QP BRIEFING

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1). HEALTH CARE QUALITY AND ACCESS AT RISK, UNLESS PROVINCE FINDS SIGNIFICANT EFFICIENCIES OR INCREASES SPENDING: WATCHDOG

By: Jessica Smith Cross

Ontario's fiscal watchdog is warning the province must find significant efficiencies in the health care system, or significantly increase spending, or the quality of care will deteriorate.

The report from the Financial Accountability Office of Ontario comes just two weeks before the finance minister is scheduled to release his 2018 budget.

Minister Charles Sousa has said his budget will include a deficit of up to 1 per cent of the province's GDP, up to about $8 billion. Last year, the province "balanced" its books for the first time since the recession — but the balanced-budget claim is disputed by the opposition parties because the auditor general has challenged the province's accounting of pensions assets and borrowing related to the Fair Hydro Plan.

Sousa and Premier Kathleen Wynne have signalled there will be new health spending in the 2018 budget as they have emphasized health care, including mental health and pharmacare, in recent speeches.

But overall, the FAO found the province has been restraining health care spending — primarily in hospitals and physician compensation, the two areas of greatest spending — as its primary cost constraining measure as it sought to reach a balanced budget again for the first time since before the 2008-09 recession.

The FAO's report found that from 2005-06 to 2011-12, the province had been increasing health funding by 5.9 per cent a year, but then reined in spending increases between 2011-12 and 2015-16 to an average of 2.4 per cent a year in order to move toward a balanced budget.

However, the health care system faces "core cost drivers" every year. Inflation and the demands of a growing and aging population put pressure on health spending, which equals about 4.3 per cent in the coming years. Those core cost drivers mean, according to the watchdog, that the province has to increase spending by that much to keep pace, or find efficiencies and temporary cost constraining measures, or the quality of care and access to care will deteriorate.

"Since 2012, health-sector spending has not kept pace with the funding pressure from inflation and Ontario's growing and aging population, what the FAO calls the core cost drivers for health care," said FAO chief financial analyst Jeffrey Novak. "The province slowed the growth of spending through a combination of temporary and permanent measures, including a four-year freeze in base operating funding for hospitals, increasing hospital efficiency, and restraining wage growth in the health sector."

Ontario has relied on temporary measures, such as deferred maintenance and restraining wage growth, both of which tend to require additional spending down the road, according to the FAO. Meanwhile, some efficiencies have been found, particularly in the hospital sector, the watchdog observed.

The province restrained wage growth in particular from 2012 to 2016, limiting it to 1.4 per cent a year while wages in all industries climbed 1.9 per cent. The province is preparing to enter binding arbitration with doctors, who are seeking a major award that would compensate them for the years of restraint and cuts.

The FAO looked, in particular, at the first big health care spending increase in the past five years — a $6.9-billion increase in the 2017 budget, which Sousa had referred to as a major "booster shot" for the health care system.

However, the FAO found that only $4.2 billion was on existing programs and thus worked toward relieving the pressures on the health care system that have built up in recent years, while $1.2 billion was a non-cash expense attributed to the accounting of the Healthcare of Ontario Pension Plan and $1.5 billion was on new programs, OHIP+ in particular.

For those reasons, the health spending increase of 2017-18, and the planned increase for 2018-19, outlined in the government's fiscal plans is not enough to cover the pressure of the core cost drivers, according to the FAO.

To that end, the government has already committed to spending an additional $187 million in 2018-19, to make more hospital beds available — about a third of 1 per cent of the overall health budget. It remains to be seen what other health investments the government will choose to make in the budget.

The FAO has previously warned that the province is facing a fiscal crunch in the long term, driven primarily by increasing funding pressure in health care due to the aging population, which would fall on the shoulders of a younger generation, unless the province began improving its fiscal position in the near term.

