Submission to the Standing Committee on Finance and Economic Affairs

Ontario Health Coalition
15 Gervais Drive, Suite 305
Toronto, Ontario M3C 1Y8
416-441-2502
ohc@sympatico.ca
www.ontariohealthcoalition.ca

March 22, 2013

Severe Curtailment in Health Funding

Ontario financial projections: >$3 billion in health funding curtailments over 3 years.

Source: Office of the Auditor General of Ontario, *The Auditor General's Review of the 2011 Pre-Election Report on Ontario's Finances*, June 28, 2011.

Among the auditor's findings:

- Hospitals must find $1 billion in cutbacks
- OHIP will have to carve out $2.05 billion
- Funding increases for home care will be $^1/_3$ of what they have been for the last eight years
- Long term care homes funding increases will be less than ½ of what they have been for the last eight years
- Drug program funding increases will be ½ of what they have been for the last eight years

Actual Health Funding Less than Projections Reviewed by Auditor

- Health funding projections reviewed by Auditor prior to the 2011 election

  3.6% increase which will result in >$3 billion in curtailments

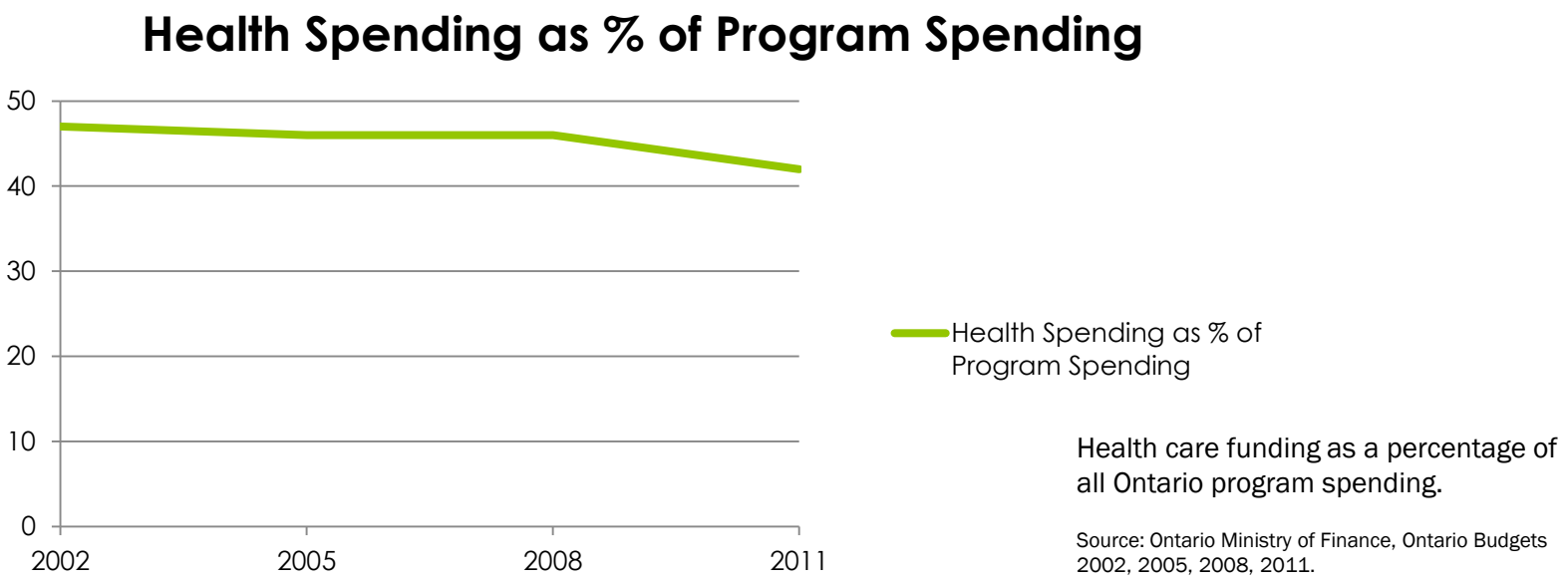
Funding levels have been reduced since the audit:

- Don Drummond proposal 2.5 % increase
- 2012 budget 2.1% increase
- Each 1 % reduction approx. -$500 million

Therefore, the actual cost curtailment in health funding is >$4 billion

Setting the Record Straight

Ontario Health Funding *Declining* Not Growing as % of Provincial Budget



Health care funding as a percentage of all Ontario program spending.

