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# **The Harsh Reality** of a Reduced CHT Growth Rate

## The Canada Health Transfer after 2027-2028


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CFNU

CANADIAN FEDERATION OF NURSES UNIONS

# Canadian Federation of Nurses Unions

## ABOUT THE CFNU

The Canadian Federation of Nurses Unions (CFNU) is Canada's largest nurses' organization representing frontline unionized nurses and nursing students in every sector of health care — from home care and LTC to community and acute care — and advocating on key priorities to strengthen public health care across the country. We are relentless advocates for the health and safety of our members and the patients that we care for from coast to coast. Join us as we speak up for a stronger health care system and a better workplace for all nurses.

## LAND ACKNOWLEDGEMENT

From coast to coast to coast, we acknowledge the ancestral and unceded territory of all the Inuit, Métis and First Nations Peoples that call this land home. The Canadian Federation of Nurses Unions is located on the traditional unceded territory of the Algonquin Anishnaabeg people. As settlers and visitors, we feel it's important to acknowledge the importance of these lands, which we each call home. We do this to reaffirm our commitment and responsibility to improve relationships between nations, to work towards healing the wounds of colonialism, and to improve our own understanding of local Indigenous Peoples and their cultures.


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# Executive summary

## Looming changes to the Canada Health Transfer (CHT) will result in significantly less health care funding for provinces and territories.

From 2023-2024 to 2027-2028, the CHT increased by 5% annually. Beginning in 2028-2029, and without changes, the CHT growth escalator will revert to the three-year moving average of nominal GDP growth with a 3% floor.[1] The federal government projects that nominal GDP growth will be about 3.8% per year from 2028-2029 to 2030-2031, which leaves provinces and territories with significantly less health care funding.

Assuming this escalator continues, with average growth of 3.8% annually, our projections show that, over ten years, **the cumulative CHT will be $51.8 billion less than if the escalator remains at 5% annual growth.** Compared to the previous 6% escalator that was in place from 2006-2007 to 2016-2017, the cumulative CHT funding would be approximately $97.9 billion lower over ten years.

Reduced federal funding risks plunging provincial and territorial health care systems into a deeper crisis. One in five Canadians don't have access to a primary care provider, and Canada's family physician deficit is nearly 23,000.[2] There are more than 26,000 nursing vacancies across the country, and one in three nurses says they are considering leaving their job or the nursing workforce within the year.[3] Shortages are not limited to nurses and doctors: from 2016 to 2024, the vacancy rate for health-related occupations nearly tripled.[4] Yet, demand for care continues to grow. Now is not the time to reduce the growth rate of federal health care funding.

The Prime Minister should consult with health care stakeholders on the future of the CHT escalator and convene a First Ministers' Meeting on health care to discuss maintaining CHT growth at no less than 5% annually after 2027-2028, while working toward restoring the original 6% escalator.

**Table 1:** Canada Health Transfer growth formula by policy period

| Policy period | Formula |
|---|---|
| 2006-2007 to 2016-2017 | 6% annual escalator |
| 2017-2018 to 2022-2023 | Nominal GDP formula, approx. 3.8% average |
| 2023-2024 to 2027-2028 | Temporary 5% escalator guarantee |
| 2028-2029 onward | Return to nominal GDP formula, projected approx. 3.8% |

**Source: Government of Canada, 'Canada Health Transfer'**

# History of the CHT escalator

When public health care was established in Canada, legislation guaranteed 50:50 cost sharing between federal and provincial governments. But over the years, as legislation evolved and the federal-provincial dynamics changed, federal contributions significantly diminished relative to the provincial funding share.

In the most recent year available (2023-2024), federal health care funding only comprised 21% of provincial/territorial health expenditures.[5] Although the transfer of tax points to the provinces by the federal government has given provinces greater ability to raise revenue, the declining share of federal health care funding remains a concern.[6]

The CHT was created in 2004 as a standalone transfer, becoming the largest federal transfer to provinces and territories. Later that year, the federal government committed to strengthening this vital funding stream by establishing a 6% annual escalator beginning in 2006-2007 (Table 1).[7] This provided provinces and territories with stable and predictable growth in federal health care funding.

In 2011, the Harper government announced that it would not renew the 6% escalator.[8] Budget 2012 confirmed that beginning in 2017-2018, the CHT would shift to a formula tied to the three-year moving average of nominal GDP growth, with a minimum increase of 3% annually.[9] Between 2017-2018 and 2022-2023, under this nominal GDP-based formula, the CHT increased by an average of approximately 3.8% annually, with annual increases ranging from roughly 3% to 4.8%.[10]

In 2023, the federal government introduced a temporary five-year guarantee that the CHT would grow by 5% annually from 2023-2024 to 2027-2028.[11] This guarantee is delivered through annual top-up payments where needed, and the final top-up will be rolled into the CHT base, meaning the higher funding level will continue. However, the 5% escalator expires after 2027-2028.

