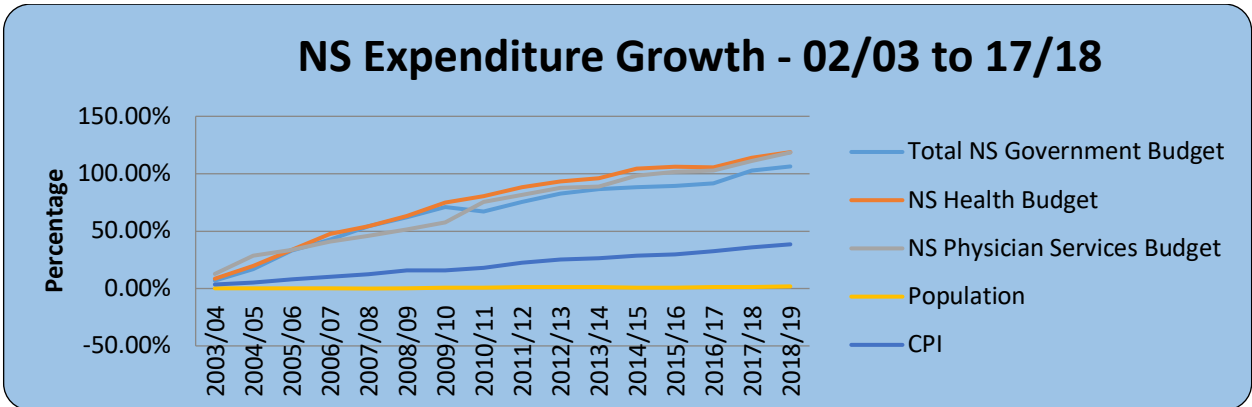
The Department of Health and Wellness (DHW) has the overall responsibility for the health-care system, leading the development and implementation of an integrated and strengthened health system.

In 2017/18, the DHW budget is \$4.367 B, which is over 40% of the total government budget. The DHW budget of \$4.367 B has increased from \$1.996 B in 2002/03. This is a 118.8% increase over that time (16 years).

The physician services budget is included within the DHW budget. This includes the FFS budget, C/AFPs, APPs, group payments (ER, on-call, etc.), and other physician incentives.

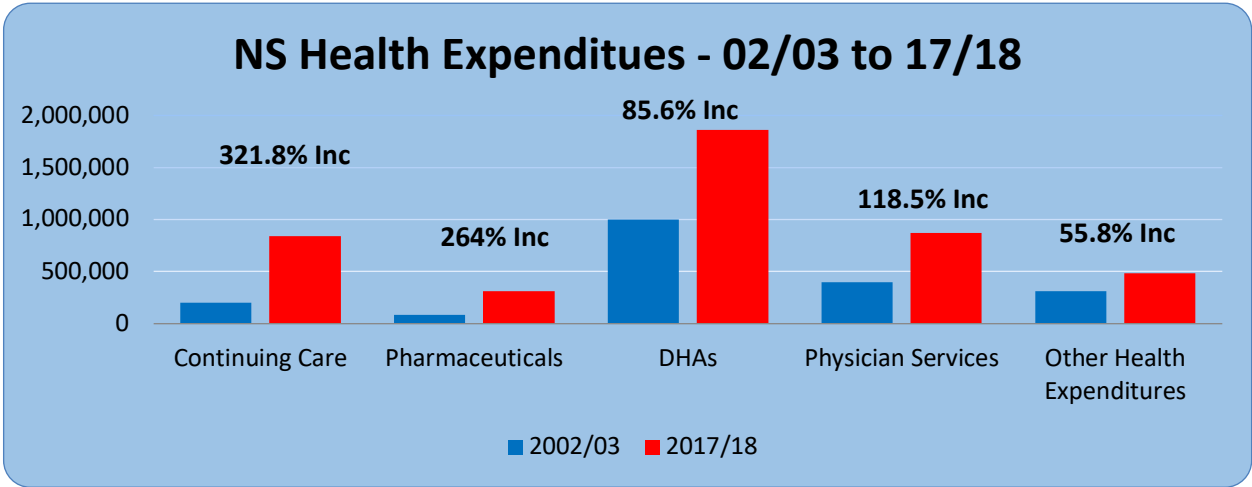
In 2017/18, the physician services budget is \$869.6 M, which is approximately 20% of the health budget. The physician services budget of \$869.6 M has increased from \$398 M in 2002/03. This is a 118.5% increase over that time.