Source: Ontario Ministry of Finance, Ontario Budgets 2002, 2005, 2008, 2011.

Ontario Ranks 8th of 10 Provinces in Health Care Funding

Ontario Public Health Care Spending Per Person 2012 Compared to Other Provinces (Current $)	
Newfoundland	$ 5,399
Saskatchewan	$ 4,952
Alberta	$ 4,896
Manitoba	$ 4,816
PEI	$ 4,663
Nova Scotia	$ 4,463
New Brunswick	$ 4,377
Ontario	**$ 3,963**
British Columbia	$ 3,937
Quebec	$ 3,792
Average Other Provinces	$ 4,588
Difference Between Ontario and Average of Other Provinces	**- $ 635 per person x 13,529,000 people = $8.6 billion less**

Ontario Public Health Care Spending As a Percentage of Provincial GDP Compared to Other Provinces 2012	
PEI	12.79 %
Nova Scotia	10.97 %
New Brunswick	10.63 %
Manitoba	10.14 %
Newfoundland	8.97 %
Quebec	8.77 %
British Columbia	8.16 %
Ontario	**8.07 %**
Saskatchewan	7.30 %
Alberta	6.21 %

Ontario Ranks Last in Hospital Funding

Ontario Public Hospital Spending Per Person 2012 Compared to Other Provinces (Current $)	
Newfoundland	$ 2,519
Alberta	$ 2,194
New Brunswick	$ 1,962
Manitoba	$ 1,843
PEI	$ 1,831
Saskatchewan	$ 1,784
Nova Scotia	$ 1,762
British Columbia	$ 1,557
Quebec	$ 1,381
Ontario	**$ 1,372**
Average Other Provinces	$ 1,870
Difference Between Ontario and Average of Other Provinces	**- $ 498 per person x 13,529,000 people = $6.7 billion less**

Source: all per capita spending data is from the Canadian Institute for Health Information (CIHI), National Health Expenditures Database, 2012. Percentages of GDP calculated using CIHI GDP figures from the National Health Expenditures Database, 2012.

Ontario Has the Fewest Hospital Beds of any Province

Hospital Beds Staffed and in Operation Per 1,000 Population by Province 2008-09[xx]	
PEI	4.3
Newfoundland	4.1
New Brunswick	4
Nova Scotia	3.8
Manitoba	3.7
Saskatchewan	3.4
Alberta	2.8
British Columbia	2.6
Ontario	2.5

Average hospital beds per 1,000 in Canadian provinces outside Ontario: 3.6

Ontario hospital beds per 1,000: 2.5

Difference: Ontario has 1.1 fewer hospital beds for each 1,000 people.

Aggregate shortfall: 1.1/1000 x 13 million (population) = 14,300

OECD Total hospital beds per 1,000 population 2008[1]	
Japan	13.8
Germany	8.2
Korea	7.8
Austria	7.7
Czech Republic	7.2
Hungary	7.1
France	6.9
Belgium	6.6
Poland	6.6
Slovak Republic	6.6
Finland	6.5
Estonia	5.7
Luxembourg	5.6
Switzerland	5.2
Ireland	4.9
Greece	4.8
Slovenia	4.8
Netherlands	4.7
Australia	3.8
Italy	3.8
Denmark	3.6
Israel	3.6
Norway	3.5
Portugal	3.4
United Kingdom	3.4
Canada	3.3
Spain	3.2
United States	3.1
Sweden	2.8
Ontario	2.5
Turkey	2.4
Chile	2.3
Mexico	1.7

Ontario Ranks at Almost the Bottom of the OECD in Hospital Beds Per Capita

OECD average hospital beds per 1,000: 5.2

Canada hospital beds per 1,000: 3.3

Ontario hospital beds per 1,000: 2.5

The major national and international data-gathering entities for health care statistics use the number of hospital beds per capita as a measure of system capacity. This is not the only measure. But it *is* a significant measure.