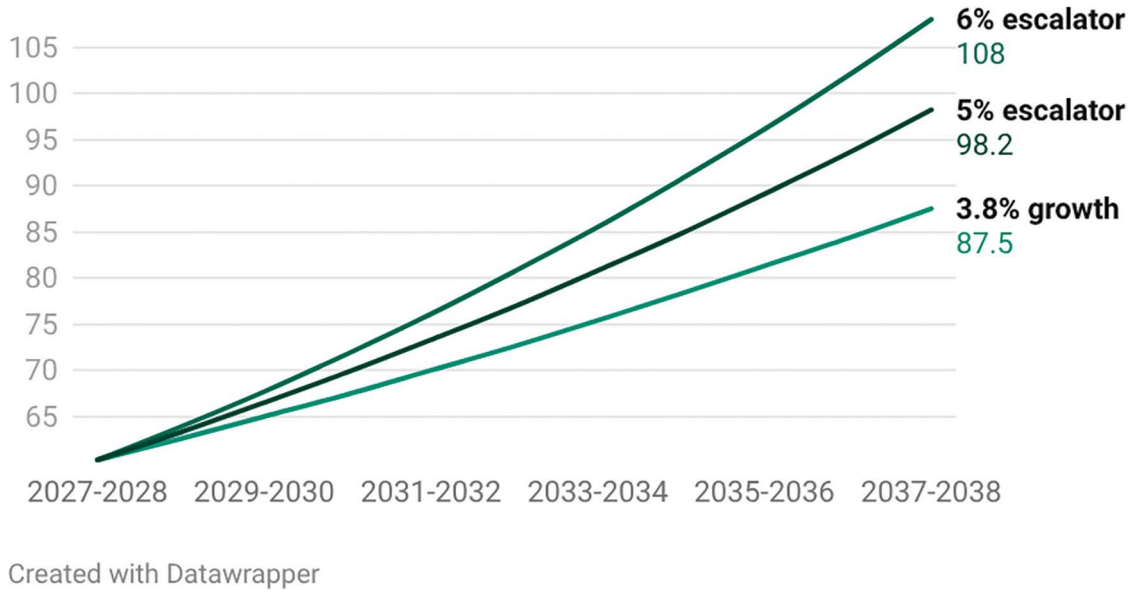
Beginning in 2028-2029, the CHT returns to the formula tied to the three-year moving average of nominal GDP growth with a 3% floor. Based on the 2026 Spring Economic Update, CHT growth is projected to slow to roughly 3.8% annually after 2027-2028.[12]

# What the projections show

To understand the longer-term impact of the change in the CHT escalator, we modelled three scenarios over ten years: the expected growth with a 3.8% escalator, a 5% escalator and a 6% escalator.

