



OFFICE OF THE
SENIORS ADVOCATE
BRITISH COLUMBIA

The Office of the Seniors Advocate:
Poverty Reduction Submission

Submitted by:
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B.C. Poverty Reduction

Dear Poverty Reduction Strategy Team,

Please accept the Office of the Seniors Advocate's submission as part of the B.C. Poverty Reduction Strategy feedback and consultation process. Thank you for allowing my office to take part in this important process.

If there are any questions or the team wishes further elaboration on the issues raised, please do not hesitate to contact me directly.

Sincerely,

Isobel Mackenzie
Seniors Advocate
Province of British Columbia

Introduction

Reduction of poverty can be achieved by raising incomes, reducing costs or a combination of the two. The focus of this submission is on lowering the cost of the two biggest expenditures affecting seniors; health care and housing. If we can successfully lower the cost burdens of these necessary expenditures, we will not only reduce poverty in real terms, but the evidence suggests we will save money through reduced admissions to residential care facilities.

Currently, in B.C., 15 % of seniors are living in poverty, a 24% increase since 2005¹. The reasons for increased poverty, as measured by income, are many. Lower interest rates and stock market corrections have reduced the income available to seniors from registered income funds (RIFs), annuities and overall investments. In addition, the workforce has been moving away from the type of employment that offers a defined benefit pension plan upon retirement leaving newer retirees more dependent on their savings to fund retirement.

Addressing poverty amongst seniors is a challenging issue. For most populations, poverty can be addressed by increasing income supports. For seniors, however, income is a less accurate measure of poverty than their health status and whether or not they own their home.

For these reasons, simply increasing income may not be as efficient at addressing real poverty for seniors as targeted relief of costs related to health care and housing for those seniors who have poor health status or rent their homes.

This submission will focus on key initiatives which may be cost neutral overall and will have the practical effect of improving the standard of living for low-income seniors through reducing real poverty.

Health Supports

For most working British Columbians income is used to pay for food, shelter, clothing and child care. Very few working-age British Columbians plan their budget to include costs for health care. For this cohort, health care consists of going to the doctor, attending the emergency department and filling a prescription at the pharmacy. The first two activities are covered by the Canada Health Act and carry no fee, and the latter is covered under Pharmacare.

For seniors, healthcare costs include those items covered by the Canada Health Act and Pharmacare, but also include the cost of hearing aids, incontinence products, mobility aids, and personal assistance to bathe, get dressed, and prepare meals.

For older British Columbians, particularly those over age 80, some activities of daily living such as cleaning, shopping, getting dressed, making a meal and managing medications are no longer possible to perform without assistance. Indeed, hiring help to clean the house or deliver groceries is something working people often pay for as a matter of convenience. However, with age, these nice-to-haves are no longer a choice, but a necessity and the question becomes how much of the cost of obtaining this help should be shouldered by the individual and how much by the government.

Around the world, governments are wrestling with the cost of the growing healthcare needs of the aging population relative to the tax contributions of the working population. British Columbia is no exception.

Most policymakers are increasingly moving away from universal entitlement based on age to one of a combination of age and income, and some governments go further to include assets as well as income.

The ultimate safety net that exists for B.C. seniors is residential care. Regardless of one's income, if it is needed, placement in a residential care facility will be provided. Food, shelter, medication, necessary medical supplies, and therapeutic supports are provided, with only a small portion of the costs of these services charged to an individual in the form of a means-tested per diem. However, this is an expensive safety net for the government, with an average annual cost of \$75,000 per resident to which a senior contributes, on average, \$20,000 per annum. Notwithstanding the high cost, residential care is not where most British Columbia seniors wish to live.

When we examine the data related to placement in care facilities relative to the costs of living in the community we find the cost burden for the daily necessities of food, shelter, medications and healthcare is shifted from the individual to the government. This is most pronounced for low to moderate income seniors and it raises the question - *are we forcing poorer seniors into residential care earlier for economic reasons rather than health reasons?*

Indeed the data on income for seniors in residential care shows that they are disproportionately poorer than the seniors population overall. The data also tell us that up to 15% of those who live in residential care do not require the level of care provided, and could be supported in the community with appropriate supports, and at much a lower cost.