"The pressure you're going to see in the health care system is only going to get more challenging in the years to come," said Novak. "The conclusion of the long-term budget outlook report was that the province needed to take measures now to avoid serious consequences in the future due to demographic shifts, largely the aging of population. To the extent — big picture — that that is not being addressed now, it will only get more difficult in the future."

Health Minister Helena Jaczek released a statement in response to the FAO report, saying the government is planning to run a deficit in order to spend more on health care.

"We recognize that our growing and aging population is increasing the demands faced by our health care system," she said. "We need to be responsive to families that have struggled with access to care by putting patients first, and we know there's more to do. That is why we are making a deliberate choice to run a deficit, so that we can invest more in health care — hospitals, home care, mental health and long term care — across the province."

She also said Ontario's health care system is "something to be incredibly proud of," lauding the jobs done by health-sector workers, and touting progress on wait time and good health outcomes in Ontario.

"Through the biggest expansion of medicare in a generation, we've taken the first step towards universal pharmacare through OHIP+, providing four million children and youth with access to over 4,400 prescription drugs at no cost," she said.

2). In Brief: Belgian blue bloods, Ford 'all tip and no iceberg,' and the minimum wage

By: Christopher Reynolds

The King and Queen of Belgium swept into Queen's Park Wednesday as part of the first visit to Canada by a Belgian royal couple in more than 40 years.

Lt.-Gov. Elizabeth Dowdeswell greeted the heads of state in her suite, surrounded by state officials, a gaggle of media and portraits of viceroys past.

After their chat shortly before noon, King Philippe and Queen Mathilde shook hands with Premier Kathleen Wynne — no bows or curtsies — for a photo-op down the hall.

The duo wore smiles, despite a perceived diplomatic snub by Prime Minister Justin Trudeau for not meeting with them Tuesday in Ottawa, as his father did with King Philippe's uncle King Baudouin in 1977.

Raoul Delcorde @RaoulDelcorde
Le Roi Baudouin et la Reine Fabiola sont venus en Visite d'Etat au Canada en septembre 1977 et ont planté un arbre dans le parc de Rideau Hall. Le 12 mars les souverains belges @MonarchieBe planteront un arbre à leur tour à l'invitation @GGJuliePayette
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A second wrinkle appeared at a tree-planting ceremony at Ottawa's Rideau Hall Monday when a German flag — virtually identical to the Belgian flag, but with horizontal stripes, not vertical — was placed on a tree planted by Belgian Queen Fabiola in 1977.

Both Canadian and Belgian monarchies have had their tensions with cultural communities, with calls to sever ties with Buckingham Palace coming part and parcel with secessionist sentiment in Quebec, and the Flemish separatist movement picking up steam over the past two decades (though the Belgian monarchy is often seen as a bridge between communities, not a wall).

Bilateral trade numbered above $6 billion last year, according to Global Affairs Canada, with stronger commercial ties between the two nations expected following ratification of the Canada-E.U. free trade deal.

Another pretense for the trip, which includes a delegation of 150 state officials, academics, business leaders and journalists, is the bond forged during the First World War and the liberation of Belgium.

The president of the Ontario Public Service Employees Union (OPSEU) lashed out Wednesday against Doug Ford, slamming him for his conduct and policy positions during the new Progressive Conservative leader's media blitz this week.

"He's already acting like he's premier, but he is spouting off about privatizing the sale of alcohol and cannabis, without giving any thought to the consequences," said Warren (Smokey) Thomas in a release. "His superficial grasp of the issues proves he's all tip and no iceberg."

The union referenced Ford's combative interview with Robyn Bresnahan on CBC's Ottawa Morning, where the one-term Toronto city councillor floated the idea of a free-market cannabis retail system, as opposed to the retail monopoly now in the works by the Liberal government.

"If we can't trust corporations to sell bread responsibly, why should we trust them to sell alcohol and cannabis responsibly?" Thomas asked.

The Liquor Control Board of Ontario oversees the agency responsible for rolling out marijuana sales in Ontario, which will happen via the freshly branded Ontario Cannabis Store. The LCBO's roughly 8,000 unionized members are part of the 130,000-strong OPSEU.

