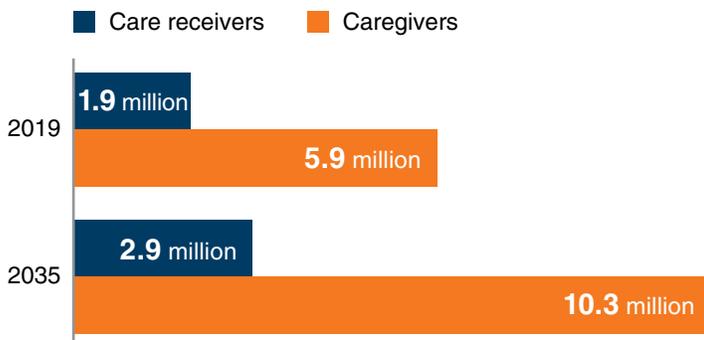




Measures to Better Support Seniors and Their Caregivers.



Seniors and their caregivers are a **large and growing segment** of the Canadian population.



This group faces **significant out-of-pocket expenses** to pay for home and long-term care—expenses that will grow as the population ages.



Affordability is expected to deteriorate. Private spending on seniors' care is projected to grow at **1.5 times** the pace of household disposable income between 2019 and 2035.

Some seniors and their caregivers have access to federal government non-refundable tax credits to help offset these costs. However, these credits have **three important drawbacks**:



Inequitable

Low- or no-income individuals receive **little to no support**.



Underutilized

Only **4.6%** of all caregivers receive money through federal tax credits.



Insufficient coverage

The credits will reimburse only **18%** of expenses in 2019, dropping to **16%** by 2035.

More effective mechanisms could better support Canadian seniors and their caregivers.

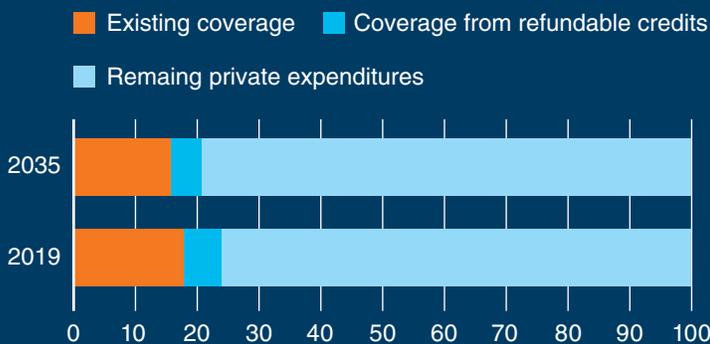
OPTION 1

Refundable Tax Credits

A **refundable** tax credit allows a tax bill to drop below zero. This is an equitable solution, as it **supports care receivers and caregivers who have little to no income.**

Refundable versions of the Disability Tax Credit, Medical Expense Tax Credit, and Canada Caregiver Credit could increase federal coverage of private expenditures to 24% (\$2.3 billion) in 2019 and 21% (\$4.9 billion) in 2035, a net increase of \$538 million and \$1.2 billion, respectively.

(per cent)



However, unless these programs are better advertised or made easier to claim, they could remain underutilized.

Option 1 also only addresses the first of the three drawbacks.

OPTION 2

A Seniors Care Benefit

A Seniors Care Benefit would be based on four principles:



Easy to claim
to boost utilization.



Income-tested
so it is most helpful to low- or no-income individuals.



Treat caregivers and care receivers as one unit so either could claim it.



Provides better financial support to improve affordability now and in the future.

If the federal government covered half of all out-of-pocket expenditures through this benefit, support would rise to \$4.8 billion in 2019 and to \$11.8 billion in 2035, a net increase of \$3.1 billion and \$6.9 billion, respectively.

The Issue: Caregivers Carry Many Responsibilities, Including Financial Ones

Caregivers for seniors are a key backbone of the Canadian health care system. In 2019, it is estimated that 5.9 million people in Canada will provide care for nearly 1.7 million people over the age of 65. Although people of all ages can require care, seniors will make up the majority of care receivers. Indeed, while only 6 per cent of the population between the ages of 15 and 64 receive care at home or at a health care or related facility, this share rises to 25 per cent for those aged 65 and over, and to nearly half for those aged 80 and over. Because health care demand is considerably higher among the older age cohorts, population aging will lead to dramatically higher demand for health care.

