

Doctors Nova Scotia's submission to the Senate Committee's Study on the Minister of Finance's proposed changes to the Income Tax Act respecting the taxation of private corporations and the tax planning strategies involved

Nov. 15, 2017

Dear Committee Members,

Doctors Nova Scotia is the oldest medical association in Canada. With a membership of over 3,500 the association represents all practicing and retired physicians, medical students and residents in the province. Approximately 75% of doctors in Nova Scotia are incorporated.

On July 18, 2017, the Federal Department of Finance announced proposed changes that will affect private corporations. In October, the Department announced amendments to those proposed changes. Although the changes announced in October will lessen the burden for some physicians, many will still be impacted. For example, the October amendments did not address the issue of income splitting.

DNS's primary concern is that any proposed tax changes, even if reduced, will have an impact on recruitment and retention of physicians in the province. Nova Scotia is experiencing significant health-care system challenges, physician shortages, and strained financial resources. These issues are impacting the practice environment in Nova Scotia. The proposed federal tax changes will strain an already struggling physician community and health-care system.

This submission will discuss these challenges, and how the proposed changes will further disadvantage Nova Scotia doctors and their patients. To determine the impact of the proposed changes on Nova Scotia doctors, the physician leadership within the association conducted extensive consultation with members. Over the past eight months the association has:

1. Surveyed physicians on the proposed changes and impact on physicians, patients, and health system in Nova Scotia. (Appendix A)
2. Surveyed members on their experiences with the symptoms of physician burnout. (Appendix B)
3. Hosted a physician town hall meeting where approximately 400 physicians attended to raise concerns about the proposed changes. (Appendix C)

Although the changes are proposed by the Federal Department of Finance, it is important that the Minister of Finance and Senate Committee take into account the provincial environment in which these changes will be implemented. The information contained in this submission is a summary of physician concerns shared through the consultation processes listed above.

History of incorporation in Nova Scotia

Nova Scotia doctors were given the ability to incorporate by the Nova Scotia provincial government in 1995 through the creation of the *Medical Professional Corporations Act*.

While the Act was introduced in 1995, physicians in Nova Scotia were provided the benefits of incorporation as of Oct. 1, 1996. At that time, the province was facing significant economic challenges and physician shortages, not dissimilar to the issues the province faces today. It is clear that incorporation was

provided to physicians to create a competitive compensatory environment in comparison to other provinces. In 1996, the Minister of Health said in the Nova Scotia Legislature:

‘What this bill intends to do is to provide the ability for physicians as small business people to incorporate and achieve benefits therefrom...part of our reason for going forward with this...is very simply that we want to provide a competitive edge, if you would, in attracting, both recruiting and retaining physicians, particularly specialists in this province.’

(Retrieved from <http://nslegislature.ca/legc/statutes/medprof.htm>).

Recruitment and retention challenges

Within Nova Scotia, one of the unintended consequences of the proposed tax changes is on recruitment and retention. Currently there are approximately 90,000 Nova Scotians without a family doctor (Statistics Canada). The Nova Scotia provincial government’s Physician Resource Plan identifies the need to recruit 512 full-time equivalent (FTE) family physicians over the next 10 years. Of those, 465 FTEs are to replace existing practising family physicians and 47 are new family physicians needed to address increased patient need (Nova Scotia Department of Health and Wellness, 2016). The province also needs to recruit 558 specialists over the next ten years (Nova Scotia Department of Health and Wellness, 2016). The Federal government’s proposed tax changes will impact recruiting and retaining doctors in the province. In addition to paying the highest personal taxes in the country, Nova Scotia doctors are paid among the bottom third in the country.

In a province facing significant financial challenges, and where physicians are paid below the national average, physicians may choose to work in other jurisdictions if the impact of the proposed changes are not mitigated.

Doctors Nova Scotia surveyed its members to determine how the tax changes announced on July 18, 2017 might impact them. The survey was circulated from August 18 to 31 and 864 physicians responded.

Highlights from the survey include:

- 56% of physicians who responded to the survey indicated that they know a colleague who will leave the province if the proposed changes are enacted.
- 52% of physicians who responded to the survey indicated that they are considering moving their practice or professional activities to another jurisdiction if the proposed changes are enacted.
- 43% of physicians who responded to the survey indicated that they’ll consider reducing the number of hours they dedicate to their practice or professional activities if the proposed changes are enacted.
- 42% of physicians who responded to the survey indicated that they’ll consider changing their practice profile (this is, cease offering less remunerative services) if the proposed changes are enacted.

