



HST Mitigation - Health Care Services

Background

The new Harmonized Sales Tax (HST) will have a direct negative impact on the residential and home support sectors in BC. We had originally projected that the annual tax increase would be more than \$10.5 million.

Since those original projections it has been confirmed that non-profit providers will receive a 57% rebate on the sales tax component of the HST. Similarly the cost of hydro has been exempted and will also apply to residential care facilities.

The total cost of \$10.5 M will therefore be reduced for many providers but the negative tax implications are still significant, in particular for private facilities and for both private and non-profit providers that have contracted out services.

Fairness - Equity - Impact

Under the proposed HST non-profit and health authority operated facilities will receive a rebate. However, privately owned facilities have no commitment at this time and are expected to deliver the same standard and quality of service even though they may be subject to over \$200,000 in annual HST costs.

We have projected that 20% of the residential care beds have in fact contracted out housekeeping, dietary, maintenance and care services and will now be subject to over \$200,000 HST tax per 100 bed facility for a cost of \$6.8 M.

The only alternative for such sites is to reduce staffing by 4-5 positions and a corresponding negative impact on quality and services.

On an equity basis it is not reasonable that over 1/3 of the health care providers be subject to a tax increase without comparable off-setting mitigation rebates that Health Authorities and non-profit providers receive.

Mitigation

The Minister of Finance has confirmed that he is prepared to support mitigation for the government funded private health care sector. Because of the restrictions on the provincial government in terms of handling rebates, the only alternative that we believe is viable is a direct offsetting grant for the additional HST costs incurred.

We believe that the amount of the grant should be for the full increased HST tax cost incurred.

We would recommend that the off-setting grant for contracted services should at a minimum be at 83% (MUSH rebate level) in order to continue to encourage this cost effective delivery model. If contracting out is not financially viable the overall costs to government and the system will in fact increase.

Even with an 83% rebate the Ministry of Finance will be receiving increased tax revenue (17%) from health care providers.

We had also explored income tax credits as an alternative to off- setting grants but because of the varying tax positions of providers it would not be a fair or appropriate vehicle and overly complicated.

Federal Advocacy Initiative

BC Care Providers in concert with other provincial health Association's across Canada (Canadian Alliance for Long Term Care) has initiated a federal lobby to modify the Excise Tax Act and apply the MUSH (83%) rebate level to all publicly funded care providers.

We will be requesting the provincial Government and Minister's support on this initiative. The new HST is an immediate issue for private providers in Ontario and BC and there are indications Manitoba will follow this direction soon.

If successful, achieving 83% rebate for the entire sector would be beneficial for all private and non-profit providers and would also provide a net savings to the provincial government over the longer term.

Recommendations

- *Offsetting grants should be calculated and allocated through the Ministry of Finance. Alternatively, BC Care Providers Association could administer on behalf of the government. Grants should not be administered through the Health Authority process.*
- *Grants should be committed for a two year duration to recognize the Federal/Provincial HST agreement not to expand the rebate schedule.*
- *Grant calculation needs to be based on a simple formula - percentage of PST paid.*
- *Grant should apply to all government funded care providers.*
- *A commitment should be made to introduce HST rebate for care providers after two years if Canada does not agree to provide MUSH protection.*