Providing care often comes with financial responsibilities, and caregivers frequently cover some of the health-related expenses of the person receiving care out of their own pockets. These added expenses can also coincide with the caregiver's withdrawal from the workforce in order to provide care. At the same time, there are also many instances where care receivers pay a portion of their own health care-related expenses out-of-pocket.

While provincial and territorial governments provide funding for home and long-term care, many care receivers and their caregivers face additional costs. Although governments are projected to spend \$25 billion in 2019 to fund home and long-term care for seniors, an additional \$9.6 billion will need to be covered privately, either out-of-pocket or through insurance—the equivalent of 28 per cent of total expenditures on these two categories.

Health care costs for caregivers and care receivers are expected to become increasingly unaffordable.

An Aging and Longer-Living Population Increases the Need to Better Support Caregivers

Canada has seen significant changes in the age structure of its population over the past two decades. Between 1996 and 2016, the age distribution of the population became increasingly skewed toward the older age cohorts. Accordingly, the share of the population aged 65 and over climbed from 11.8 per cent in 1996 to 16.9 per cent in 2017.

This trend of an aging and longer-living population is expected to continue over the long term. In 2019, it is estimated that 6.7 million Canadians will be aged 65 and over, which is equivalent to 17.7 per cent of the population. By 2035, The Conference Board of Canada projects that the number of Canadian seniors will grow to 10.3 million, accounting for 23.4 per cent of the population.

As the population ages and requires more care, health care costs will rise as well. Under the status quo, nominal provincial and federal government expenditures on home and long-term care are expected to reach \$53.5 billion by 2035. At the same time, privately covered expenditures on these two categories are projected to rise to \$23.5 billion—the equivalent of 30.1 per cent of total spending on home and long-term care. (See Exhibit 1.) In per capita terms, private expenditure per senior care receiver is expected to be at least \$5,800 in 2019. These per capita costs are projected to rise to at least \$8,000 by 2035.

Moreover, health care costs for caregivers and care receivers are expected to become increasingly unaffordable, since incomes will not keep pace with these rising costs. Between 2019 and 2035, privately covered expenditures on home and long-term care for seniors are projected to grow by an average of 5.8 per cent annually—nearly 1.5 times the pace of household disposable income growth. (See Chart 1.)

Exhibit 1 Seniors' Care Provided Through Out-of-Pocket Expenditures and Private Health Insurance Coverage

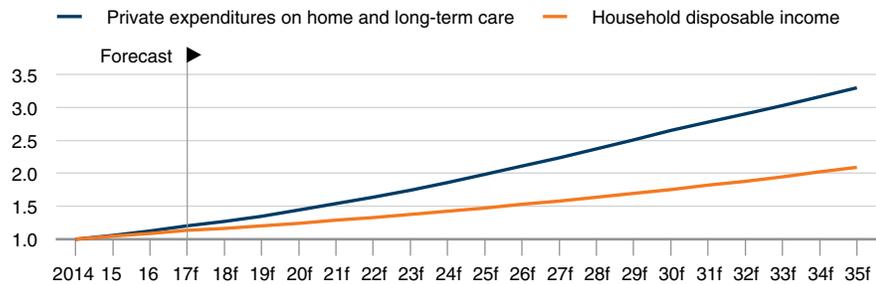
	2018	2035
 Home care for seniors	\$440 million	\$1.1 billion
 Long-term care	\$9.2 billion	\$22.4 billion
Total private cost of seniors care	\$9.6 billion	\$23.5 billion

Note: Using the OECD definition, the category 'home care for seniors' only comprises medical and paramedical services delivered to patients at home, including but not limited to obstetric services, dialysis, and telemetry services.

Sources: The Conference Board of Canada; Statistics Canada.

Chart 1 Household Income Growth Will Not Keep Pace With Increases in Privately Covered Home and Long-Term Care Expenditures for Seniors

(2014 = 1.0; 2014–35)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Existing Federal Government Measures to Support Seniors and Their Caregivers Are Insufficient

Currently, the federal government offers three key tax credits that can be claimed by care receivers and caregivers to reduce the amount of income tax they pay. The Disability Tax Credit (DTC) assists persons

with disabilities or their support persons. The Medical Expense Tax Credit (METC) helps Canadian seniors cover the costs of a range of medical expenses. Finally, the Canada Caregiver Credit (CCC) assists persons who have dependants with physical or mental impairments. While these credits can be claimed to cover the cost of care for people of all ages, the estimates shown below focus solely on how the credits support senior citizens. (See Table 1.) All told, these programs are anticipated to reimburse a total of nearly \$1.8 billion in 2019 to senior tax filers or their caregivers.