Practice environment in Nova Scotia

The impact of the tax changes is compounded by the current practice environment in Nova Scotia. Physicians have been vocal with their concerns about physician shortages and physician burnout. In a 2017 survey through a partnership with the Centre for Organizational Research and Development at Acadia University, Doctors Nova Scotia found that 50 percent of responding physicians reported experiencing symptoms of burnout and another 20 percent reported feeling ineffective.

The Physician Burnout Survey measured a range of variables critical to physician well-being, including work engagement, workload and fairness. In the survey results, 70 percent of the physicians who participated reported feeling overextended, disengaged, ineffective and/or fully burned out.

These feelings of burnout, combined with inferior compensation and sudden and dramatic tax changes, could result in physicians leaving the province, working fewer hours, or retiring earlier than anticipated – all of which negatively impact patient care and all of which we heard through the tax survey.

Physicians cannot offset loss of income

Doctors Nova Scotia supports the opportunity for physicians to be incorporated and to practice as small business owners. Incorporation allows physicians to derive benefit from their clinical practice that they would not otherwise potentially get; the ability to save for retirement, to retain funds within their corporate structure for future use beyond a pension, and also recognizes that many physicians have planned their work and clinical practice within a small business framework for over twenty years.

Physicians were provided the benefits of incorporation through an Act of the provincial legislature, and as essentially a publically paid service, physicians have little to no capacity to offset any loss of income through a price increase or increased marketing that might generate additional sales.

Conclusion

Although the federal government is proposing these changes, the changes will have a significant impact on Nova Scotia physicians, patients, and the provincial government. Nova Scotia physicians pay some of the highest taxes in the country, and the province is in the midst of a significant recruitment and retention shortage.

Doctors Nova Scotia views incorporation, and the benefits of incorporation, as one of the components of a physician's total compensation package, no different than the fees that are set for services delivered. This has been the case in Nova Scotia for over twenty years. A change to any component of the compensation package will impact the capacity of physicians to practice.

The physician work force in Nova Scotia is extremely fragile. The changes will have the unintended consequence of moving Nova Scotia back to the mid-1990s in terms of physician retention and recruitment; ironically the time when incorporation was provided as one way of addressing recruitment and retention challenges. Those who cannot remember the past are condemned to repeat it. Physicians urge the federal government to give serious consideration to the impact of these proposed changes on the people of Nova Scotia.

Sincerely,



Nancy MacCready-Williams
CEO, Doctors Nova Scotia

Appendix A: Physician Survey on Impact of Proposed Federal Tax Changes

A TAXING SITUATION

Survey says: 451 physicians would consider leaving Nova Scotia

Here's what Nova Scotia's Doctors had to say:

On how patient care could be affected

"I can see physicians trying to earn more gross income to make up for the loss of income caused by the proposed taxation changes. They may do so by seeing a larger volume of patients, resulting in shorter patient encounters and less access to quality care. They may also do this by altering their practice to offer services that are more lucrative. It could also result in increased physician billings and therefore increased health care costs."

On recruitment and retention in Nova Scotia

"My speciality is already 40 percent below the national average in terms of income. We have one of the highest provincial tax rates. Recruitment of new staff will be impossible and that will ultimately affect patient care/ access to services."

On changing their practice location

"I practise in a rural area, covering obstetrics, emergency, hospitalist and family practice...I would have to consider moving to the U.S."

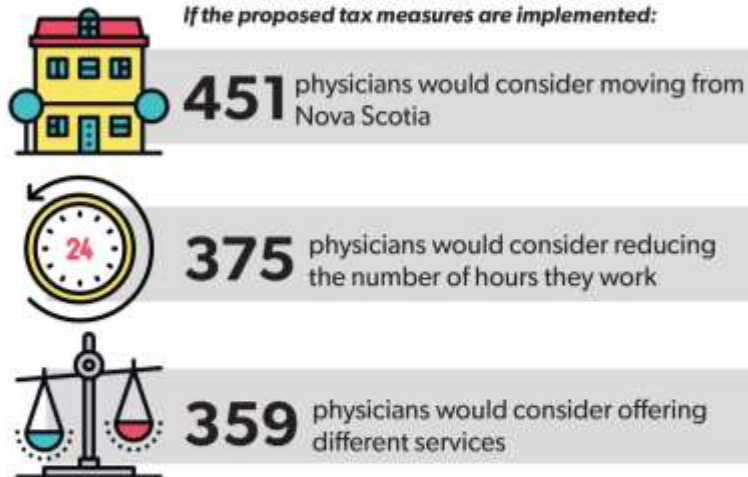
What's at issue?

