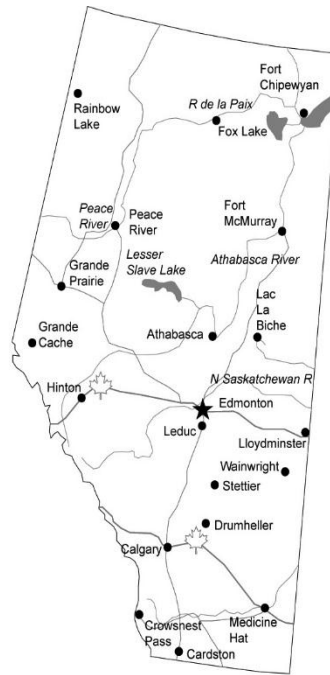


Geography

With an area of 661,848 km², Alberta is Canada's fourth largest province following Quebec, Ontario and British Columbia^[1]. The capital city of Edmonton, located in the geographic centre of the province, is the most northerly major city in Canada serving as a gateway and hub for the resource industries of northern Canada. Calgary, the largest city in Alberta, is located 280km south of Edmonton. Calgary and Edmonton are Alberta's only two census metropolitan areas each with populations exceeding one-million with 75% of the province's population concentrated in the Calgary-Edmonton corridor.



Demographics

With a population of 4,196,457, Alberta is Canada's fourth most populous province^[2]. Among the provinces Alberta has Canada's youngest population with a median age of 36.1 years compared to the national median of 40.0 years. Alberta has the lowest proportion of Seniors (age 65 or older) in Canada at 11.1%; the next closest province, Manitoba, is at 14.2%^[3]. It is projected that by 2031 (when the last baby boomers reach 65 years of age) approximately 1 in 5 Albertans will be a senior. The proportion of Alberta's residents living in rural areas has steadily declined and was last recorded at 17% in 2011^[4]. Alberta's total population continues to grow, though at a slower rate than historical levels. In 2015, population growth was 1.8%, while the annual average from 2012-2014 was 2.8%.

Economy

Over the past decade, approximately 30% of Alberta's provincial revenue has come directly from energy royalties. Beyond this figure, much of Alberta's corporate and income tax revenue is from activity related to the development of natural resources. Global oil prices have fallen significantly since 2014 leading Alberta into a recession in 2015^[5]. As a result several economic trends are being observed currently:

- Alberta's labour market is slowing with the unemployment rate reaching 7.0% in December 2015, the highest since July 2010. Losses occurred in the construction, manufacturing and oil and gas sectors
- Due to rising unemployment consumer spending has decreased with retail sales down 3.0% over the first three quarters of 2015 compared to the same period in 2014
- As of December 2015, YTD single-family housing starts were down 27%
- In November 2015 the average price for homes sold was down 5.3% while total sales fell 25.3% from November 2014^[6]
- Manufacturing sales declined in the third quarter of 2015 to the lowest level in four years

Alberta In-Focus

Area: 661,848 km²
***4th largest in Canada**

Metropolitan Areas:
Calgary and Edmonton

Population: 4.2M
***4th largest in Canada**

Population Growth: 1.8%

Median Age: 36.1 years
***Lowest among provinces**

Projections show that in 2013, there will be more than 923,000 seniors in Alberta

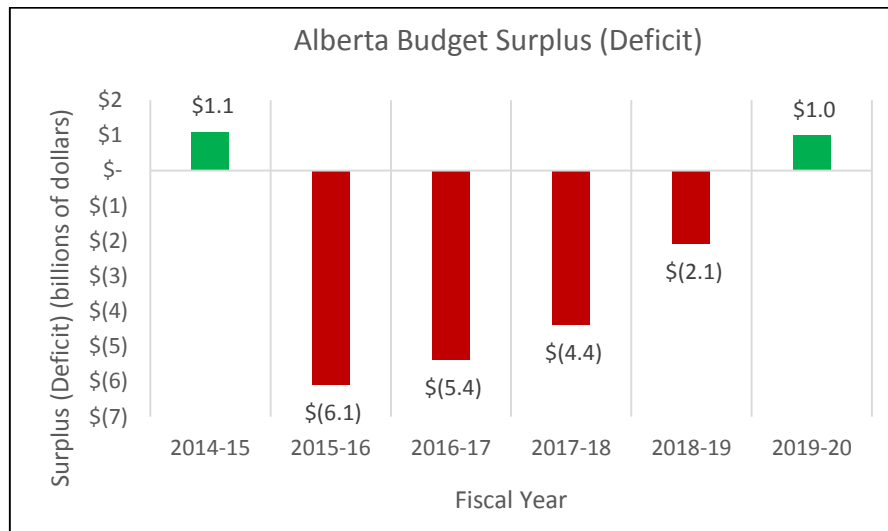
Falling oil prices resulted in a mild recession in 2015

Unemployment rate: 7.0%
***Highest since July 2010**

Housing, consumer spending and manufacturing declined in 2015

Financial Forecast

While the Alberta economy grew 4.4% in 2014, the decrease in oil prices in 2015 significantly impacted the provincial economy resulting in lower energy-related investment and corporate profits. Real GDP is expected to have fallen by 1.0% in 2015 putting Alberta in a mild recession with impact to employment, housing and consumer spending. Unemployment, forecasted at 6.9% in 2016, will surpass the national average for the first time since 1988^[7]. The Government of Alberta's budget released in October 2015 plans for the province's Contingency Account to be exhausted by late 2016-17.



