



**HEALTH SCIENCES ASSOCIATION**  
**The union delivering modern health care**

## **Submission to the MSP Task Force**

*A fair path to eliminating MSP premiums and replacing revenue*

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Health Sciences Association of BC  
180 East Columbia Street  
New Westminster, BC V3L 0G7  
[www.hsabc.org](http://www.hsabc.org)

The Health Sciences Association of BC (HSA) appreciates the opportunity to submit its recommendations to the MSP Task Force.

HSA is a union that represents more than 18,000 health science and social service professionals who deliver specialized services at over 250 hospitals and agencies in acute and long-term care, child development centres and community health and social service organizations. HSA is a member of the National Union of Public and General Employees, the BC Federation of Labour and the BC Health Coalition. HSA has an ongoing commitment to strengthening the public health care services that all British Columbians rely on and reducing income and health inequalities through evidence-based tax and fiscal policies.

Over the last decade and a half, regressive MSP premiums became a growing source of revenue for the previous provincial government despite a history of tax cuts for corporations and the wealthy. MSP premiums are a regressive tax: they take up a larger share of income for low- and modest-income working families than wealthier households.

In 2001, the provincial government pursued massive cuts to personal and corporate income taxes of 25 per cent and 3 per cent, respectively. In total, between 2001 and 2010, provincial tax cuts amounted to \$3.4 billion in lost revenue.<sup>1</sup> Analysis conducted by Alex Hemingway and Iglia Ivanova of the Canadian Centre for Policy Alternatives (CCPA-BC) concluded that

... tax changes since 2000 have disproportionately benefited the richest British Columbians, who have saved more both in dollar terms and as a share of their income. Households with income over \$400,000—the richest one percent—won big with a tax cut of \$39,000 per year on average (or 4.3 per cent of their income), compared to what they would have paid with 2000 effective tax rates.<sup>2</sup>

In addition to pursuing privatization and cuts to public health care services and the civil service,<sup>3</sup> the previous provincial government came to rely on MSP fees to address the fiscal revenue gap that it created over 16 years. Between 2001 and 2016, MSP rates more than doubled, increasing from \$432 to \$900 per year for individuals and \$846 to \$1,800 for families of three or more. By 2016, the province collected nearly as much from MSP as it did from corporate income taxes.<sup>4</sup>

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<sup>1</sup> M. Lee, I. Ivanova and S. Klein (2011), [BC's Regressive Tax Shift: A Decade of Diminishing Tax Fairness, 2000 to 2010](#), Canadian Centre for Policy Alternatives—BC Office.

<sup>2</sup> A. Hemingway and I. Ivanova (2017, February 16), [Tax fairness in BC? Hardly](#), Policy Note.

<sup>3</sup> M. Cohen, J. Murphy, K. Nutland and A. Ostry (2005), [Continuing Care Renewal or Retreat? BC Residential and Home Health Care Restructuring, 2001–2004](#). Canadian Centre for Policy Alternatives—BC Office; S. McBride and K. McNutt (2007), Devolution and neoliberalism in the Canadian welfare state: ideology, national and international conditioning frameworks and policy change in British Columbia, *Global Social Policy* 7(2), 177-201; I. Ivanova (2013), [Reality Check on the Size of BC's Public Sector](#), Canadian Centre for Policy Alternatives—BC Office.

<sup>4</sup> I. Ivanova (2016, July 6), [BC should eliminate the MSP. Here are two better options](#), Policy Note, Canadian Centre for Policy Alternatives—BC Office; I. Ivanova (2016, September 9), [BC move to eliminate medical service premiums would be fair, not complicated](#), *Vancouver Sun*.

### A fair and progressive path forward: HSA's recommendations

BC should follow Ontario's lead by rolling MSP premiums into personal income taxes and business taxes. When Ontario ended health care premiums in 1990, it introduced small increases to personal income taxes (which replaced two-thirds of the lost revenues) and introduced a payroll tax of up to 1.95 per cent on total wages, salaries and other compensation paid by the business (with lower rates for smaller business) which covered the remaining one-third of lost revenue.