**Table 1:** This provides the growth percentage increase for total Nova Scotia government budget, Nova Scotia health budget, Nova Scotia physician services budget, consumer price index (CPI-inflation) and population between 2002/03 and 2017/18:



The percentage growth for the Nova Scotia government budget, health budget and physician services budget has far exceeded the CPI and population growth between 2002/03 and 2017/18.

**Table 2:** This provides a breakdown of the DHW budget increases since 2002/03:



While physician services’ growth (118.5%) is essentially the same as the DHW budget (119%) as a whole, other health budgets has grown significantly more between 2002/03 and 2017/18. Continuing care (long-term care and home care) (321.8%) and pharmaceuticals (264%) have seen significant expense growth higher than the overall DHW budget. The “old DHAs” (now the NSHA and IWK) has increased by 85.6% during this time and is almost 50% of the DHW budget.

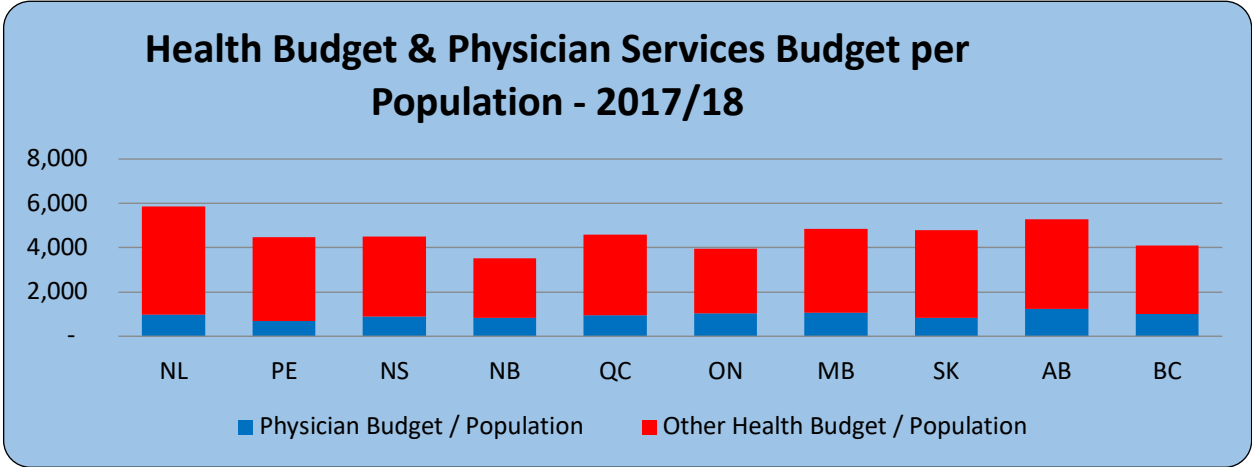
**Health Budgets – Per Capita Provincial Comparisons**

Based on the provincial estimates for 2017/18, Nova Scotia ranks fifth out of 10 provinces on health-care spending on a per capita basis and ranks fourth out of 10 on physician spend per capita.

For total health-care spend, Nova Scotia spends, on average, \$4,513 per resident. The highest health care spend is Newfoundland and Labrador at \$5,867 per capita. The lowest health care spend is New Brunswick at \$3,518 per capita.

For physician services spend, Nova Scotia spends, on average, \$889 per resident. The highest physician services spend is Alberta at \$1,247 per capita. The lowest physician services spend is P.E.I. at \$699 per capita.