Table 1
Total Coverage of Private Seniors' Care Expenditures Through Federal Non-Refundable Tax Credits
 (\$ millions)

	2019	2035
Disability Tax Credit	561	1,180
Medical Expense Tax Credit	854	1,783
Canada Caregiver Credit	334	767
Total	1,749	3,730

Sources: Statistics Canada; The Conference Board of Canada.

However, these programs ultimately suffer from three important drawbacks:

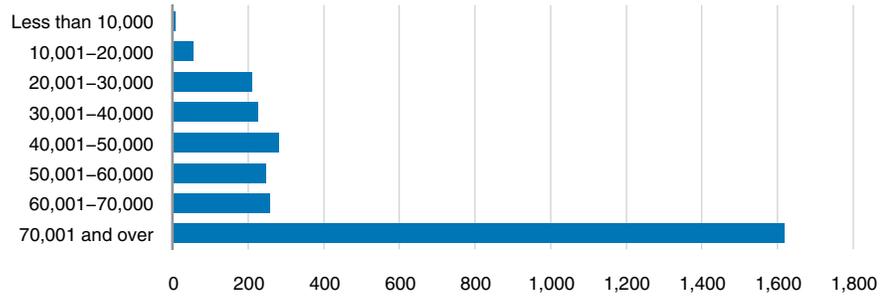
1. All three tax credits are non-refundable.

Effectively, that means they cannot reduce an individual's tax bill to below zero. This presents an equity issue: People with low or no income receive little to no federal government support through these programs. Middle-income earners also receive less than those earning high incomes. To make matters worse, low-income earners represent a significant proportion of both caregivers and care receivers. According to the 2012 General Social Survey—Caregiving and Care Receiving (GSS), about half of caregivers and close to a third of care receivers reported an annual income of less than \$20,000. Those earning \$70,000 and over received more than 55 per cent of the expenditures associated with the CCC, DTC, and METC in 2016, while those earning \$20,000 or less received a little over 2 per cent. (See Chart 2.)

Chart 2

Federal Non-Refundable Tax Credits Benefit the Highest Income Earners

(refund per tax filer from the Canada Caregiver Credit, Disability Tax Credit, and Medical Expense Tax Credit, \$; tax filer's income, 2016)



Sources: Statistics Canada; The Conference Board of Canada.

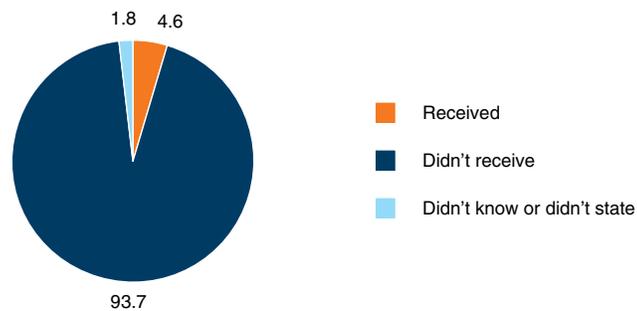
2. Tax credits for caregivers are vastly underutilized.

According to the 2012 GSS, only 4.6 per cent of all caregivers reported receiving money through federal tax credits. (See Chart 3.) Households with no income did not receive any money through these programs.

Chart 3

Caregivers Receiving Federal Tax Credits

(per cent)



Source: Statistics Canada, 2012 General Social Survey—Caregiving and Care Receiving.

Existing federal programs can be unfair to low-income earners, are underutilized, and provide insufficient coverage of private-care expenditures.

3. All three tax credits provide insufficient coverage of out-of-pocket expenses.

In 2019, the federal government is estimated to spend a little over \$1.7 billion on these tax credits for seniors, covering 18 per cent of total out-of-pocket spending on home and long-term care. By 2035, although government support through these credits is anticipated to rise to \$3.7 billion, overall coverage will drop to 16 per cent of private home and long-term care expenditures.

How Can We Better Support Seniors and Their Caregivers?

