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# The 2018 Ontario Budget

What Does It Mean For Ontario's Doctors?

*Prepared by OMA Economics, Policy & Research*

Dedicated to Doctors. Committed to Patients.

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# Selected Quotes

Change to Policy of Future Balanced Budgets Mentioned in 2017

“To support new investments amid a moderate revenue forecast, the government is now forecasting deficits over the next three years of \$6.7 billion in 2018–19, \$6.6 billion in 2019–20, and \$6.5 billion in 2020–21.”

Source: 2018 Ontario Budget, Budget Papers, p. 171

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# Selected Quotes

## Paralleling Federal Taxation Measures – Income Sprinkling

“Income sprinkling involves diverting income from a high-income individual to family members in whose hands the income would be taxed at lower combined federal–provincial PIT rates. Currently, income shifted to minor children is taxed at the highest combined federal–provincial PIT rate — also known as tax on split income. The federal government is proposing to address income sprinkling by extending the tax on split income rules to adult family members who are not active in the business, with certain exceptions, beginning with the 2018 taxation year. Ontario will automatically parallel these changes once federal amendments are approved and apply its top PIT rate of 20.53 per cent to split income received by an adult family member.”

# Selected Quotes

## Paralleling Federal Taxation Measures – Small Business Limit and Passive Income

“The 2018 federal budget proposed an additional phase out of the federal small business limit. Effective for taxation years beginning after 2018, the federal small business limit would also be phased out on a straight-line basis for CCPCs (and associated corporations) that earn between \$50,000 and \$150,000 of passive investment income in the taxation year. The business limit of a corporation would be the lower of the business limit determined on the basis of taxable capital and the business limit determined on the basis of passive investment income. Ontario proposes to parallel the federal measure on passive investment income.”

Source: 2018 Ontario Budget, Budget Papers, p. 291

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# Selected Quotes

## Health Sector Expense Outlook

“Health sector expense is projected to grow from \$61.3 billion in 2018–19 to \$66.6 billion in 2020–21 — representing 4.3 per cent growth over the period — as a result of increased utilization of physician services, home care services, addressing mental health and addictions, long-term care home staffing and beds, responding to the opioid crisis, eliminating the annual deductible and co-payment for seniors under the Ontario Drug Benefit program, and introducing a new drug and dental program for people who do not have coverage under an extended health plan. ”

Source: 2018 Ontario Budget, Budget Papers, p. 209

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# Selected Quotes

## Increasing Funding for Hospitals

“In this Budget, the Province is investing an additional \$822 million in 2018–19, contributing to a 4.6 per cent growth in funding for hospitals, bringing the total to nearly \$19 billion. This increased investment enables a strong, stable hospital system that continues to deliver high-quality patient care for all Ontarians. This investment will ensure all hospitals receive an increase in funding to help reduce wait times and provide flexibility to meet the needs of their local communities.”

Source: 2018 Ontario Budget, Budget Papers, p. 5

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# Selected Quotes

## Building and Expanding Ontario Hospital Infrastructure

“Over the next 10 years, the Province will provide approximately \$19 billion in capital grants to hospitals to continue building infrastructure that will support the health needs of local communities and residents. This includes a commitment to support the construction of major hospital projects provincewide, including the Hospital for Sick Children, the Centre for Addiction and Mental Health, Ottawa Hospital, Scarborough and Rouge Hospital, North York General Hospital, Lakeridge Health and South Bruce Grey Health Centre.”

Source: 2018 Ontario Budget, Budget Papers, p. 8

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# Selected Quotes

Reducing Prescription Drugs and Dental Costs.

“The government will introduce a new Ontario Drug and Dental Program for individuals and their families who do not have coverage from an extended health plan, starting in summer 2019. This program would reimburse participants for up to 80 per cent of eligible prescription drug and dental expenses, up to an annual maximum of \$400 for singles and \$600 for couples, plus \$50 for each child in the family. Final design will be informed by consultation. This represents a total investment of more than \$800 million over the first two years of the program.”

Source: 2018 Ontario Budget, Budget Papers, p. 12



# Selected Quotes

## Improving Access to Team-Based Interprofessional Health Care

“Helping people with their specific health care goals and needs, interprofessional care teams deliver primary care ranging from chronic disease management and addressing complex health needs, to helping deal with life challenges that negatively impact their health. That is why the Province is investing \$102 million over three years to support the expansion of interprofessional primary care teams, focusing on areas that have the greatest need, so that people living in all regions of the province have access to team-based primary care. This investment will result in 19 new or expanded teams that will recruit nearly 100 new health professionals such as nurse practitioners, registered nurses, social workers, psychologists, chiropractors, physiotherapists and pharmacists to provide direct primary care services to patients who can benefit most from team-based primary care.”

