

## SPECIAL REPORT - BUDGET 2018

# Finance Minister Carole James sets course to abolish MSP premiums

In place for much of the last 70 years, B.C.'s health-care premiums soon will become a relic of the past.

The much criticized premiums, first introduced in 1948, are set to disappear as of January 1, 2020.

Denunciation of the medical premiums has intensified in recent years as the levy became an increasingly important source of provincial revenue. B.C., moreover, was the sole hold-out amongst Canada's provinces to retain the impost.

In 2000/01 – the last full-fiscal year before the province's New Democratic Party government was replaced by Gordon Campbell's BC Liberals – premium revenues totaled \$894 million. That was equal to 3.0 per cent of Victoria's total GAAP revenues.

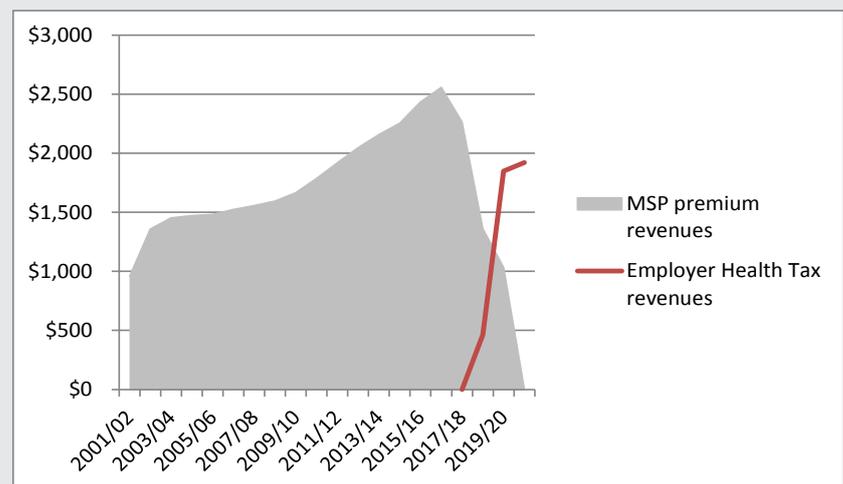
By the end of 2010/11 – as Christy Clark succeeded Campbell as Premier – they generated a total of nearly \$1.8 billion, which was 4.4 per cent of the government's total receipts.

Premium revenues peaked in 2016/17 at almost \$2.6 billion – an even 5.0 per cent of total GAAP revenues – and public disapproval seemed to reach a crescendo.

In January 2015, Andrew Weaver, then the province's sole Green MLA, called for abolition of B.C.'s health premiums, saying they were in fact a hidden tax.

"Let's be realistic, it is a tax," he declared. "It's a means and ways of

**As MSP premium revenues disappear, a new employers' levy to be introduced (\$ millions)**



SOURCE - .Budget and Fiscal Plan, 2018/19 - 2020/21

hiding a tax increase as you increase MSP premiums."

Given the premiums' regressive nature – wealthy and high-earning individuals and families paid the same levy as British Columbians with relatively fewer assets and much lower incomes – Weaver further declared that the health-care premiums "was robbing the poor to give to the rich."

In February 2017 – mere months before B.C.'s 41<sup>st</sup> general election– BC Liberal Finance minister Mike de Jong declared his government's "intention" to abolish health-care premiums, but few specifics were offered.

Beginning on January 1, 2018, he said,

premiums were to be cut by 50 per cent for households with net incomes below \$120,000 per annum, a measure expected to reduce the province's total GAAP revenues by \$211 million in fiscal 2017/18, and \$845 million in 2018/19.

But de Jong's Budget and Fiscal Plan also was careful to state that the "timing and structure" of complete abolition "will be influenced by [B.C.'s] fiscal capacity."

In other words, voters were promised that health premiums would disappear, someday, but exactly when was anybody's guess.

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On Tuesday, NDP Finance minister Carole James – who succeeded de Jong in the aftermath of the May 2017 general election – set the date-certain for B.C.’s health-care premiums’ demise at January 1, 2020.