Income taxes represent the most progressive personal tax available for government to use in funding the public services we all collectively depend on, including public health care. By strengthening the progressive income tax system and ensuring that wealthier households pay their fair share, this will also help reduce widening income inequalities in BC.

A large body of evidence indicates that reducing income inequalities can reduce health disparities between lower-income and higher-income groups. In fact, more equal societies tend to have better population health outcomes.<sup>5</sup> There is another benefit: eliminating health inequalities that result from poverty and income inequality and improving population health outcomes can result in significant cost savings to the provincial treasury, freeing up resources that can be used, for example, to expand access to public mental health and addiction services.<sup>6</sup>

Replacing MSP premiums with fair, progressive tax measures will not entirely eliminate income and health inequalities. However, if implemented smartly, it will lead to better population health outcomes by reducing income and health inequalities in our province.

Specifically, the Health Sciences Association recommends the following:

- The BC government should replace the foregone MSP revenue with a combination of personal and business taxes based on the Ontario approach and modelling conducted by the Canadian Centre for Policy Alternatives (CCPA-BC).<sup>7</sup> The share paid by individuals and employers should be based on the proportion that they currently pay. CCPA-BC Senior Economist Iglia Ivanova's modelling proposes that 60 per cent of the MSP revenue be paid through personal income tax and the remaining 40 per cent be paid through business taxes (the same share that businesses already pay but spread more fairly across employers). The tax could be structured similar to the Ontario Employer Health Tax, as a payroll tax, and the rate would depend on how it is designed; however, it would need to raise more than \$1.1 billion based on 2017 figures. For employers, it would create greater fairness since not all employers cover their employees MSP premiums – but all employers benefit from a publicly funded health care system where all workers have access to health care services.<sup>8</sup> Furthermore, the net savings would be greater for BC families if the MSP revenue is replaced with a combination of personal and business taxes.

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<sup>5</sup> R. Wilkinson and K. Pickett (2009), *The Spirit Level: Why More Equal Societies Almost Always Do Better*, London: Penguin; K. Pickett and R. Wilkinson (2015), Income inequality and health: a casual review, *Social Science & Medicine* 128, 316-326.

<sup>6</sup> Health Officers Council of BC (2008), [Health Inequities in British Columbia: Discussion Paper](#). Eliminating public health care costs attributable to health inequalities are estimated to save the Province of BC up to 20 per cent of current public health care expenditures.

<sup>7</sup> Ivanova 2016, 5.

<sup>8</sup> D. Lindorff (2017, May 28), [American conservatives love to bash Canadian health care—but US corporations love it](#), *Salon*. The Kaiser Family Foundation found that US employers and employees are paying, on average, US\$18,142 for family health care

- The remaining 50 per cent of the MSP premiums should be eliminated entirely in Budget 2019/20, take effect as quickly as possible, and no later than January 1, 2020. (For reference, Ontario and Alberta ended health care premiums in one budget cycle.)
- There should be no overall loss of provincial revenue as a result of the end of MSP premiums in order to ensure that public services, including health care and social services, are not negatively affected.
- Under the four master collective agreements that cover HSA members, employers pay 100 per cent of MSP premiums, representing an important negotiated benefit to health care and social service professionals. The cost-savings to employers as a result of eliminating MSP premiums should be passed onto members working in the Health Science Professionals Bargaining Association, Community Social Services Bargaining Association, Nurses' Bargaining Association, and Health Services and Support Community Subsector Association. We recommend that the BC Public Sector Employers' Council direct employers to hold the savings in trust until an agreement is reached between employer and union bargaining associations on how to pass the savings onto members.

The Health Sciences Association of BC respectfully submits these recommendations to the MSP Task Force. We hope the MSP Task Force and the BC government will use this opportunity to replace MSP revenues in a progressive manner that will reduce income and health inequalities by increasing fairness in our tax system. We thank the Task Force for considering our recommendations.

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coverage (US\$12,865 for employers and US\$5,277 for workers) compared to just US\$6,435 in Canada (US\$5,306 for employers and US\$1,129 for workers).