On July 18, the federal government proposed tax changes on private corporations. A 75-day public consultation process is underway, closing on Oct. 2.

75% of physicians in Nova Scotia are incorporated.

Tax survey highlights

Doctors Nova Scotia launched a survey to assess the sentiments of physicians. We asked them what actions they might take if the proposed tax measures are implemented by the federal government. In total, **864 physicians responded to the survey**. Here are some highlights from their responses.



Conclusion

- Physicians believe **patient care will be affected** if the proposed tax changes are implemented.
- Physicians believe **physician recruitment and retention** in Nova Scotia will be even more challenging.
- Physicians may choose to **leave Nova Scotia** to practise elsewhere in the country or internationally.
- Physicians may choose to **change the way they work** in order to offset the loss, for example, by reducing hours, reducing unpaid work, choosing specialty work rather than primary care, or doing more private pay work.
- Physicians are concerned for their **financial well-being and their ability to practise** in Nova Scotia.

Survey method

Doctors Nova Scotia emailed the invitation to participate in the Federal Tax Survey to 3,515 physicians (practising physicians, physicians on leave, retired physicians, residents and medical students). In total, 864 physicians completed the survey, resulting in a response rate of 25 percent. The survey questions were composed and circulated by Doctors Nova Scotia through an online web tool. The survey was open for the three-week period from Aug. 18 to Sept. 8, 2017.

Appendix B: Physician Burnout Survey

Full document: <http://www.doctorsns.com/site/media/DoctorsNS/Physician-Burnout-Survey-May2017.pdf>

Summary of findings

In May 2017, Doctors Nova Scotia (DNS) partnered with Dr. Michael Leiter, PhD and the Centre for Organizational Research and Development at Acadia University to conduct a survey studying the work-life issues facing Nova Scotia's physicians. Dr. Michael Leiter, PhD is an organizational psychologist who studies the relationships of people with their work.

The results: burnout is a serious issue among Nova Scotia's physicians.

The survey measured an assortment of variables that are critical to physician well-being, including burnout, work engagement, workload, and fairness. The survey results confirmed that a vast majority of physicians who responded felt overextended, disengaged, ineffective and/or fully burnt out. The scores on the burnout measure were significantly in the burnout direction relative to the scales' norms and to the Canadian Medical Association's (CMA) 2008 Canadian Physician Health Survey.

The analysis found indications of burnout associated with physical and mental health problems that interfered with physicians' capacity to do their work. The quantitative analysis and the extensive written comments from participants related physicians' distress most directly to the basic organization of work rather than to personal failings regarding inadequate self-care or poor work practices.

Dr. Leiter's research suggests that the issues of burnout present in the Nova Scotia physician community are systemic and not related to individual failings or lack of self-care. He concluded that the root cause of much of the burnout, and therefore the most effective route for addressing the burnout, is through addressing physicians' relationships with the Nova Scotia Health Authority (NSHA).

Findings

The Nova Scotia study was compared to data about health care providers from other reference points: 2017 Maslach Burnout Inventory and 2015 Areas of Worklife Scale. Also compared results to data from the CMA's 2008 Canadian Physician Health Survey. The following emerge as distinct issues for Nova Scotia:

- Physicians are struggling to manage workload;
- The scores on exhaustion, cynicism, and efficacy were significantly more negative than relevant norms;
- A specific strain related to both cynicism and low efficacy pertains to physicians' perception of lack of respect for their professional expertise and autonomy.

Summary of findings	Disagreed	Agreed
"I feel that government/health authorities respect my professional autonomy as a physician"	30%	40%
"It is possible to provide high quality care to all of my patients"	36%	40%
"I feel that I am in control of my work environment as it relates to patient care."	45%	38%
"I feel that I have a good balance of work and other activities in life."	44%	37%
"If you re-lived your life, would you still want to become a physician?"	22%	59%

Main themes in the qualitative comments about causes of burnout:

- Administrative hassles such as excessive paperwork and meetings;
- Financial concerns re: uncompensated time for the paperwork and meetings and financial demands related to student debt, maintaining a practice and retirement planning. Current financial situation was described as strained and as worse than it used to be;
- Constraints on physician autonomy by NSHA; billing constraints on amount of time that can be spent with patients who require more than 15 minutes of care.
- Workload related to how physicians are organized around the province (e.g. few specialists in rural areas mean longer hours; inability to recruit).