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# Selected Quotes

## Combating the Opioid Crisis

“Individuals, families and communities across Ontario continue to be impacted by opioid addiction and overdoses. In response to the current crisis, the government is taking action by investing more than \$222 million in the implementation of its Strategy to Prevent Opioid Addiction and Overdose. To combat the crisis, Ontario is working with the Opioid Emergency Task Force, which includes front-line workers and people with lived experience. This government will provide person-centered, stigma-free services to people in their own communities, including funding supervised consumption services and overdose prevention sites.”

Source: 2018 Ontario Budget, Budget Papers, p. 19

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# Selected Quotes

## Expanding Home and Community Care

“The government is investing an additional \$650 million in home care over the next three years. Part of this investment includes \$180 million in new funding that will make available 2.8 million more hours of personal support, including caregiver respite, plus 284,000 more nursing visits and 58,000 more therapy visits. This funding will help clients with complex needs leave the hospital and return home to appropriate home care when they are ready, and will help them avoid unnecessary emergency department visits and hospital readmissions. ”

Source: 2018 Ontario Budget, Budget Papers, p. 28

# Selected Quotes

## Reduction of Long-Term Care Wait Times

“In November 2017, as part of Aging with Confidence: Ontario’s Action Plan for Seniors, the government announced that 5,000 new long-term care beds would be created by 2022 and over 30,000 over the next decade. These new beds are in addition to the 30,000 existing beds that are being redeveloped. Since fall 2017, Ontario has been consulting widely with the public on this strategy. Many associations, organizations and community groups have expressed a strong need for more culturally appropriate long-term care homes, that provide services and respond to the needs of specific cultural and ethnic groups. In February 2018, Ontario invited existing and new providers to apply for new long-term care beds. New beds that serve specific cultural needs, including those serving francophone and Indigenous populations, will be prioritized. The government will announce successful proponents in spring 2018. The Province will also prioritize reducing wait times for those in hospitals or in the community who would benefit most by long-term care.”

Source: 2018 Ontario Budget, Budget Papers, p. 31

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# Selected Quotes

Supporting Ontarians Living with Dementia

“More than 190,000 people across Ontario are living with dementia, a number that is expected to grow as the province’s population ages. That is why the government is investing more than \$100 million over three years in the Province’s Dementia Strategy, including \$34.5 million to expand community dementia programs and respite care services to improve the lives of people living with the disease and their families. These programs offer activities such as art, music and exercise, which can provide meaningful social and recreational engagement and lead to enhanced well-being.”

Source: 2018 Ontario Budget, Budget Papers, p. 30

# Selected Quotes

## Reduction of Long-Term Care Wait Times

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Source: 2018 Ontario Budget, Budget Papers, p. 31

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# Selected Quotes

## More Long-Term Care Staffing Support

“The needs of long-term care residents are becoming more complex. That is why the government is investing \$300 million over three years in new funding, starting with \$50 million in 2018–19 to hire a registered nurse for every home, and setting a goal of increasing the provincial average to four hours of daily care per resident by 2022. This will provide residents with more direct, one-on-one patient care, including nursing, personal support and therapeutic care. It will also ensure that every home will have staff with specialized training in behavioural supports and in palliative and end-of-life care.”

Source: 2018 Ontario Budget, Budget Papers, p. 32

# 2018 Budget Highlights - Overall

- The government has announced that it will have a budget surplus of \$642 million in 2017/18; the first budget surplus since before the 2008 Global Financial Crisis.
- However, they have also shifted on their policy of future balanced budgets mentioned in the 2017 Budget to now project future deficits until 2024/25. Calling this “Ontario’s Fiscal Recovery Plan”, the government expects to incur almost \$32 billion in Accumulated Deficits between 2018/19 and 2024/25. **This is a concern for future program spending beyond 2020/21 because the government will once again focus on coming back to a balanced budget and may lead to another period of program underfunding similar to what we saw for the better part of this decade.**
- 2018/19 provincial government debt levels in Ontario are just over \$325 billion but the net debt to GDP ratio is expected to remain under 40% for the foreseeable future.
- The last four years saw Ontario’s economy growing strongly with an average real GDP growth of 2.7% between 2014 and 2017 but the government is warning that real GDP growth is expected slow to an average of 1.9% per year between 2018 and 2021.
- However, there is concern with regards to US tax reform, US trade negotiations, US protectionist measures, high household debt and the housing market; all of which could adversely affect economic growth in Ontario.
- Despite these economic concerns, the province is increasing its total program spending by an average of 3.5% per year between 2018/19 and 2020/21.
- **All of these planned expenditures will be highly dependent on the outcome of the Ontario Provincial Election scheduled for June 2018.**