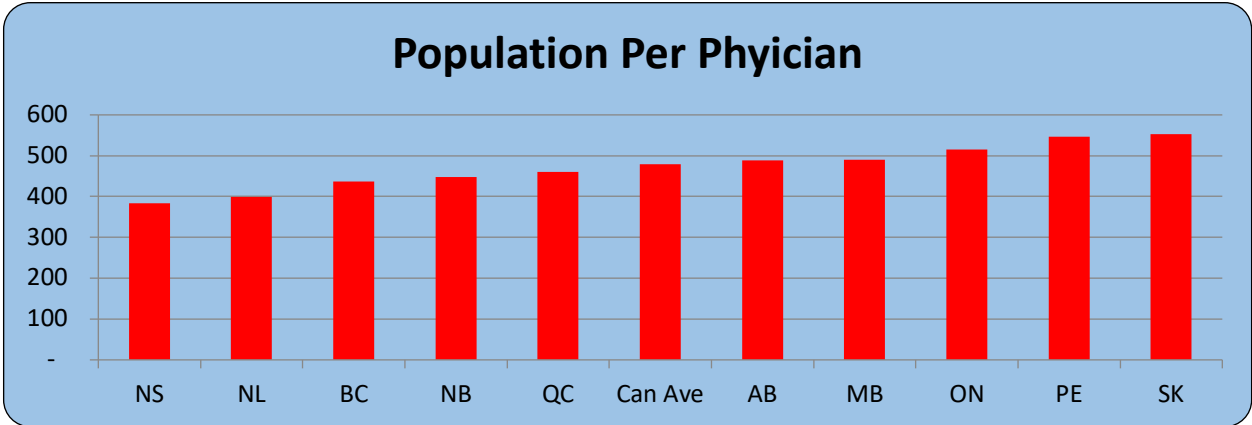
**Table 3:** This provides the health care and physician services budget per capita for all provinces:



**Population per Physician**

In CIHI and other reports, it states that Nova Scotia has the highest number of physicians per capita in Canada.

**Table 4:** This provides the population per physician:



While Nova Scotia has the highest number of physicians per capita, this number is a little misleading. There are a number of factors that have contributed to this. It appears that Nova Scotia has a higher number of part-time physicians; Nova Scotia physicians support the Atlantic population at the QEII and IWK; and Nova Scotia appears to have a disproportionate number of physicians in Halifax. We also dedicate physician resources to teaching and research.

Additionally, Nova Scotia has a large enough population to require a comprehensive array of medical/physician services but does not always have sufficient volume for economies of scale. This means some sub-specialties might have demand for 1.0 FTE but require more than 1.0 FTE to provide on-call services.

**Economic Environment**

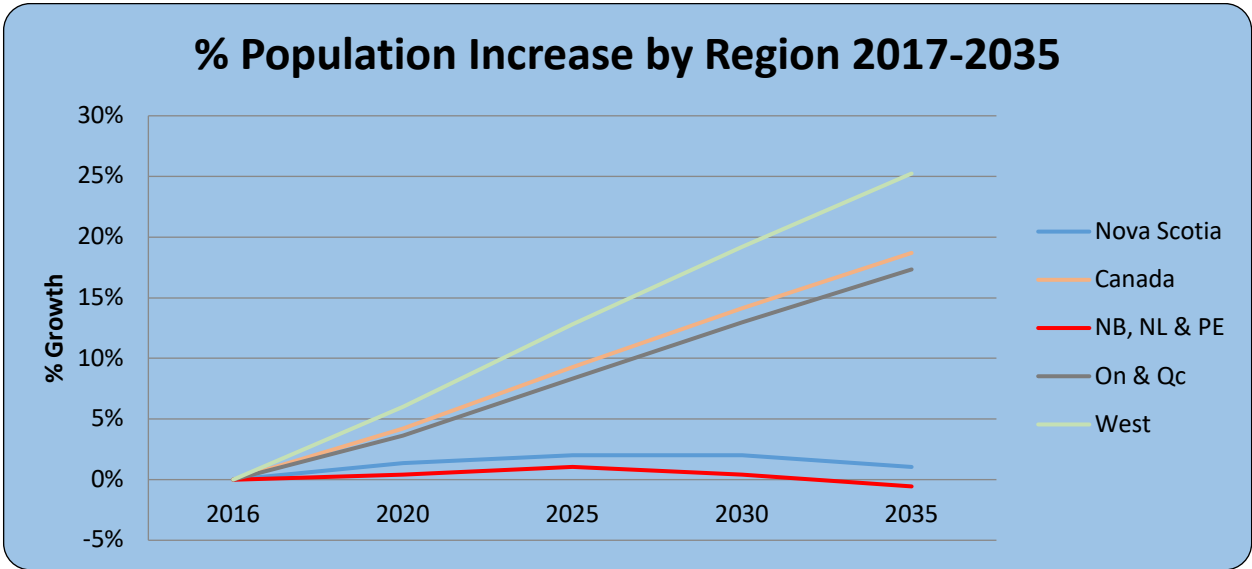
Nova Scotia’s economic growth is projected to lag behind all of the provinces except New Brunswick and Newfoundland and Labrador. To better understand the Nova Scotia economic environment, there are a number of key metrics to look at. This includes:

- Population growth
- Labour force growth
- Consumer Price Index (CPI)
- Gross Domestic Product (GDP) at Market Prices (current)
- Provincial tax comparisons

**Population Growth**

Between 2017 and 2035, Nova Scotia is projected to have population growth of only 1.06%. This is the third lowest forecasted population growth in Canada. The Canadian average is significantly higher at 18.7%.

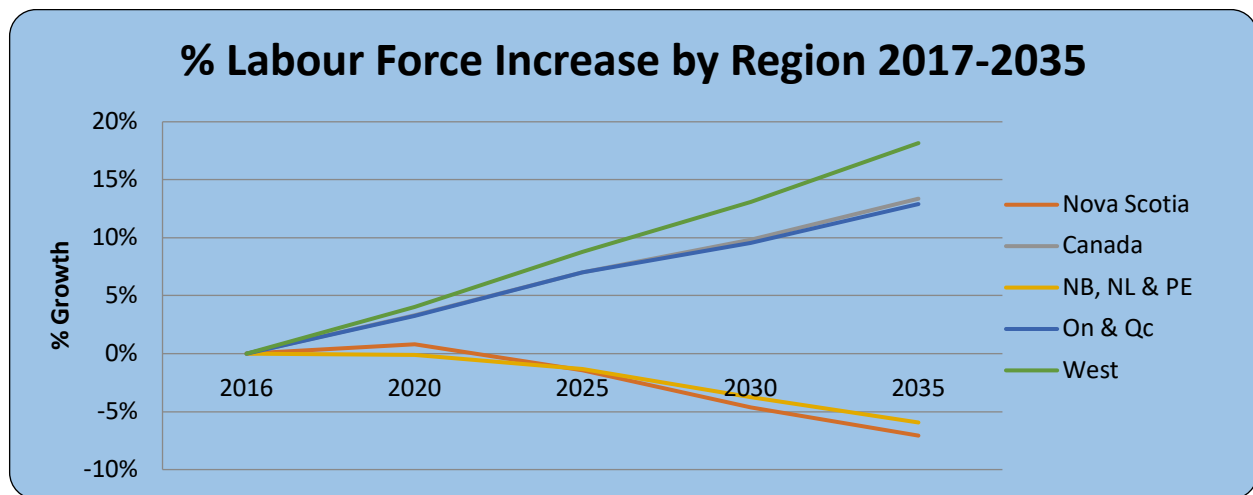
**Table 5:** This provides the population growth percentage by region in Canada from 2017 to 2035:



**Labour Force Growth**

Between 2017 and 2035, Nova Scotia is projected to have a decline in labour force by (7.07%). This is the second largest decline in Canada, behind Newfoundland and Labrador. The Canadian average is significantly higher at 13.37% increase.

**Table 6:** This provides the labour growth percentage by region in Canada from 2017 to 2035:



Population percentage growth and labour force percentage decline are troubling stats for Nova Scotia. Residents in Nova Scotia are older and less healthy than most other provinces in Canada. This will only increase in the future. When you combine the added health costs associated with this and a lower labour force that pay the majority of the taxes in provinces, it will put a significant financial strain on Nova Scotia.

#### Other Economic Metrics

Consumer Price Index (CPI) is the factor used for inflation, or cost of living. Between 2017 and 2035, Nova Scotia's CPI is projected to grow by 49.62%. This is one of the highest (bad) percentage increases in Canada. The Canadian average is 48.11%.

The Gross Domestic Product (GDP) at Market Prices (current) is the factor to determine economic growth. Between 2017 and 2035, Nova Scotia's GDP is projected to grow by 72.94%. This is significantly lower (bad) than the Canadian average of 104.91%.