Care receivers and caregivers could use more help. Caregivers, in particular, would benefit from more avenues of support from the federal government, because they spend a lot of time providing financial, health, and emotional assistance to those closest to them.

An aging population, coupled with rising out-of-pocket expenditures on private care, will put increasing pressure on caregivers and care receivers. Existing federal programs can be unfair to low-income earners, are underutilized, and provide insufficient coverage of private-care expenditures. All these factors will make care increasingly unaffordable in the coming years.

An important priority should be to develop more effective mechanisms to properly support Canadian caregivers and care receivers.

Option 1: Refundable Tax Credits That Make Care More Affordable and Equitable

One option to provide further financial support to care receivers and caregivers, particularly those in lower income brackets, is to make each of the existing tax credits refundable. These refundable tax credits would reimburse persons up to 15 per cent of eligible expenditures. Unlike a non-refundable tax credit, a refundable tax credit allows an individual's

tax bill to drop below zero, thereby providing support to care receivers and caregivers with little to no income.

Table 2
How Much Would Refundable Tax Credits Increase Federal Government Coverage in 2019 and 2035?
 (\$ millions)

	Estimated amount claimed		Non-refundable (current system)		Refundable (proposed system)		Net increase in federal coverage	
	2019	2035	2019	2035	2019	2035	2019	2035
Disability Tax Credit	4,595	9,665	561	1,180	689	1,450	128	270
Medical Expense Tax Credit	7,487	15,635	854	1,783	1,123	2,345	269	562
Canada Caregiver Credit	3,170	7,538	335	797	475	1,131	140	333
Total	15,252	32,839	1,750	3,761	2,288	4,926	538	1,165

Sources: Statistics Canada; The Conference Board of Canada.

Assuming no change in tax filer behaviour and maximum reimbursement, the conversion of all three tax credits from non-refundable to refundable would boost the federal government’s support to seniors and their caregivers by an estimated \$538 million in 2019. (See Table 2.) Much of this increased support would go to lower-income taxpayers.

Refundable versions of the Disability, Medical Expense, and Canada Caregiver credits would cover care expenses for people of all ages, but would be particularly beneficial to seniors. In total, the three programs could reimburse up to \$2.3 billion of \$9.6 billion (or 24 per cent) of long-term and home care expenditures on seniors paid by individuals both out-of-pocket and through private insurance in 2019. This is up from the estimated \$1.75 billion reimbursed through the current, non-refundable versions of the tax credits. Still, the proportion of reimbursement is expected to fall to 21 per cent by 2035.

Unfortunately, some issues surrounding the original non-refundable tax credits are likely to persist under a new refundable system. Unless these programs are better advertised or made easier to claim, they will likely remain underutilized. As a result, care will become increasingly unaffordable, as care receivers and caregivers will be left to personally cover the remaining \$7.3 billion in health care expenditures for 2019. By 2035, this remaining balance is anticipated to rise to \$18.6 billion.

Option 2: A Seniors Care Benefit

Therefore, we propose another option: a seniors' care benefit. (A benefit is a program in which the government gives money to people for a specific financial need. An example is the Canada Child Benefit.) While this benefit could be implemented alongside converting the DTC, METC, and CCC from non-refundable to refundable, we assume in the scenarios presented below that it exists alongside the existing non-refundable tax credits. Although this benefit would not cover all Canadians that need care, it would target persons aged 65 and over who will be the largest demographic in need of greater medical attention and thus financial support.

We propose that a new seniors' care benefit follow four key principles:

1. easy to claim, to boost its utilization;
2. income-tested, so that it is most helpful to low- or no-income individuals;
3. treat caregivers and care receivers as one unit, so that either the caregiver or the care receiver could claim the benefit, but not both;
4. adequate to provide sufficient financial support to both caregivers and care receivers.

Table 3 below describes three scenarios in which the federal government administers a seniors care benefit to help cover private expenditures on home and long-term care. These scenarios present the additional funding required for the federal government to cover 40 per cent, 50 per cent, or 60 per cent of total private seniors' care expenditures. By calculating three levels of coverage, we provide an estimate of how much it could cost the federal government to improve support to caregivers and care receivers through a benefit.