# 2018 Budget Highlights – Health Sector Overall

- The 2018 Budget was very heavy on announcements of either new programs or additional funding of existing programs in the Health Sector.
- The Health Sector continues to be the largest program expense comprising just over 42% of program expenditures excluding Interest on Debt Expenses.
- Health Sector expenditure is expected to average 4.3% per year between 2018/19 to 2020/21 which is higher than Total Expenditure excluding Interest on Debt growth of 3.3% per year over this same period. Only the Children's and Social Services Sector and Interest on Debt will see higher rates of growth per year than the Health Sector.
- This boost in spending is further acknowledgment that the government has been underfunding the health sector in previous years.

# 2018 Budget Highlights – Specific Health Initiatives

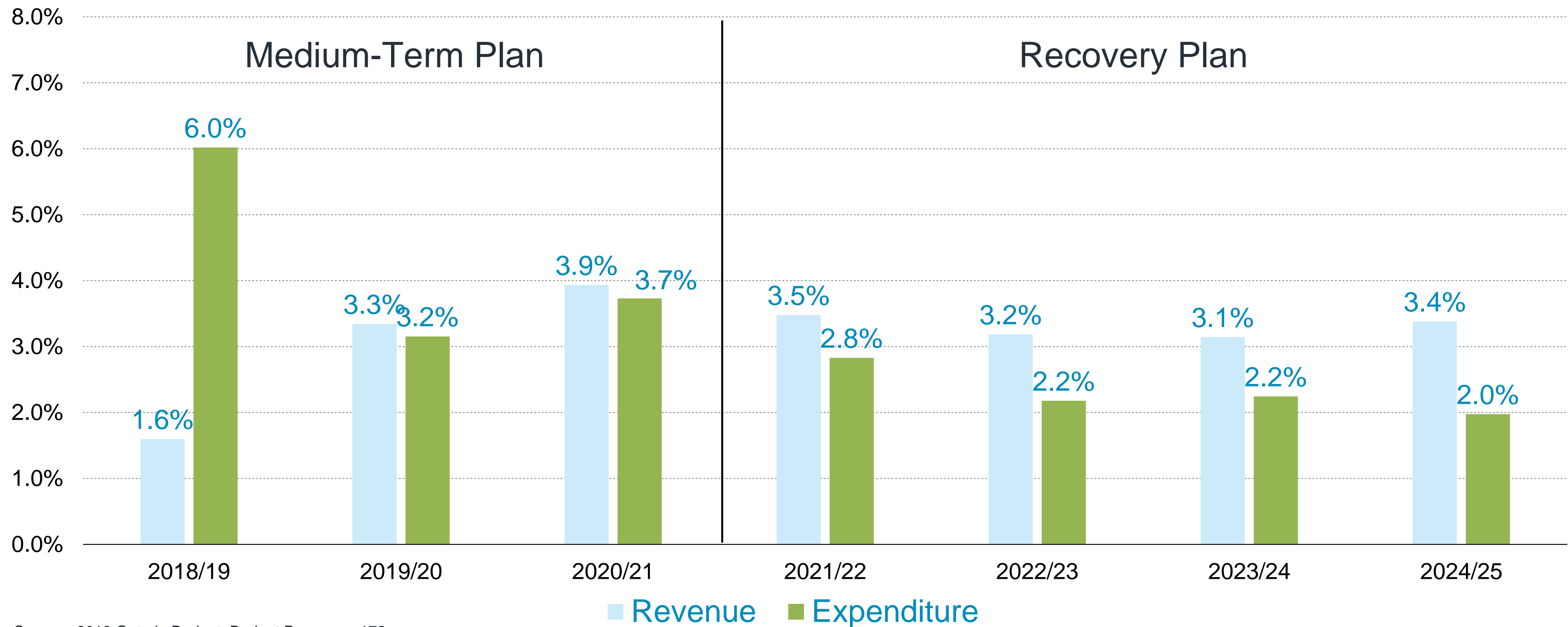
- \$305 million in 2018/19 to support hospitals with service demands related to population growth and aging, including pediatric and specialty psychiatric hospitals;
- \$187 million in 2018/19 for more hospital beds including new medical and surgical beds, mental health beds and beds for long-term ventilated patients;
- \$95 million in 2018/19 for clinical services and facility costs to open and operate new patient spaces;
- \$54 million in 2018/19 to increase access to specialized services such as bariatric surgeries, organ transplantations, neurological services and critical care;
- \$48 million in 2018/19 for over 26,000 more MRI hours, and 14,000 more surgical and medical procedures;
- \$40 million in 2018/19 for 780 more cancer surgeries, over 26,000 more gastrointestinal endoscopy procedures and over 74,000 more systemic treatments (chemotherapy), including consultations, and intravenous and oral/hormonal treatments;
- \$25 million in 2018/19 for more than 3,000 additional cardiac procedures;
- \$5 million in 2018/19 for new adult critical care beds;
- \$4 million in 2018/19 to expand innovative, advanced stroke care with 135 additional procedures for endovascular treatment;
- Investing up to \$10 million to create a “Centre of Excellence in Health Care Artificial Intelligence”, starting with \$1.3 million in 2018/19.