Conclusions

Most effective route for addressing issues found in the survey is through improving physicians' relationship with NSHA. Issues are systemic, not related to individual failings or lack of self-care. Reduced workload is only part of the problem and would not benefit those feeling burnout related to disengagement from the system or feeling ineffective. An element of burnout is related to the level of disrespect physicians feel is directed toward their profession.

Method

The invitation to participate in DNS's Physician Burnout Survey was sent to 2,287 physicians; 1,088 members opened the message, 372 physicians completed the survey giving a response rate of 16 per cent. Dr. Leiter believes this to be significant enough to conclude that burnout is a serious issue for Nova Scotia's physicians.

Appendix C: Physician Town Hall Report

TOWN HALL ON PROPOSED FEDERAL TAX CHANGES

Sept. 23, 2017

Doctors Nova Scotia (DNS) hosted a town hall event on Sept. 23, 2017, to give physicians an opportunity to talk about the Trudeau government's proposed federal tax changes and their likely impact on Nova Scotia's health-care system.

Close to 400 Nova Scotia physicians, from students to residents to practising physicians, some with spouses and young kids in tow, came from across the province to share their stories and their concern about the future of health-care in Nova Scotia.

Physicians spoke with a strong, united voice. Their audience included Progressive Conservative, NDP and Liberal MLAs, as well as the Deputy Leader of the federal Conservative Party. Physicians advocated for themselves and, even more passionately, for their patients.

Survey confirms Nova Scotia will see an exodus of physicians in response to tax changes

Dr. Manoj Vohra, President of DNS and a family physician in Truro, shared results of a survey recently conducted by the association. A total of **864** doctors responded. Of those:

- **451** physicians indicated they will consider leaving the province if the proposed tax changes go through.
- **375** physicians said they will consider reducing the number of hours they dedicate to their practice or professional activities.
- **359** said they will consider changing their practice profile (that is, cease offering less remunerative services).

Approximately 75 percent of Nova Scotia's physicians are incorporated. If the tax changes are implemented, they will affect most physicians in the province. This is arguably the most significant initiative to impact Nova Scotia's doctors in two decades.

Physicians spoke with passion and conviction

Physician after physician stepped to the microphones. Their stories emphasized that the proposed tax changes come at a time when Nova Scotia's physicians are already burnt out, overburdened and feeling undervalued by government and the Nova Scotia Health Authority.

Dr. Tim Wallace is an ENT surgeon in Amherst, N.S., site chief for Cumberland Regional Hospital and Head of Surgery for Northern Zone. Dr. Wallace has been in practice for 13 years and is a father of two. He described the financial sacrifices and risks associated with pursuing medical studies.

"When I first started practice 13 years ago, I came out of residency with \$180,000 in debt. Between my wife and I, it was closer to \$300,000," he said. "When we looked at some of our colleagues who finished university or high school and went on to work, we figured we were \$500,000 behind."

Dr. Wallace said these financial realities force physicians to work well into their seventies, noting that Dr. Paul van Boxel, also in the audience, is still doing surgical assists at age 78. He noted that one in five

physicians in Canada are over the age of 60, with 12 percent over the age of 65. What will happen when those doctors – some of whom have up to 3,000 patients in their practice – retire, he asked.

“My real concern is the current climate can’t handle this crisis. Is government prepared for this?” he asked. “It’s going to be more dramatic than people actually think in Nova Scotia.”

The tax changes will drive physicians away

There was a strong consensus in the room that the tax changes will only exacerbate the challenge of Nova Scotia losing physicians to other jurisdictions, and being unable to convince physicians to practice here. Nova Scotia can’t afford to lose physician talent in the name of false tax fairness.

Dr. Leo Fares is in his second year of residency, training in the Department of Anesthesia, Pain Management and Perioperative Medicine in Halifax. This is his fifteenth year of post-secondary education. Dr. Fares is from Spryfield, N.S., but he finds himself having to consider leaving.

“Clearly, my roots are here. It’s where my family is, my friends are, my community is and I would love to stay here. I guess the trouble is, coming out of medical school, many of us accumulate \$250,000 in debt and these changes will really impact our ability to work in Nova Scotia, where we’re paid among the least in the country and taxed almost the most, so it makes it really challenging to stay here,” he said.

“I want to stay in Nova Scotia, but for the first time, I feel like I’ve made a mistake...many of my mentors are burnt out.”