Too few hospital beds results in higher death rates, backlogs in emergency departments, overcrowding, higher infection rates, inadequate staffing ratios and other negative outcomes.

Significant Hospital Cuts Underway

Across Ontario's largest cities, projected hospital deficits in the tens of millions of dollars are being reported.

In smaller communities, draconian hospital bed closures have been announced, ranging from 10% - almost 50% of all hospital beds in some communities.

Diagnostics, surgeries and therapies are being privatized at unprecedented levels.

There has been no legislation, no public consultation, no democratic process re. the evisceration of rural hospitals and the privatization of clinical services. The government has no mandate to undertake these initiatives.

Summary of Cuts/Privatization

Erie St. Clair LHIN

- **Bluewater Health (Sarnia and Petrolia Hospitals)** $5 million in cuts proposed.
- **Chatham-Kent Health Alliance (Chatham and Wallaceburg Hospitals)** approx. $4 million in cuts required. 7% of the hospital's beds are being closed down as a result.
- **Windsor Regional Hospital** $4.2 million shortfall reported. 30 acute care beds to be closed. Acute Injuries Rehabilitation Centre to be closed. More than 30 nurses and 9 health professionals to be laid off. Outpatient services under review for cuts.

South West LHIN

- **St. Joseph's Health Care London (Main Campus, Parkwood Hospital, Regional Mental Health (London & St. Thomas), Mount Hope Centre for Long-Term Care)** $6.4 million in cuts proposed for this year. Cuts include: 15% reduction in medical imaging (MRI, PET, CT, ultrasound); closure of several programs, faster patient discharge, 59 hospital staff positions cut.
- **London Health Sciences Centre** Facing a $40 million deficit, targeting $30 million in cuts.
- **South Bruce Grey Health Centre (Durham, Walkerton, Chesley and Kincardine Hospitals)** projected deficit of $622,000. Previously approved redevelopments of Kincardine and Winham Hospitals cancelled as part of the province's austerity budget.

Hamilton Niagara Haldimand Brant LHIN

- **Hamilton Health Sciences (Hamilton General, Juravinski Hospital, McMaster University Medical Centre, McMaster Children's Hospital, Chedoke Hospital, St. Peter's Hospital, Juravinski Cancer Centre and urgent care centre on Main St. W.)** $25 million in cuts planned.
- **Niagara Health System (St. Catharines, Welland, Niagara-On-the-Lake, Niagara Falls, Port Colborne, Fort Erie Hospitals)** $13 million deficit. Plans to cut $10 million already underway including closure of operating rooms in Welland, St. Catharines and Niagara Falls for six weeks.
- **Norfolk General Hospital** $1.3 million deficit projected.
- **Brant Community Healthcare System (Brantford and Paris Hospitals)** 75% of RNs in Complex Care Integrated Program cut, Medical Unit cutting 25% of its RNs, Surgical Unit cutting more than 30% of its RNs.
- **Joseph Brant Hospital** $2.2 million in cuts.
- **St. Joseph's Healthcare Hamilton** $7.5 million in cuts.
- **West Lincoln Memorial Hospital** Previously approved redevelopment plan was cancelled as part of the province's austerity budget.

Toronto Central LHIN

- **Centre for Addictions and Mental Health** In August CAMH closed their in- and outpatient physiotherapy services.
- **St. Joseph's Health Centre** Closed its after-hours pain, cardiac, rehabilitation and audiology units.
- **Toronto East General** Closed its physiotherapy services.
- **York Central** Reduced its outpatient mental health program.

Cuts/Privatization cont'd...

Central East LHIN

- **Campbellford Memorial Hospital** Projecting deficit between $360,000 and $492,000.
- **Scarborough Hospital** $17 million in cuts. Proposals include closing all overnight surgeries at Birchmount Campus. Closing birthing, maternal and child care and pediatric surgeries at one campus (undisclosed which one).
- **Rouge Valley Hospital** As of April 1, all cataract surgeries will be eliminated meaning that 1,000 cataract surgeries per year will be cut from this hospital. Patients will have to go to Scarborough or Bowmanville to get their cataract surgeries.