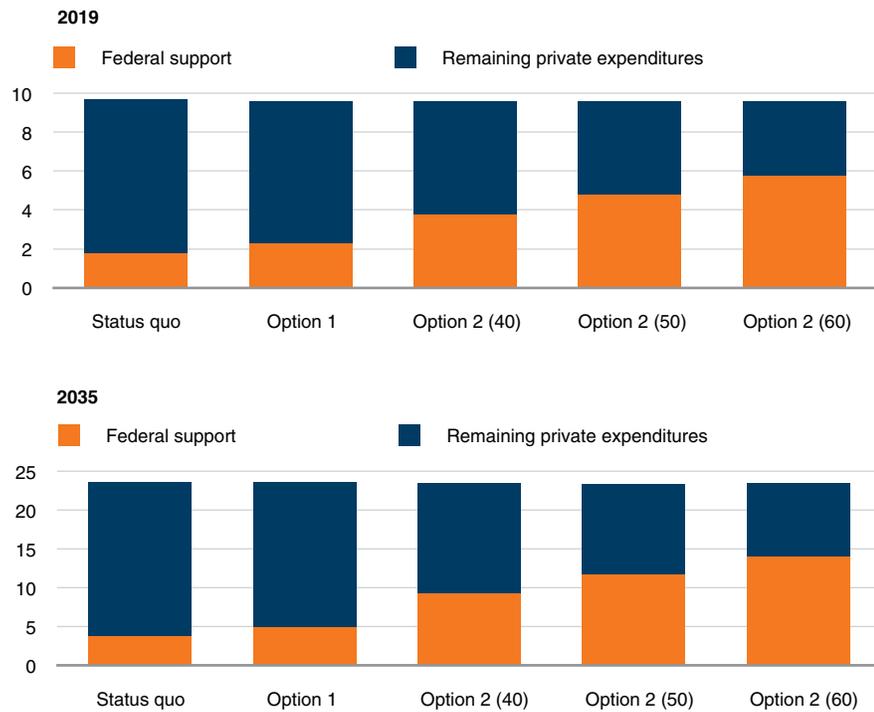
Chart 4 presents an overview of federal government coverage and remaining private expenditures on home and long-term care for seniors under the status quo, under option 1, and under option 2 in both 2019 and 2035.

Table 3
Cost of Federal Coverage of Private Seniors' Care Expenditures by Percentage Share of Coverage
 (\$ millions)

	40 per cent		50 per cent		60 per cent	
	2019	2035	2019	2035	2019	2035
Total private expenditure	9,620	23,499	9,620	23,499	9,620	23,499
Federal coverage through non-refundable tax credits	1,750	3,761	1,750	3,761	1,750	3,761
Federal coverage through new benefit	2,098	5,639	3,060	7,989	4,022	10,339
Total federal coverage	3,848	9,400	4,810	11,750	5,772	14,100
Remaining private expenditure	5,772	14,100	4,810	11,750	3,848	9,400

Sources: Statistics Canada; The Conference Board of Canada.

Chart 4
Federal Government Support for Seniors' Care Receivers and Their Caregivers in 2019 and 2035
 (status quo and solutions, \$ billions)



Source: The Conference Board of Canada.

While the federal government offers tax credits that can be utilized to support care receivers and caregivers, they do not meet current needs.

Summary

Caregivers provide essential support, including financial support, to seniors in need of care. Although the provincial and federal governments cover the majority of costs associated with home and long-term care, The Conference Board of Canada estimates that caregivers and care receivers will still have to pay the remaining \$9.6 billion out of their own pockets or through private insurance coverage in 2019—28 per cent of total public and private expenditures in these two categories. As Canada's population ages and lives longer, these costs will continue to climb. By 2035, privately covered expenditures are projected to grow to \$23.5 billion and make up 30 per cent of total expenditures on home and long-term care. Indeed, care is anticipated to become increasingly unaffordable, with private-care expenditures expected to grow at more than 1.5 times the pace of household disposable income growth.

While the federal government offers three tax credits—the Disability Tax Credit, the Medical Expense Tax Credit, and the Canada Caregiver Credit—that can be utilized to support care receivers and caregivers, they do not meet current needs. Indeed, they suffer from three important drawbacks. First, they are non-refundable, so people with low or no income receive little to no federal government support. Second, tax credits for caregivers are vastly underutilized, with less than 5 per cent of all Canadian caregivers receiving federal tax credits in 2012. Finally, by reimbursing only an estimated 18 per cent of total out-of-pocket expenditures in 2019, they provide insufficient coverage of private spending. With private expenditures expected to strongly outpace income, caregivers and care receivers would benefit from better federal support.