# 2018 Budget Highlights – Specific Health Initiatives

- \$19 billion over the next 10 years in capital grants towards building and expanding hospital infrastructure
- Expansion of OHIP+ to include all seniors regardless of income and elimination of annual deductible and co-payment for seniors under the ODB program effective August 2019
- Introduction of a new Ontario Drug and Dental Program for individuals and families who do not have coverage from an extended health plan, starting in summer 2019. The program will reimburse up to 80 per cent of eligible drug and dental expenses up to an annual maximum which differs by type of household
- Investment of \$102 million over three years to support 19 new or expanded interprofessional primary care teams which will include the recruitment of almost 100 new health professionals such as nurse practitioners, registered nurses, social workers, psychologists, chiropractors, physiotherapists and pharmacists
- Investment of approximately \$330 million over three years to support the recruitment and retention of health care professionals for primary care teams across the province including Aboriginal Health Access Centres, Community Health Centres, Nurse-Practitioner-Led Clinics, Family Health Teams as well as other settings
- \$15 million in 2018-19 to improve access to community-based palliative care
- An investment of an additional \$2.1 billion over the next four years towards mental health and addictions services; total investment is now expected to be \$17 billion over four years

# Ontario Provincial Government: Fiscal Forecast

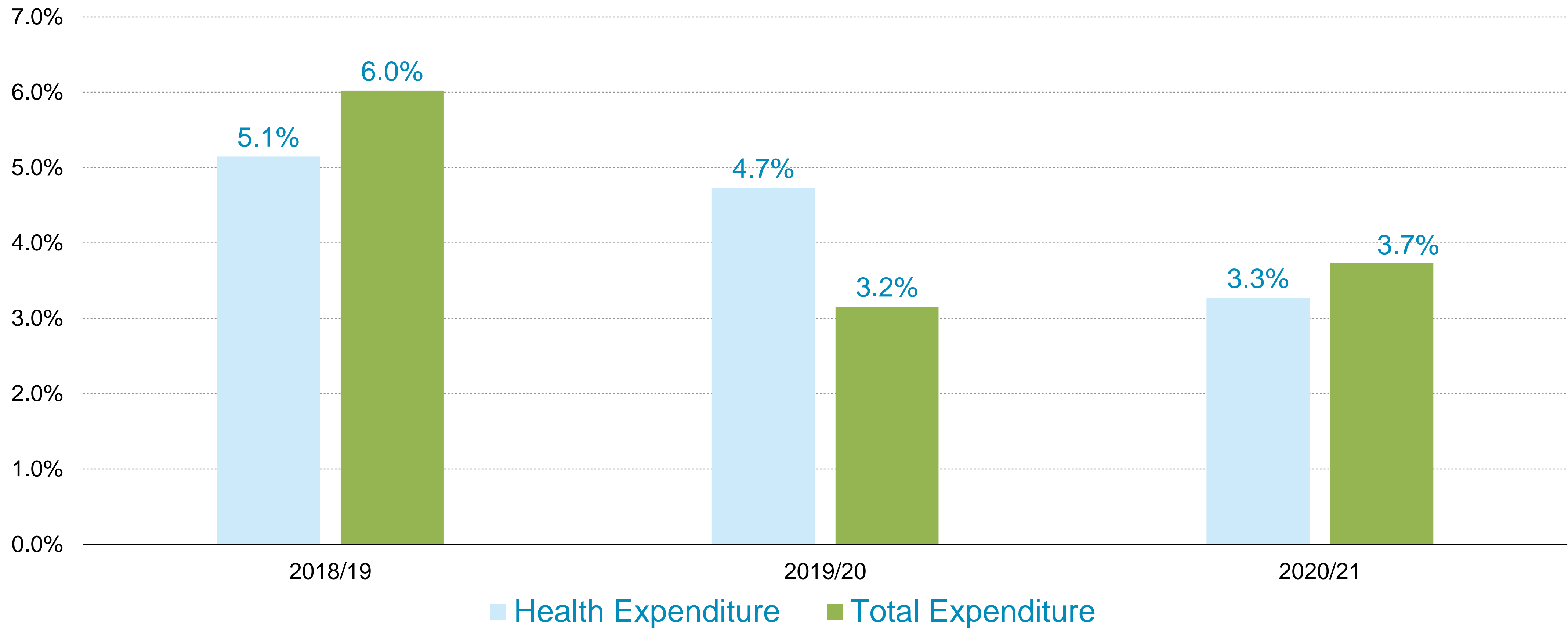
Percentage Growth in Total Provincial Government Revenue vs. Total Provincial Government Expenditure; 2018/19 to 2025/26