Nova Scotia is a highly taxed province which suppresses economic growth. The province has the:

- highest personal income tax rates in Canada – marginal tax rate of 54% on income greater than \$205,842
- highest large corporate tax rate in Canada (tied with P.E.I.) at 31%
- sixth highest (including the Northwest Territories, Nunavut and the Yukon) small business tax rate (tied with Newfoundland) at 13%; Quebec is the highest at 17%
- highest sales tax rate in Canada at 15% (tied with other Atlantic provinces)

#### Federal Health Transfer

The Canada Health Transfer (CHT) is funding that the federal government allocates to the provinces and territories to help pay for health care. The formula that determines each province's payment is based on a per capita calculation. As Nova Scotia has one of the lowest rates of population growth, we receive less funding than provinces with higher population growth.

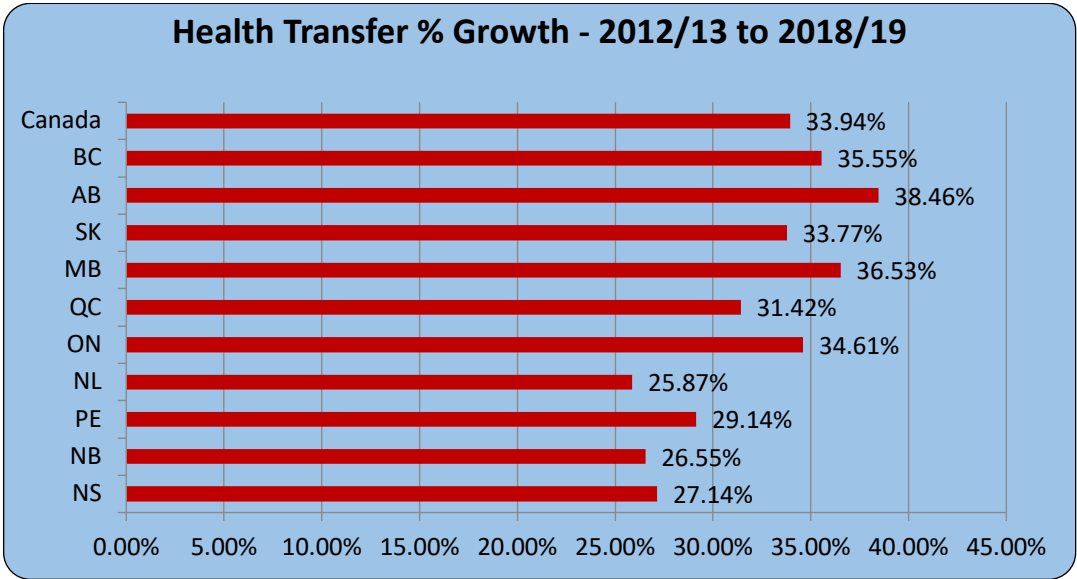


In 2017, Nova Scotia negotiated further CHT funding for home care and mental health services. There is additional funding over the next 10 years of:

- \$157 million for home care
- \$130.8 million for mental health services

The health accord expired in 2014 and has not yet been renewed. In 2017, 10 of the 13 provinces and territories have called for renewed health talks. New Brunswick, Nova Scotia, and Newfoundland and Labrador have negotiated side deals and were not part of the 10 provinces and territories that called for renewed talks.

**Table 7:** This provides the health transfer percentage growth by province between 2012/13 and 2018/19:



Nova Scotia’s CHT has grown from approximately \$791 million in 2012/13 to \$996 million 2018/19. This is the third lowest percentage increase in Canada over that time.

**Summary**

The Liberals have majority governments federally and provincially, but both parties have seen a decline in support lately.

The economic outlook for Nova Scotia is NOT as promising as other provinces in Canada. Nova Scotia has:

- low population growth
- declining workforce
- aging population and projected higher health costs
- higher CPI growth compared to Canadian average

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- lower GDP growth compared to Canadian average
  - lower portion of the CHT compared to Canadian average
  - one of the highest taxed provinces in Canada

Based on these factors, it will be a difficult negotiating environment for Doctors Nova Scotia. This is similar to the last negotiations. The one advantage over last negotiation is the province has a balanced budget, which they did not have last time. There may be more leverage also as health care is a hot topic on the political front in Nova Scotia.