The 2015 budget forecasts revenue based on the price of WTI oil averaging US\$50/bbl in 2015-16, \$61 in 2016-17 and \$68 in 2017-18. Alberta's sensitivity to the price of oil in 2015-16 amounts to \$170 million for every \$1 change in WTI US/bbl^[5]. Further sensitivities are tied to the light-heavy oil price differential, US-CAD currency exchange rate as well as interest rates. Currently WTI pricing is fluctuating around \$30/bbl.

Summary of trends in Alberta's economic outlook:

- High global oil supply and uncertainty about global growth dampen oil price outlook over the medium term
- Extended weakness in energy investment with oil sands investment down 23% in 2015 with further decline expected in 2016
- Alberta's construction and real estate sector showed resilience in 2015, however, builders' intentions are slowing with non-residential permits slumping in November to the lowest monthly level since April, 2011 and housing starts in December recording the lowest monthly total in 4 years^[8]
- Alberta experienced strong interprovincial migration in the first two quarters of 2015, however in the third quarter arrivals decreased dramatically. In-migration is expected to slow in 2016, from other provinces as well as internationally^[8]
- Natural gas exports are declining, in the face of lower prices and glut in North American supply^[7]

Alberta in recession in 2015 with a 1% decrease in real GDP due to falling oil prices

Unemployment to surpass national average for the first time since 1988

Budget deficits planned for 2015-16 to 2018-19 returning to balance in 2019-20

Alberta's Contingency Account to be exhausted by late 2016-17

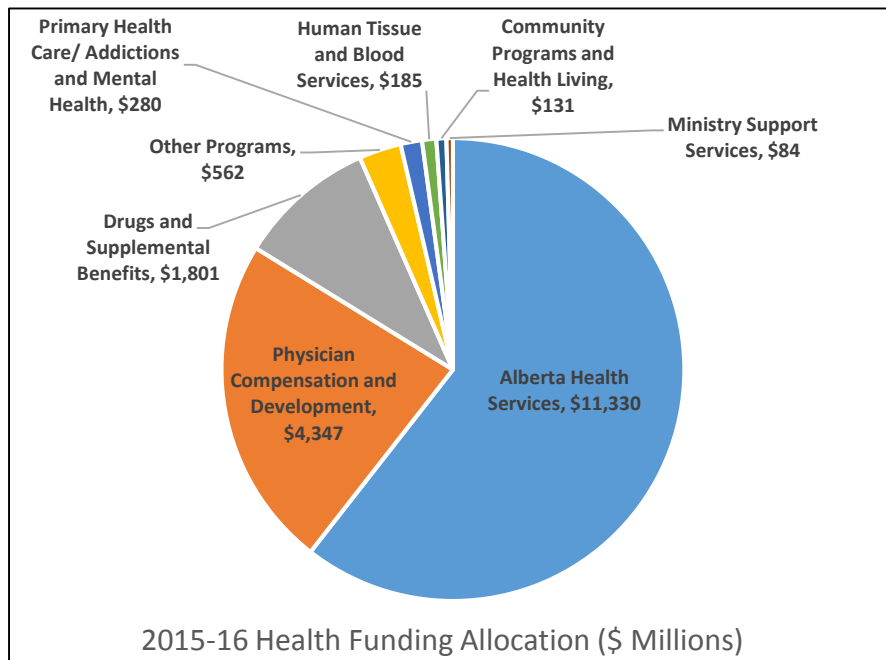
Alberta budget highly sensitive to the price of oil, light-heavy oil price differential, US-CAD exchange rate and interest rates

Health System Overview

Healthcare in Canada is delivered through a publicly funded system, administered by each province and has most services provided by private entities. It is guided by the provisions of the *Canada Health Act*. Healthcare costs are largely paid through funding from income taxes. The *Canada Health Act* deems that essential physician and hospital care be covered by the publicly funded system, but each province has some license to determine what is considered essential, as well as where, how and by whom the services are provided. The result is a wide variance in the delivery of public health services across the country.

The Canada Health Act does not cover prescription drugs, home care or long-term care, prescription glasses or dental care, which means most Canadians pay out-of-pocket for these services or rely on private insurance. Provinces provide partial coverage for some of these items for vulnerable populations (children, those living in poverty and seniors).