The two biggest cost burdens that residential care relieves are housing and health care costs. Given this, an effective poverty reduction strategy would: decrease or eliminate home support copayments; enhance rental cost relief through Shelter Aid For Elderly Renters (SAFER), and expand the Property Tax Deferral program to allow deferral of costs such as strata fees, hydro and municipal service charges.

Home Support

British Columbia has a means-tested home support model, requiring a client copayment to receive home support. The requirement for the copayment is waived for those seniors in receipt of GIS. Currently, the maximum annual income allowed for a senior to receive GIS is \$24,824. For all seniors above this income (and some who fall below but are ineligible for GIS) a formula is applied that computes the "daily rate" for home support services, and clients are billed up to this rate for each day they receive services. The majority of home support clients receive daily service.

In practical terms, this results in a senior whose income is \$25,000 a year paying \$6,840 per annum for a daily home support visit. This is a substantial economic burden for a senior living independently who still needs to fund their housing, food, drugs, transportation, and medical supplies.

Eliminating the copayment for home support would bring B.C. in line with other provinces and be a significant benefit for low-income seniors. The annual cost of this is estimated to be \$48 million.

If eliminating the copayment all together is not possible then we recommend:

- 1. Revise the formula.** The current formula was established in 1997, and it needs to be refreshed to reflect increases in the cost of living.
- 2. Exempt seniors on SAFER from a home support copayment.** Seniors who rent are particularly burdened economically. Seniors in receipt of GIS are exempt from the home support copayment, and this exemption should also apply to SAFER recipients.
- 3. Allow deferral of the home support copayment against property using the same framework as property tax deferral for homeowners.** There are many seniors who own a home but have low-to-moderate incomes. They are neither on GIS or SAFER but will struggle to pay a home support copayment. Allowing a deferral of home support copayments will encourage seniors to remain in their homes until they have exhausted community supports and defer, delay or prevent admission to residential care. Like the property tax deferral program, seniors should be able to defer their homecare copayments until their house is sold or ownership is transferred at which point the government would recoup its money with interest.

Housing

Renters

Currently, 19% of B.C. seniors are renters. The Shelter Aid for Elderly Renters (SAFER) program is available for low and moderate income seniors. It has a relatively easy application process and renewal each year is automatic if a current income tax return is filed. The formula works relatively well in terms of using rent and income to determine the amount of subsidy. The challenge is the provincially set standardized rent rate to which the formula is applied. The current rent rate does not reflect market rental costs but is instead a “capped” rate (currently \$765 for Vancouver and \$667 for the rest of the province), significantly lower than the market rent rate in many communities.

We understand that increases have been provided to SAFER in the latest budget although the exact details of the how the increases will be applied has not been released. This is a positive step forward and we would recommend that the issue be revisited at minimum every two years to ensure that any “rent cap” keeps pace with market rents.

Homeowners

The cost of owning a home can often exceed the cost of renting. In B.C., while most seniors who own a home do not have a mortgage, as they age they may be less able to perform household maintenance and will have to hire professional help.

Currently, homeowners can defer their annual property tax. This has the practical effect of increasing their living income by, on average \$3,750 per year. In our report *Seniors' Housing in B.C (2015)*, we recommended that homeowners should be allowed to defer additional costs including, hydro bills, strata fees, repairs and maintenance. With each cost deferred, the living income of the senior rises and it is cost neutral to the government. It also provides economic benefits with seniors able to “spend down” their homeownership assets in order to remain living in their own home, potentially deferring or preventing admission to residential care facilities.

In summary, our recommendations to effectively reduce poverty amongst frail and vulnerable seniors are:

- 1. Eliminate or reduce the co-payment for home support services.**
- 2. Better align the market rent cap for SAFER with the actual market rent and require a regular review and adjustment.**
- 3. Allow homeowners to defer certain costs of housing against the equity in their home using the framework established for the Property Tax Deferral program.**

ⁱ 2016 Census, 2006 Census