In 1937, British Columbians were asked to participate in a health-insurance plebiscite held concurrently with the province’s 19<sup>th</sup> general election. A year earlier, the Liberal government led by Premier Duff Pattullo had passed the *Health Insurance Act*, but physicians were so opposed that the legislation was suspended.

A majority – about 54.0 per cent – of voters were in favour of a government-run “comprehensive Health Insurance plan progressively applied” but Pattullo, notwithstanding his party’s re-election to government, left his own statute in limbo.

In 1948, a year after Saskatchewan had initiated its own Hospital Services Plan, B.C.’s Coalition government – composed of both Liberals and Conservatives – passed the *Hospital Insurance Service Act*.

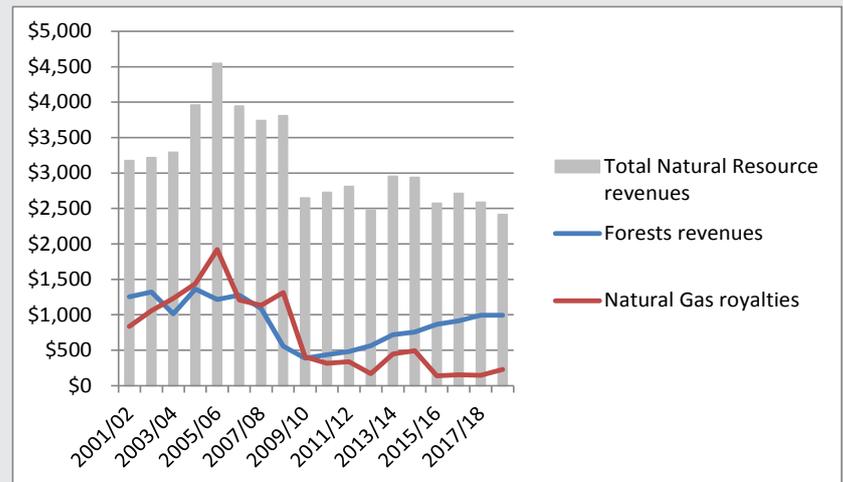
British Columbia’s hospital-insurance premiums, however, were not “progressively applied” as was called for in the 1937 plebiscite. Instead, the levy was more like a head-tax or poll-tax insofar as each adult British Columbian paid an identical rate.

Many residents refused to pay their premiums, however, and the hospital-insurance scheme soon was in severe financial difficulty. The plan’s soaring deficits became a major issue in B.C.’s 1952 general election, and led, in part, to the stunning upset victory by W.A.C. Bennett’s fledgling Social Credit party.

Bennett addressed the hospital insurance deficits by increasing B.C.’s sales tax, and in 1954 the hospital insurance premiums were abolished.

In 1965, Bennett’s Sacred government brought in a new B.C. Medical Plan, which offered public insurance for services provided by physicians. The province also shared premium costs with low-income residents not covered by private medical-insurance.

## Forests and Natural Gas receipts have plunged over last decade (\$ millions)



SOURCE - .Budget and Fiscal Plan, 2018/19 - 2020/21

Three years later, following Ottawa’s introduction of Medicare, B.C. launched its own public health-insurance program called the Medical Services Plan. Under the MSP, British Columbians once again were obliged by law to pay health-care premiums.

To make up at least part of the lost revenues – which peaked at nearly \$2.6 billion in 2016/17 – James also unveiled a new Employers Health Tax. The levy is forecast to generate \$463 million in 2018/19, and then \$1.850 billion and \$1.922 billion in 2019/20 and 2020/21 respectively.

In recent years it has become increasingly evident that Taxation revenues are essential to balancing the B.C. Budget.

That’s largely because other, non-tax sources of income – notably Natural Resources, Crown corporations and Federal transfers – have declined as a share of Victoria’s annual receipts.

In 2002/03, taxes represented 45.1 per cent of total GAAP revenues. By 2016/17 that number had climbed to 52.7 per cent, and in James’ first Budget, for 2018/19, tax receipts hit 56.5 per cent of total income. 

## As provincial revenues climb inexorably, Natural Resource income diminishes (\$ millions)



SOURCE - .Budget and Fiscal Plan, 2018/19 - 2020/21