Dr. Lisa Bonang is a rural family physician and leader at the Musquodoboit Harbour Medical Clinic. Dr. Bonang spoke with raw emotion, predicting that the tax changes will be “the straw that will break the back of health care.”

“We feel disenfranchised. We feel disheartened. We feel disrespected. We feel, overall, dissed,” said Dr. Bonang. She emphasized that this is not about the money.

“It’s about what will happen to patient care, waitlists. That’s why we get up and go to work every day. We love what we do. We care about our patients. We only want what’s best for them. But our altruism can only go so far.” With tears in her eyes, Dr. Bonang confirmed her commitment to stay in Nova Scotia and to fight for her community and her patients. But she fears the exodus of others with fewer roots and ties in the province.

Dan Lomis, a financial services advisor, had a message for the elected officials in the room. “Know that this won’t only affect patient care. When a physician leaves this jurisdiction we don’t just lose the physician, we also lose the jobs their practices provide in their communities, like administration staff.” He urged the elected officials to look around the room. “These are not the one-percenters. I’ve seen the debt they came out with. These are not wealthy people. Go back to your leadership. Stand up for Nova Scotians. This is important not just for physicians but for all Nova Scotians.”

Physician after physician spoke of getting calls from other jurisdictions looking to recruit them, and of having to provide references for their residents and fellows, who have begun to explore practising in other jurisdictions.

The tax changes will affect patient care

There are not enough doctors to meet the health-care needs of Nova Scotians. There are over 60 vacancies in primary care alone, while more than 30,000 Nova Scotians sit on a waiting list for a family doctor. Patients are already desperate. Dr. Leisha Hawker tweeted, “While on call during the town hall I had someone phone pleading for my clinic to take them as a patient.”

Without enough physicians to meet the needs of patients, practising physicians are bearing the burden: working long hours and taking on excessively heavy patient loads.

Physicians feel strongly that the federal government’s proposed tax changes will make this far worse. If the tax changes go through, physicians will seek opportunities in places where physicians are paid a more competitive salary and where provincial governments implement remedies to offset the tax losses.

Current tax mechanisms essential for planning for maternity leave, illness or retirement

Physicians explained that the small business tax measures are their only way to plan for retirement and to protect themselves against costs associated with long-term illness, since physicians do not have more conventional pension plans or sick leave. Several physicians said being incorporated had allowed them to have some semblance of maternity leave – which they otherwise would not have been able to afford.

Dr. Maria Alexiadis, a family physician in Halifax, moderated the discussion and shared her own story. Dr. Alexiadis is a breast cancer survivor. After she was diagnosed, she had to take six months off work for treatment. As a family doctor, she is self-employed, which means she has no sick time. In order to take time off work, she had to live with no source of income, while still paying her office expenses, including four staff salaries. If she had not been able to draw on her corporation, she would have had to close her practice and fire her staff. Luckily, she was able to draw on the savings in her corporation, which allowed her to allow her to retain her practice, get well and then return to her patients.

Dr. Lori Connors, an allergist and immunologist, returned to practice when her baby was just 16 weeks old and still nursing. She shared that her maternity leave through the DNS program provided just \$2,000 per month, while her overhead costs were \$9,000 per month. The ability to draw on the passive investments in her corporation was the only way she could sustain her business while taking time for her family. Without that money, she would have had to either forgo having a family, or leave medical practice.

Dr. Paul Young, family physician in Bedford, described his reliance on passive investments in order to sustain his practice.

“I have Crohn’s disease and see 30 to 50 patients per day,” he said. “I have 2,000 patients in my practice. I take one day a month and spend it hooked up to an IV. Yes, I split income and use passive investments. I have no choice. I will get sick at times.”

Dr. Young explained that once he accounts for taxes, debt repayment and staff costs, he makes about \$8 for every patient he sees in his office. That leaves no room for additional tax burden. “My 2,000 patients will suffer if these changes go through.”

The government is out of touch with physicians

Many physicians talked about feeling unfairly portrayed, vilified and disrespected by the government's suggestion that the taxes they pay aren't fair.

A psychiatrist in Truro, for example, described himself as a physician with an average income. But what the government doesn't understand is that it takes two people to bring that income into his household. In order for him to train to become a physician and now to sustain his practice, he needs full-time support at home. If his wife were not prepared to step into that role, he simply could not maintain his practice. He does not believe that government understands the reality that his physician income pays for the work of two people.