We propose two options to improve federal support mechanisms for care receivers and caregivers. One option is to make each tax credit refundable. This option would make care more affordable and equitable for all, as refundable tax credits allow an individual's tax bill to drop below zero, therefore providing support to care receivers and caregivers with little to no income. Although federal coverage of seniors' care expenses would rise, these programs would likely remain underutilized unless they are better promoted or made easier to claim. As a result, care will continue to become increasingly unaffordable.

The second option is a seniors' care benefit. This option would be easy to claim, income-tested, treat caregivers and care receivers as one unit, and provide adequate support to senior caregivers and care receivers alike. If the federal government covered 50 per cent of all out-of-pocket seniors' care expenditures, it would increase total federal reimbursement of private-care expenditures to \$11.8 billion by 2035—a net increase of \$6.9 billion over the status quo.

As Canada's population ages, care receivers and caregivers facing out-of-pocket seniors' care expenses would benefit from more support. While the federal and provincial governments already cover the majority of health care costs, further federal coverage of private seniors' care expenditures would go a long way toward improving the lives of both care receivers and caregivers, particularly in low- and middle-income brackets. (See Table 4; the methodology for this table is available upon request.)

Table 4
Summary Table

	2019	2035
Population of Canada	37,713,627	43,921,696
Number of care receivers 65 and over	1,668,400	2,931,005
Number of caregivers	5,835,774	9,900,428
Total private expenditures (\$ millions)	9,620	23,499
Total private expenditures per care receiver (\$)	5,766	8,018
Federal coverage (\$ millions)		
Status quo: non-refundable tax credits	1,749	3,730
<i>Disability Tax Credit</i>	561	1,180
<i>Medical Expense Tax Credit</i>	854	1,783
<i>Canada Caregiver Credit</i>	334	767
Option 1: refundable tax credits	2,286	4,883
<i>Disability Tax Credit</i>	689	1,450
<i>Medical Expense Tax Credit</i>	1,123	2,345
<i>Canada Caregiver Credit</i>	473	1,088
Option 2: non-refundable tax credits and seniors' care benefit with 50% coverage	4,810	11,750

(continued ...)

Table 4 (cont'd)

Total Coverage of Private Seniors' Care Expenditures Through Federal Non-Refundable Tax Credits

(\$ millions)

	2019	2035
Federal coverage per care receiver (\$)		
Status quo: non-refundable tax credits	1,048	1,273
Option 1: refundable tax credits	1,370	1,666
Option 2: non-refundable tax credits and seniors' care benefit with 50% coverage	2,883	4,009
Increase in federal coverage from status quo (\$ millions)		
Option 1: refundable tax credits	537	1,153
<i>Disability Tax Credit</i>	128	270
<i>Medical Expense Tax Credit</i>	269	562
<i>Canada Caregiver Credit</i>	140	321
Option 2: non-refundable tax credits and seniors' care benefit with 50% coverage	3,061	6,867
Increase in federal coverage from status quo per care receiver (\$)		
Option 1: refundable tax credits	322	393
<i>Disability Tax Credit</i>	77	92
<i>Medical Expense Tax Credit</i>	161	192
<i>Canada Caregiver Credit</i>	84	109
Option 2: non-refundable tax credits and seniors' care benefit with 50% coverage	1,835	2,343
Remaining private expenditure (\$ millions)		
Status quo: non-refundable tax credits	7,871	19,769
Option 1: refundable tax credits	7,334	18,616
Option 2: non-refundable tax credits and seniors' care benefit with 50% coverage	4,810	11,750
Remaining private expenditure per care receiver (\$)		
Status quo: non-refundable tax credits	4,718	6,745
Option 1: refundable tax credits	4,396	6,351
Option 2: non-refundable tax credits and seniors' care benefit with 50% coverage	2,883	4,009
Share of total private expenditures covered by federal government (per cent)		
Status quo: non-refundable tax credits	18.2	15.9
Option 1: refundable tax credits	23.8	20.8
Option 2: non-refundable tax credits and seniors' care benefit with 50% coverage	50.0	50.0

Sources: The Conference Board of Canada; Statistics Canada.

Acknowledgements

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