Alberta Health is the provincial ministry that sets policy, legislation and standards for the health system in Alberta. The ministry is responsible for allocating health funding and administering provincial programs such as the Alberta Health Care Insurance Plan. The 2015-16 Health consolidated expenses are budgeted at \$19.7 billion (39.5% of Government of Alberta's total budget).



Health services in Alberta are delivered by Alberta Health Services (AHS), which effective since April 2009, brought together 12 formerly separate health entities (9 regional health authorities and three agencies)^[10]. The AHS mandate includes determining “priorities in the provision of health services in Alberta and allocating resources accordingly” while the government is “responsible for the legislative, regulatory and policy frameworks in which AHS operates”.

In the *Health Business Plan for 2015-2018* Alberta Health identifies 4 desired outcomes:

- 1 Improved health outcomes for all Albertans
- 2 The well-being of Albertans is supported through population health initiatives
- 3 Albertans receive care from highly skilled health care providers and teams, working to their full scope of practice
- 4 A high quality, stable, accountable and sustainable health system

Healthcare in Canada is delivered through a publicly funded system guided by the provisions of the Canada Health Act

Each province has license to determine what is considered essential, and how services are provided

Alberta Health sets policy, legislation and standards for the health system in Alberta

Alberta Health's Consolidated Expense for 2015-16 is budgeted at \$19.7 billion (39.5% of Government of Alberta's budget)

Alberta Health Services is responsible for delivering health services in Alberta and operates within the legislative, regulatory and policy framework set by Alberta Health

Physician Compensation

Most physician compensation is provided directly by the Province under the Alberta Health Care Insurance Act, and is negotiated as part of an agreement between the Alberta Medical Association and Alberta Health. Physicians practicing in Alberta are compensated through Fee for Service (FFS) or Alternative Relationship Plans (ARPs). FFS is the payment of a fixed, pre-negotiated amount for each insured medical service provided to a patient, as determined in the Schedule of Medical Benefits (SOMB). There are two types of ARP that provide alternate compensation models for defined practice environments; Academic, and Clinical. In 2014/2015, approximately 83% of physicians received payments through FFS only, approximately 9% through ARP only and approximately 8% from both models, the highest FFS percentage of total clinical payments in Canada. Alberta spends \$1,058 per capita on physician services in 2015, the highest in the country ^[11]. Under the Alberta Medical Association Amending Agreement Alberta compensates physicians for various benefit programs including overhead costs.

Primary Care in Alberta

There are just under 10,000 physicians licensed in Alberta, and more than 4,000 of them are General Practitioners (GPs) or Family Physicians ^[12]. Family physicians and GPs along with nurse practitioners, pharmacists, psychologists, dietitians and/or therapists are the first point of care for Albertans. Most Albertans receive their health care from one of the many Primary Care Networks located throughout the province. These services are augmented by Community Health Centres and Mental Health Clinics. Programs like HealthLink and MyHealth.Alberta.ca are making it easier for Albertans to access health advice and information.

Alberta's *Primary Health Care Strategy* released in 2014 sets the direction for Primary Health Care transformation and reinforces the vision for Albertans to be as healthy as they can ^[13]. To address the challenges of care in Alberta the strategy sets out three strategic directions:

- 1 Enhancing the Delivery of Care: providing a health home for every Albertan, integrating and coordinating services
- 2 Bringing About Cultural Change: initiatives that encourage and support people to be more active participants in their care
- 3 Establishing Building Blocks for Change: changing the way primary health care is organized, particularly at the system level

References

- 1 Statistics Canada, Land and freshwater area, by province and territory
- 2 Statistics Canada, CANSIM, table 051-0001 2015 estimate based on 2011 Census
- 3 Statistics Canada, Population estimates, age distribution and median age as of July 1, 2012, Canada, provinces, and territories
- 4 Statistics Canada, Population, Urban and Rural by Province and Territory 2011
- 5 Alberta Budget 2015 Fiscal Plan. October 2015.
- 6 Canadian Real Estate Association (CREA), creastats.crea.ca/area/
- 7 Royal Bank of Canada, Provincial Outlook - Alberta, December 2015
- 8 ATB Financial, Economics and Research – "Alberta Economic Outlook" Q1 2016
- 9 Health Funding 2015-16, health.alberta.ca
- 10 Alberta Health Services, albertahealthservices.ca
- 11 Alberta Health Economics Dashboard: Interprovincial Health Sector Comparisons 2015.
- 12 College of Physicians & Surgeons of Alberta
- 13 Alberta Health Primary Health Care Strategy. May 2014.

83% of physicians in Alberta are compensated through Fee for Service (FFS)

In 2015 Alberta had the highest provincial expenditure on physician services per capita (\$1,058)

9,877 physicians (4,428 family physicians and general practitioners) are registered to practice in Alberta

The Primary Health Care Strategy is Alberta's plan to improve primary health care delivery in Alberta