Dr. John Enright, general surgeon in Dartmouth, N.S., noted that physicians fund a large portion of the infrastructure that supports our health-care system. Physicians pay for nursing staff, receptionists, building costs and office expenses, he said. "Twenty-five to thirty-five percent of my income goes to overhead. We run the system, and we support it on our own backs."

Dr. Neil Smith, an ENT surgeon also located in Dartmouth, took time out of a continuing medical education session to share his views. Like many others in the room, Dr. Smith objects to both the tone and the inaccuracy of the federal government's messages.

The benefits of incorporations are not tax loopholes, said Dr. Smith; they were created by government as a means of allowing physicians to plan for retirement and sickness. To change the rules halfway through the game is profoundly unfair. And the suggestion that someone who makes \$250,000 is paying less in taxes than someone who makes \$50,000 is wholly inaccurate, he added.

Dr. Smith pointed to a fundamental disconnect between the two politicians pushing the proposed changes and the physician community. "Our government is out of touch with the commitment involved with being a doctor. Now is the time to say, this has not been thought through."

Physicians implore the federal government to reconsider

Dr. Ken West is a nephrologist in Halifax. He is also the Head of the Division of Nephrology, and current President of the Central Zone Medical Staff Association. Dr. West spoke passionately about his work looking after some of the sickest and most at-risk patients from all over the province.

"I'm a doctor that sees the consequences of not having a family doctor to manage illnesses and access to specialists," he said. He described dialysis units that are overflowing as the number of Nova Scotians without a family physician continues to grow in number. He described family physician colleagues who are increasingly overworked, stressed and burning out.

When you consider the hours invested in training and school, and the hours worked, family physicians are not making anything more per hour than nurses or teachers, said Dr. West. Family physicians are certainly not among wealthy Canadians. Dr. West implored decision-makers to examine more closely their assumptions and to realize that it's the lower earning physicians who will be most heavily impacted by the proposed changes. He encouraged government to lengthen the consultation and notice time period and to consider an alternative approach that would ensure the people affected by the changes are truly the wealthy, and not those barely sustaining their practices.

This is not just a federal issue

Physicians also noted that the fallout from the changes will affect Nova Scotia's provincial government. For the last two decades, incorporation has played a role in physicians' overall compensation package. In lieu of increases to physician payments, the provincial government encouraged physicians to incorporate so that they could benefit from the tax strategies that were available through incorporation.

If the federal government changes the rules for private corporations, a huge problem will be downloaded on the province. As the single payer of physician services, physicians will have no choice but to look to their provincial government to help make up the financial loss or risk being unable to recruit and retain much needed doctors.

Elected officials responded

Though all Nova Scotian MPs were invited to the town hall, none of the Liberal MPs were in attendance. One federal politician – Conservative MP Lisa Raitt, Deputy Leader of the Official Opposition – spoke to the group. Ms. Raitt told physicians that the federal Conservatives have spent the majority of their time in the House focused on these issues with government, and that she will share many of the stories she heard today with her colleagues. She readily agreed that the proposed tax changes are not about creating fairness in the tax system; rather, they are about generating revenue for the government.

"I want to tell you that we stand with you," Ms. Raitt said. "You are essential to our health-care system." She emphasized that advocacy is essential, because the proposed tax changes can come into law without any debate or any kind of vote, because the government can introduce the changes by a Ways and Means Motion.

Neither the Premier nor the Minister of Health and Wellness attended the meeting, but MLAs from all three provincial political parties were there, including: Elizabeth Smith-McCrossin, MLA from Cumberland North and PC Health Critic; Barbara Adams, MLA for Cole Harbour-Eastern Passage (PC); Tim Houston, MLA for Pictou East (PC); Lisa Roberts, MLA for Halifax Needham (NDP); Lena Metlege Diab, MLA for Halifax Armdale and Minister of Immigration and Acadian Affairs and Francophonie (Liberal); and Labi Kousoulis, MLA for Halifax Citadel and Minister of Labour and Advanced Education (Liberal).

The PC MLAs in attendance were clear that their party stands vehemently opposed to the proposed tax changes, and that their party values physicians. Minister Kousoulis expressed his concern about the federal government's proposed changes and added, "If this happens, we will work to ensure that you not only stay but you want to stay. We are working hard to recruit and to keep our doctors. I assure you that our provincial Liberal government stands with you."

All of the MLAs implored doctors in the room not to leave the province. All of the elected officials pledged to convey what they heard at the meeting to the federal government in hopes of initiating change.