Thomas didn't limit his shots to one target. "I thought the Liberals had cornered the market on arrogance, but this guy is off the charts," he said.

Wrapping up, Thomas seemed to equate majority political wins to corporate strangleholds. "Doug Ford says he doesn't like monopolies. But he's boasting he's going to win the biggest political majority in Ontario history. That would make him just as powerful as any corporate monopoly," he said.

Economist Sheila Block, from the left-leaning Canadian Centre for Policy Alternatives, is arguing against Progressive Conservative Leader Doug Ford's proposal to have low-income earners pay no tax, rather than raising the minimum wage to $15 an hour.

Block said in a blog post that minimum wage earners would be better off with a wage increase than a tax break, arguing that for the 34 per cent of Ontarians with incomes less than $30,000, who paid tax, their average provincial income tax bill is was only $485 in 2015, or 0.9 per cent of their total income.

Ford has come out against raising the minimum wage to $15 on Jan. 1, 2019, as planned by the Liberal government, arguing it is resulting in job losses.

Ford has said, however, his tax plan will result in minimum-wage earners taking home an extra $160 a month, but he has not yet outlined how he plans to implement the tax break.

3). *Queen's Park, Ottawa ink multi-billion infrastructure deal*

By: Christopher Reynolds

The province has signed off on a deal to match billions in federal infrastructure dollars over the next decade, with the money destined for public transit and green and community projects.

The agreement saw Queen's Park cede, after months of hesitation, to calls from the city of Toronto to pony up $4 billion for local transit projects in order to unlock nearly about $5 billion previously promised by Ottawa.

The deal, cemented at a bus garage in Mississauga Wednesday afternoon, saw Ontario Infrastructure Minister Bob Chiarelli and his federal counterpart Amarjeet Sohi embrace each other over the $11.8 billion in federal cash slated for a slew of projects across the province over the next decade.

Of those funds, $8.34 billion will be allotted to public transit. From that chunk of change, in turn, $4.89 billion is heading to coffers in Toronto, which can use it to pay for up to 40 per cent of the cost of new transit projects.

The $4.04 billion in transit dollars the province will funnel to city hall comes in addition to previous dollar pledges by Queen's Park for Toronto transit projects, like the one-stop Scarborough subway extension, an ongoing source of controversy that is supported by $1.99 billion in provincial funding, according to the 2017 TTC capital plan.

"Investing in infrastructure not only builds our communities, it creates well-paying jobs, promotes industry and grows our economy," Sohi said. "Whether its improved public transit or new recreational opportunities for our kids, our government knows infrastructure investments make a difference in the lives of Canadians."

Ontario committed to match Ottawa's overall $11.8 billion with $10 billion in provincial infrastructure funds. Another $8.2 billion will come from municipalities and other partners.

"Public infrastructure is the foundation upon which thriving, liveable communities are built," Chiarelli said. "I am pleased that Ontario and Canada are coming together to build public transit, green, and community, culture and recreation infrastructure."

Lynn Dollin, president of the Association of Municipalities of Ontario, highlighted the perks for cash-strapped municipalities.

"In order to ensure growing cities like Mississauga are able to break gridlock, get people moving, attract new investment, create jobs and improve our quality of life, we must work together to build the infrastructure our communities need to drive our economy forward," Dollin said.

More than $800 million in federal, provincial and city of Mississauga funds are now earmarked for infrastructure projects in that city over the next decade.

Many details of how the new money will be spread around have yet to be solidified, Chiarelli noted.

Federal money to be spent on the environmental front includes $219 million for Ottawa light rail transit and $384 million for Port Lands flood protection in Toronto.

Ottawa has also promised $336 million to improve access and quality for community projects in Ontario. Another $250 million will go to rural and northern projects in the province.

The announcement Wednesday is part of a 12-year, $180-billion federal plan by Infrastructure Canada, the first phase of which comprises nearly 3,500 projects.