## Figure 1: Canada Health Transfer scenarios

Canada Health Transfer in billions of current dollars



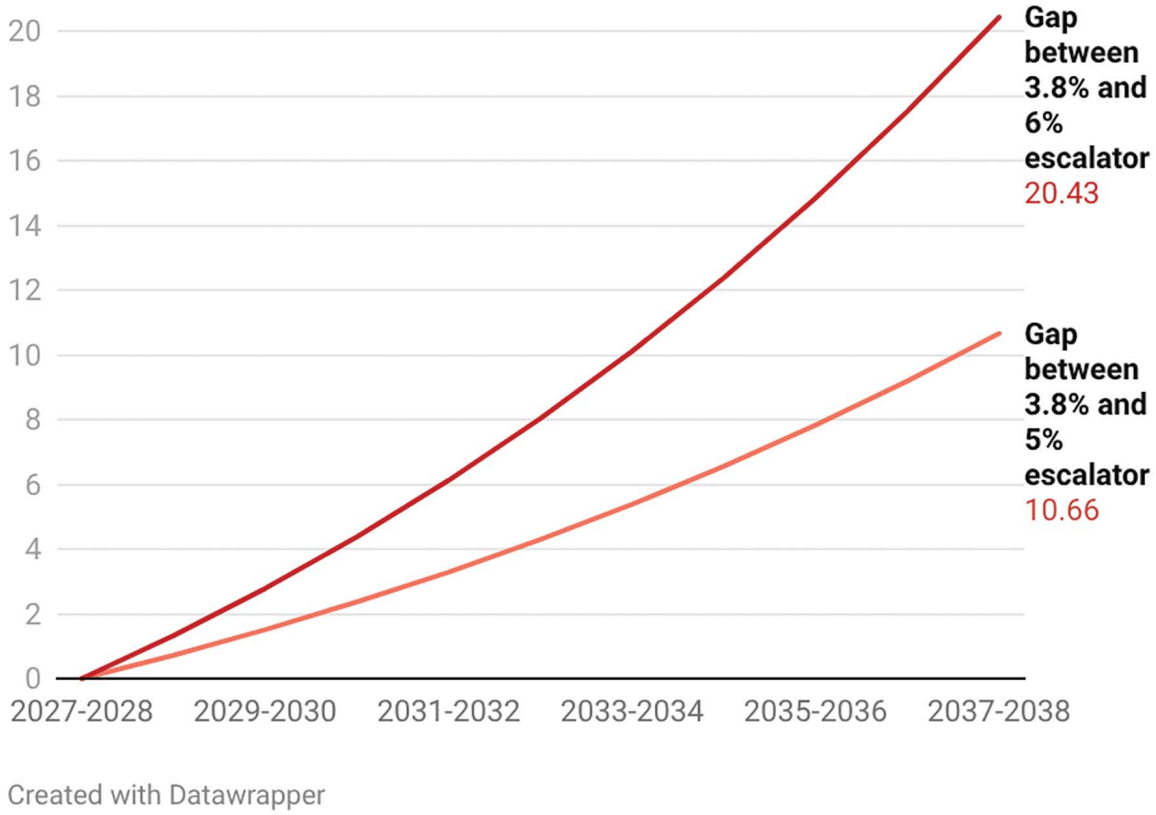

Source: Authors' calculations from Government of Canada Spring Economic Update

*Spring Economic Update 2026 projections are used to 2030-2031. For 2031-2032 to 2037-2038, we apply the same 3.8% annual growth rate illustratively to model the potential 10-year impact of returning to the nominal GDP formula. These figures are compared to scenarios where the CHT grows by 5% or 6% annually from the 2027-2028 base. Figures are presented in nominal dollars and rounded to the nearest tenth of a billion.*

**Figure 1** shows the projected annual CHT funding under each scenario. Under the 3.8% average annual growth scenario, the CHT increases to approximately $87.5 billion by 2037-2038, $98.2 billion with a 5% escalator, and $108 billion with a 6% escalator.