Source: 2018 Ontario Budget, Budget Papers, p. 172

# Ontario Provincial Government: Fiscal Forecast

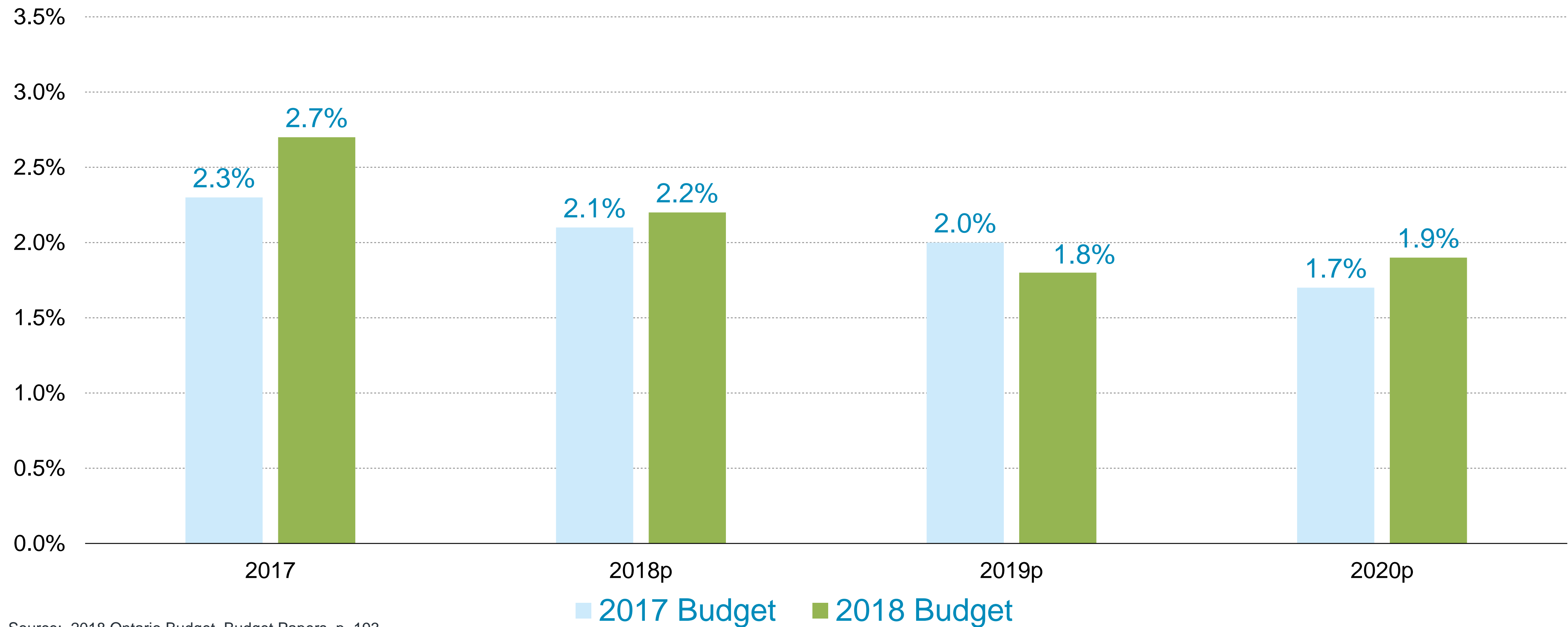
Percentage Growth in Total Provincial Government Expenditure vs. Total Provincial Government Health Expenditure; 2018/19 to 2020/21: Medium-Term Plan