4). Liberals put a smiling face on environmental policy, as Doug Ford threatens to cap taxes and trade Kalthleen Wynne

By: David Hains

Kathleen Wynne's morning media availability had all the trappings of a campaign event, and highlighted just how the government will package its environmental initiatives in contrast to the new PC leader.

At a kitchen table chat with a family in Toronto's west end, the premier and environment minister were given a tour of a home with a Honeywell smart thermostat and told about all the ways it helps the family save money, and told that the $100 rebate to purchase the device helped the family make the decision to introduce it to their home. Three children ran around the home too, because it is March Break. It also happened to be eldest child's 8th birthday, and so she opened a present (the book Dog Man by Jay Pilkey, if you must know), and had "Happy Birthday" sung to her by the premier. The premier and the mother also chatted about various government subsidies for investing in green appliances, as one does over coffee and scones.

The Rockwellian household painted by the Liberal team was meant to connect the abstract policies of the government's Climate Change Action Plan to a softer and human side. It's one thing to talk about the intricacies of cap-and-trade; it is another to present a family taking advantage of the program to invest in itself.

The scene was also a contrast to how PC Leader Doug Ford is speaking about climate change. Unlike the Liberals, Ford does not support any form of carbon pricing, and has repeatedly said he will stand up to the federal government on a carbon tax. This could leave open the possibility that the federal government will impose the tax anyway, and the provincial government won't get a say in how the money is spent.

Where the Liberals have described their myriad green governmental initiatives in soft, family-friendly terms, Ford chooses to pursue a more confrontational approach.

The PC Leader has taken to saying that the province needs to cap taxes and trade Kathleen Wynne, a slogan that became a crowd-pleaser in campaign speeches.

He has also mistakenly stated that in the cap-and-trade program is sending $469 million to California and Quebec.

In an interview with CBC's Ottawa Morning yesterday, he said: "For these credits, we send $469 million dollars over to California, 90 per cent of the population of Ontario doesn't know we're sending $469 million of their hard-earned tax dollars to California. We're sending some to Quebec as well. "

It is not clear whether the former city councillor is referring to the $466 million in a 2017 auditor-general's report, where she states that Ontario can expect less revenue over three years by joining forces with Quebec and California, or if this refers to the $471 million auction results from February. Regardless, Ontario is not sending $469 million to California and Quebec.

Ballard told QP Briefing that Ford needs to do his research.

"Mr. Ford needs to do some reading to understand what the cap-and-invest program is all about. It's not about taxpayer dollars," he said, using a frequent euphemism for cap-and-trade. Ballard explained that that open market means that investment flows in and out of the three jurisdictions depending on what their cap-and-trade needs are. But he stopped short of saying that Ford was lying, using the word "mistaken" instead.

"I'm very happy to send him the necessary reading if he wants to understand what cap-and-invest is all about," he said, mentioning that "two icons" of conservatism, Brian Mulroney and Ronald Reagan, implemented a similar system to decrease acid rain.

Ballard's arguments are unlikely to win over Ford.

The former Toronto mayoral candidate seems determined to up-end environmental policy that has been a top priority for the Liberal government over more than 10 years. The PC Leader told the Globe and Mail on Tuesday that on housing policy he supports building more single-family houses on "underused" land. That could collide with the longstanding Greenbelt policy, a signature achievement of the McGuinty-era Grits that is designed to limit suburban sprawl and encourage urban densification.

"I just don't like the government getting involved. I believe in the market dictating. The market, no matter whether it's the stock market or anything, it will always take care of itself − supply and demand," he told the Globe, explaining his stance.

Asked about Ford's preference for free market solutions to environmental problems, Ballard said it's a reason why the Tory should like cap-and-trade.

"If he's a free market guy then he should buy into cap-and-invest," said Ballard. "Because that's what it is. We're letting the marketplace determine the price of the carbon allowances. It's very much a free market system."

In the background, the premier greeted young children, trying to put a smile on the policy.