# Figure 2: Canada Health Transfer funding gap with 3.8% escalator

Billions of current dollars



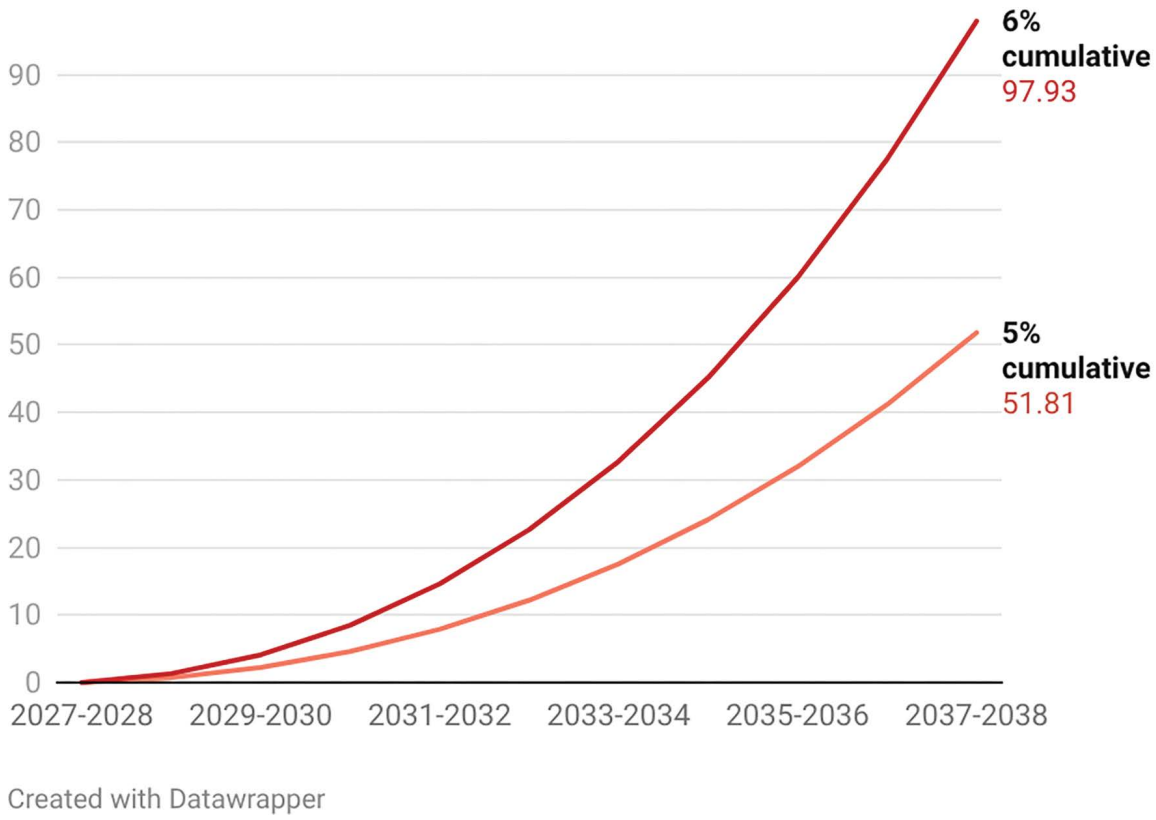

Source: Authors' calculations from Government of Canada Spring Economic Update

*Spring Economic Update 2026 projections are used to 2030-2031. For 2031-2032 to 2037-2038, we apply the same 3.8% annual growth rate illustratively to model the potential 10-year impact of returning to the nominal GDP formula. These figures are compared to scenarios where the CHT grows by 5% or 6% annually from the 2027-2028 base. Figures are presented in nominal dollars and rounded to the nearest tenth of a billion.*

**Figure 2** assumes the 3.8% growth scenario and projects the funding gap if a 5% or 6% escalator is not restored. With a 5% escalator, the funding gap increases to $10.7 billion by 2037-2038. The gap between a 3.8% and 6% escalator is larger, at $20.4 billion by 2037-2038.

# Figure 3: Cumulative Canada Health Transfer funding gap with 3.8% escalator

Billions of current dollars




Source: Authors' calculations from Government of Canada Spring Economic Update

*Spring Economic Update 2026 projections are used to 2030-2031. For 2031-2032 to 2037-2038, we apply the same 3.8% annual growth rate illustratively to model the potential 10-year impact of returning to the nominal GDP formula. These figures are compared to scenarios where the CHT grows by 5% or 6% annually from the 2027-2028 base. Figures are presented in nominal dollars and rounded to the nearest tenth of a billion.*

**Figure 3** shows the cumulative funding gap over the ten-year period. Compared to a 5% escalator, the cumulative funding gap with 3.8% average growth would reach approximately $51.8 billion. Compared to a 6% escalator, the funding gap rises to $97.9 billion by 2037-2038. The seemingly small difference between annual growth rates compounds into a major reduction in federal health funding over time.

A return to the nominal GDP formula may appear modest in a single fiscal year, but over a decade it would result in substantially less federal health funding than either maintaining the 5% guarantee or restoring the previous 6% escalator.

# Recommendations

1. That the Prime Minister's Office consult with health care stakeholders to prepare for a First Ministers' Meeting on the future demands of Canada's health care system.

2. That the Prime Minister convene a First Ministers' Meeting on health care in 2026, which would include provincial and territorial premiers and Indigenous leaders, to address the future of the Canada Health Transfer escalator, among other items.[i]

3. These pan-Canadian discussions should focus on whether the CHT continue growing by at least 5% annually after 2027-2028, or Canada move toward restoring the previous 6% escalator, to ensure federal health funding keeps pace with long-term pressures facing provincial and territorial health systems.

# Conclusion

## Health care is not only a public service but also one of Canada's strongest economic investments.

It is one of Canada's largest and fastest-growing sectors, employing 2 million workers, supporting jobs in communities across the country, and contributing to GDP, investment, research and innovation.[13]

Every dollar the federal government invests in health care generates between $1.32 and $1.45 in additional GDP after one year.[14] The economic case is clear: maintaining an adequate CHT growth rate is not only necessary to protect provincial and territorial health systems, it is also a direct investment in Canada's economy, workforce and long-term productivity.

[i] The 2026 Spring Economic Update also projects the expiration of health funding agreements for mental health and addictions services (expiring after 2025-2026), home and community care (expiring after 2025-2026), and long-term care (expiring after 2026-2027), resulting in nearly $2 billion less funding per year for provinces and territories.

# Endnotes

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