Under federal legislation and regulations, and the contractual agreements, federal financial assistance is given towards the shareable costs of insured in-patient and out-patient services. Excluded from shareable costs are the costs of care for patients in tuberculosis sanatoria, mental hospitals and custodial institutions such as homes for the aged, and capital costs including interest on debt and depreciation allowances. Revenues from services provided to uninsured persons and to insured persons otherwise covered by legislation such as provincial workmen's compensation laws, deterrent 'co-insurance' charges, and a number of other items are deducted. In addition, the Federal Government does not share the costs of provincial administration of hospital insurance.

The total available amount of the federal contribution towards shareable costs is a direct function of actual operating costs in general and allied special hospitals, which makes it an 'open-end' grant without any ceiling. When all provinces are participating, the aggregate federal amount available for all provinces and territories will represent 50 p.c. of the national shareable cost of insured in-patient services made up of shareable costs in ten provinces and two territories, but the actual percentages payable in each participating province will vary from one province to another. Under the formula laid down by the Act, the annual federal contribution for any participating province is the aggregate for that year of 25 p.c. of the national per capita shareable cost of in-patient services (actual costs in participating provinces plus estimated costs in non-participating provinces), plus 25 p.c. of the per capita shareable cost in the province (costs of insured services less deductions for authorized charges to patients), multiplied by the average covered population in the province throughout the year. If a province elects to provide a range of out-patient services, an additional federal contribution is made towards the cost of these services in the same proportion as for in-patient services. Under this method, the Federal Government provides higher per capita assistance to provinces where costs are higher than the national average, but pays more than 50 p.c. of provincial costs to provinces where costs are lower than the national average. Thus, for the year 1959, preliminary estimates indicate that the federal share may vary from 43 p.c. to 62 p.c. of shareable costs because of differences from province to province in the per capita cost of care.

Further federal assistance is available through the National Health Grant Program as well as through the technical and consultant services provided by the Department of National Health and Welfare. In addition to the Hospital Construction Grant for capital development, and the Tuberculosis Control and Mental Health Grants which support projects for expansion of services in these areas, other health grants may be used for hospital research projects, professional training of hospital personnel, and the establishment of provincial technical and consultant services to assist hospitals. These additional sources of assistance reflect the view that attention should be directed toward improving the quality of hospital care.

Methods of Financing.—Hospital insurance distributes the cost of insured services over practically all income earners. With regard to the federal share of the cost, this is accomplished through general revenue financing and the existing federal tax structure. The method by which a provincial hospital insurance plan raises the money to finance its share is entirely a provincial matter, and the diversity of local conditions has called for a variety of arrangements ranging from complete general revenue financing to a complete contributory system.

Four provinces—Newfoundland, Nova Scotia, Alberta and British Columbia—finance their programs in a variety of ways through the general tax system. Nova Scotia has a 3-p.c. hospital tax which is levied as a general sales tax on retail purchases to assist in the financing of the program. British Columbia finances its program mainly from general revenues, with some costs being met by co-insurance charges made by patients at the time of hospitalization. In Alberta, some funds are obtained from municipal tax revenues ($3\frac{3}{4}$ mills in 1959) and some from co-insurance charges, but the bulk of the revenue is provided from provincial general revenues. Newfoundland finances its hospital services plan entirely from general revenues.