Source: 2018 Ontario Budget, Budget Papers, p. 209

# Ontario Economic Forecast

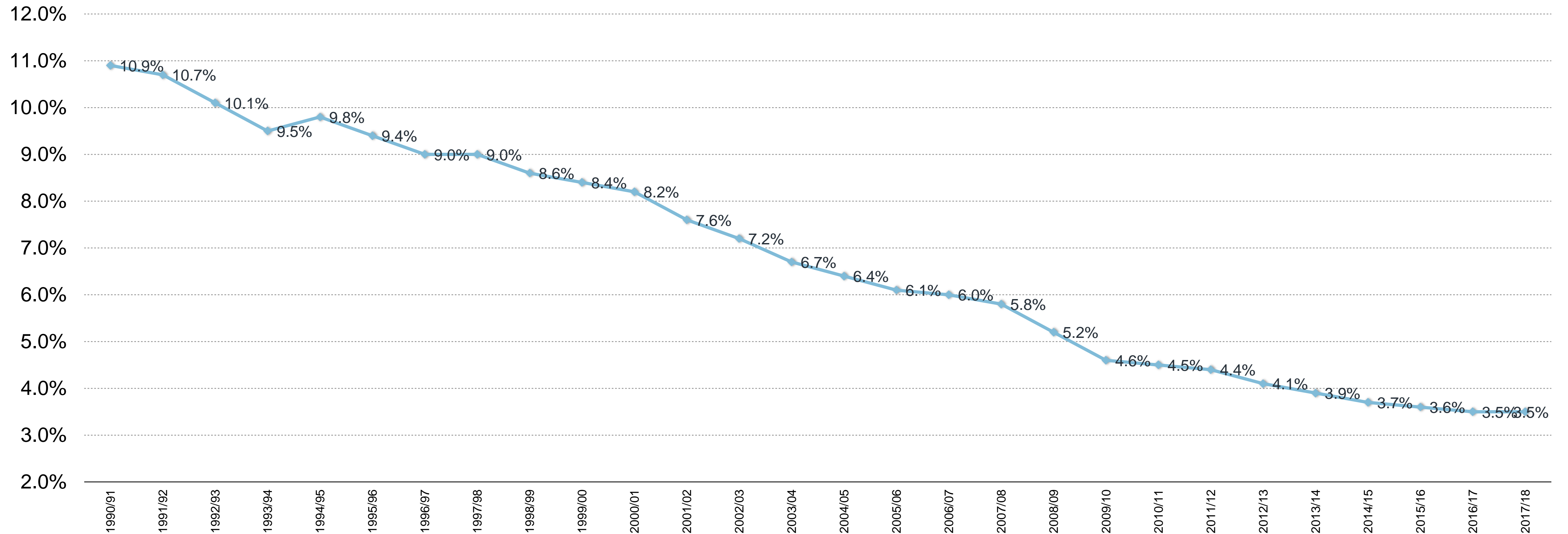
## Real GDP Growth



Source: 2018 Ontario Budget, Budget Papers, p. 193  
p - projection

# Ontario Provincial Government Borrowing Costs

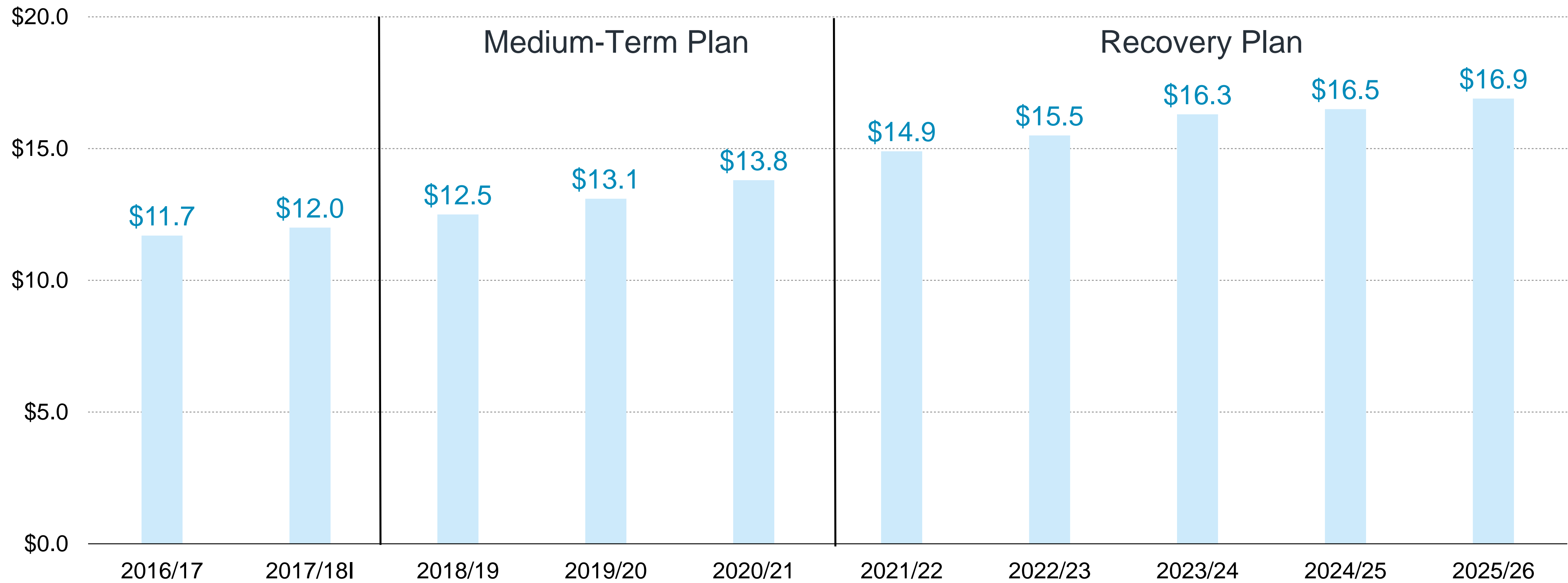
Effective Interest Rate (Weighted Average) on Total Debt; 1990/91 to 2017/18\*



Source: 2018 Ontario Budget, Budget Papers, p. 242  
\*2017/18 figures are projected to March 31, 2018

# Ontario Provincial Government Borrowing Costs

Interest on Debt (\$ Billions)

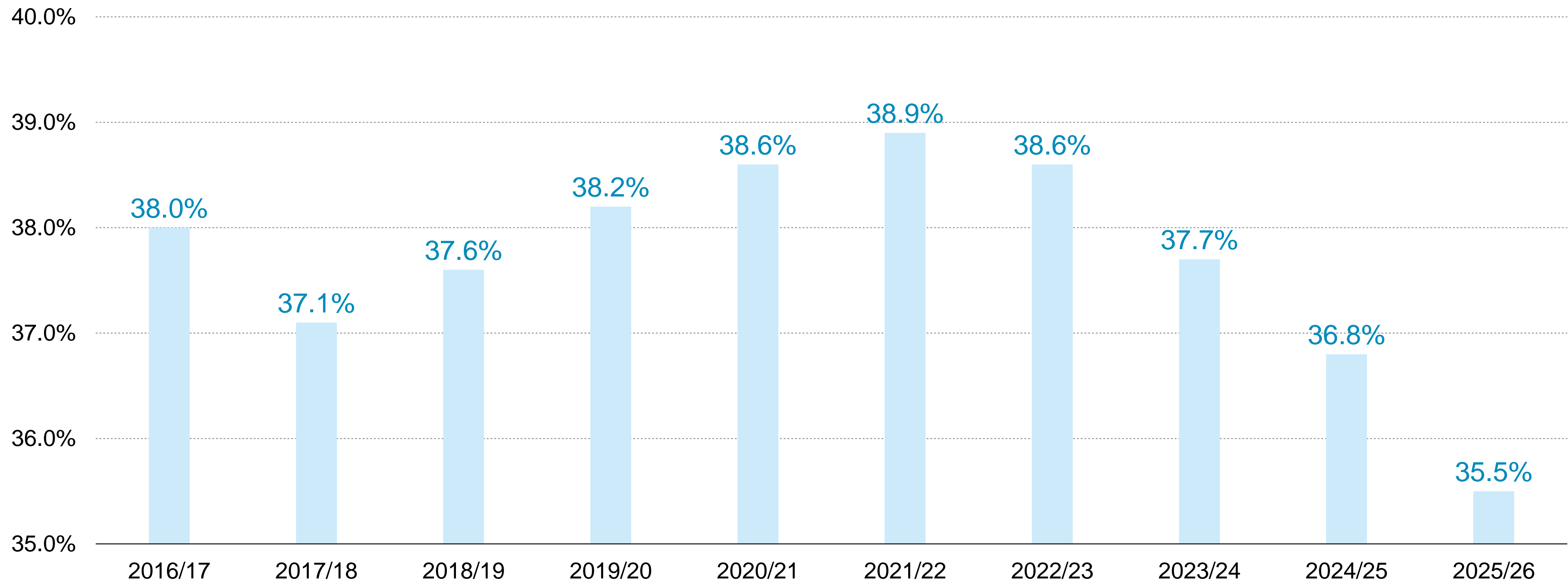


Source: 2018 Ontario Budget, Budget Papers, p. 172  
I - Interim



# Ontario Provincial Government Borrowing Capability

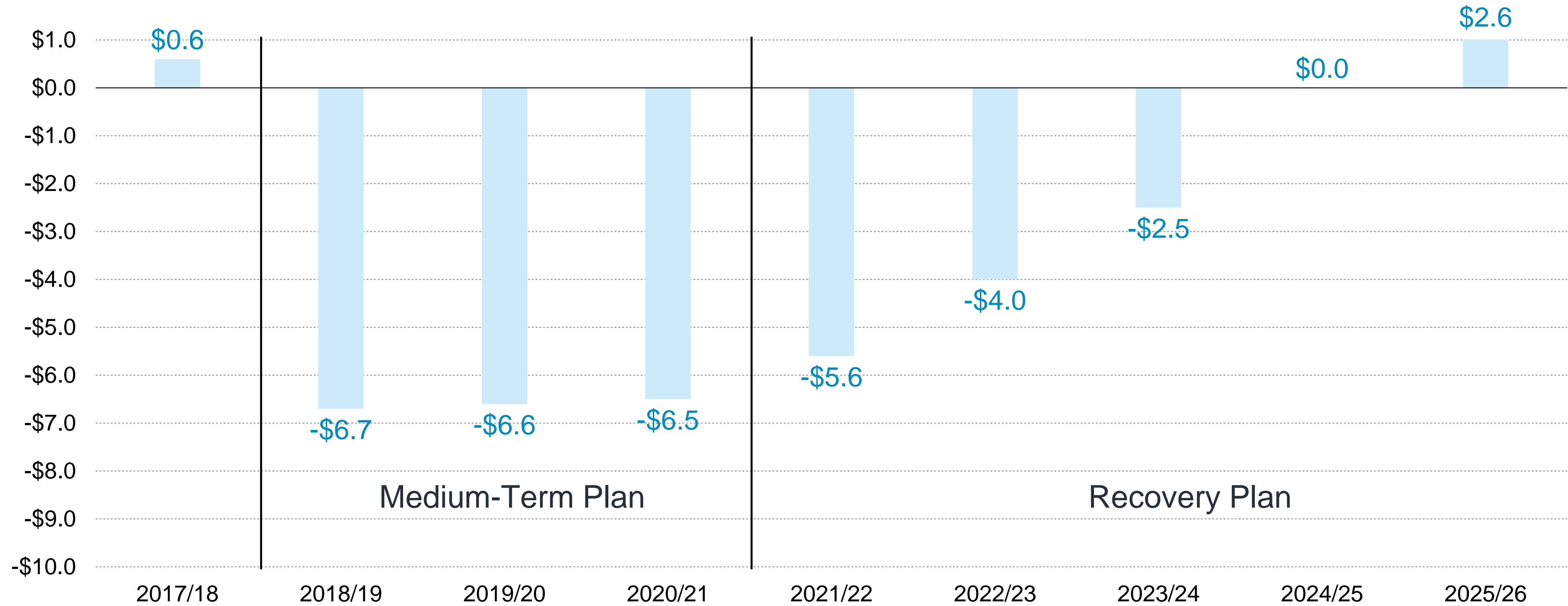
Ontario Net Provincial Government Debt to GDP



Source: 2018 Ontario Budget, Budget Papers, p. 240  
2018/19 onwards are projected figures

# Ontario Provincial Government Fiscal Plan

Expected Deficit (\$Billions) According to the New Recovery Plan



Source: 2018 Ontario Budget, Budget Papers, p. 172

# 2018 Budget – Summary for Physicians

- Budget releases rarely refer directly to physician compensation; in this budget, physicians were rarely mentioned which may also be due to the arbitration process currently in place between the Ontario Medical Association and the Ministry of Health and Long-Term Care.
- The government announced large investments in health care which is likely to have a significant impact on physicians including more funding for patients to have better access to certain medical and surgical procedures in hospital and additional funds being made available to help recruit professionals for primary care teams.
- The government has embarked on a new era of projected deficits despite promising a series of balanced budgets in the 2017 Budget. This policy change looks to increase overall health expenditure in the next three years from 2018/19 to 2020/21 but then implement a so-called “Recovery Plan” from 2021/22 to 2025/26. This Recovery Plan era is of some concern as it looks quite similar to the 2009/10 to 2016/17 period where the government announced a return to a balanced budget by 2017/18 and physicians were subject to decreases in physician fees in the latter part of that period.
- The Ontario economy is doing well and its economic outlook is good which reflects on the government’s ability to pay for additional funding to programs. However, in order to facilitate this extra expenditure, the government has actively chosen to run a new series of deficits rather than reduce an outstanding debt of over \$325 billion. The fact that this change in spending policy is being made shortly before a provincial election could reflect spending choices that are politically motivated.
- The 2018 Ontario Budget proposed that the Ontario government will introduce tax measures that will parallel the Federal government’s proposals on taxing income splitting and passive income for private corporations. Although disappointing, it is common practice for the province to mirror federal changes to ensure consistency in tax rules. Previous OMA analysis of the Federal government changes assumed that Ontario would follow the Federal government with these changes.