South East LHIN

- **Perth and Smiths Falls District Hospital** $4 million deficit. Cuts include closure of 12 beds (approx. 12% of the hospital's total beds), diagnostic imaging cuts, day hospital cut from 5 days to 3 days per week, pulmonary rehabilitation program eliminated, staff cuts.
- **Quinte Health Care (Belleville General, Trenton Memorial, Prince Edward County Memorial and North Hastings Hospitals)** $15 million in cuts. Proposals include: closure of almost 50% of hospital beds in Picton and 1 in 6 beds in Trenton, closure of all remaining obstetrics in Picton, closure of all endoscopy outside of Belleville, elimination of all remaining outpatient physiotherapy, diversion of emergency department patients from Trenton Memorial.
- **Brockville General Hospital** Projected deficit of $2.2 million.

Champlain LHIN

- **The Ottawa Hospital (Civic, General and Riverside Campuses)** Shortfall of $31 million. Riverside endoscopy unit to be closed, thousands of surgeries to be privatized to a for-profit corporation; more than 1,600 cataract surgeries per year to be cut; 290 full-time nurse, health professional and hospital support staff positions to be cut. The hospital is reviewing outpatient services for cuts next.
- Montfort Hospital $1.2 million in cuts.
- **Queensway Carleton Hospital** More than $2 million shortfall.

North Simcoe Muskoka LHIN

- **Muskoka Algonquin Healthcare** Projected deficit of $0.8 million this year.
- **Orillia Soldier's Memorial Hospital** Adult chemotherapy services cut. Patients required to travel to Barrie. $1.3 million projected deficit this year.

North East LHIN

- **North Bay Regional Health Centre** $14 million deficit projected this year and next. 22 nursing positions slated to be cut so far. All cataract surgeries have been stopped until April1 due to a 10% funding cut for these procedures.

North West LHIN

- **Revera Long Term Care and St. Joseph's Care Group** 65 long-term care beds closed at Revera long-term care facility. 28 geriatric long-term care beds closed at lakehead Psychiatric Hospital. Total of 93 long-term care beds closed.

Means-Testing for Home Care and Seniors' Drugs is Inequitable and Violates the Core Tenets of Public Medicare

As services are moved from hospitals to home care and other community services the fundamental values that underlie our health system should not be abandoned.

Otherwise, reform is simply a cover for dismantling public health care.

Means-tested home care would:

- Worsen shortages for those who do not pay out-of-pocket
- Increase the burden of payment for the sickest and most elderly

We have a means-tested funding system that shares the burden of cost equitably across society without targeting the ill and the elderly. It is the tax system. Tax cuts for corporations and the wealthy should not be borne on the shoulders of the sick and the dying.

Cutting Needed Health Care Services Should be the Last Option, Not the First

Dismantling public hospitals is not in the public interest.

Eviscerating small and rural hospital services is undemocratic and deeply damaging to access to health care and the economies of local communities.

2-tier health care, means-testing and user fees are not "solutions", they are the dismantling of Public Medicare.

Alternatives to Dismantling Needed Hospital & Home Care

- **Moratorium on privatized P3 projects**
  - Proper public audits of completed projects
  - Public procurement of all current and future projects
- **Closure of the Employer Health Tax loopholes**
  - More than $2 billion per year in foregone tax revenue as a result of loopholes

In 2011- 12 Britain's P3 Program Unravelled Amidst Revelations of 20 Years of Exorbitant Profit-Taking

- More than £200 billion in taxpayer money has been spent paying for these projects over the last 20 years.
- Research into 154 projects reveals "astronomical profits" averaging more than 50 per cent.
- P3 consortia involved in building major hospital projects enjoyed the biggest profits, at an average of
- 66.7 per cent.

13 June 2011 Last updated at 19:04 ET

HM Treasury 'in dark' over 'excessive' PFI profits

By Rob Cave
BBC News

HM Treasury is failing to monitor "excessive" profits from the selling-on of PFI (private finance initiative) equity, the BBC has been told.

One industry analyst says its "inadequate" records do not reflect the billions of pounds made in the so-called secondary PFI market.

Critics, including some MPs, say the taxpayer should benefit from a share of these additional

PFI is under scrutiny from two influential parliamentary committees

Ontario Health Coalition

BBC

Sport | Weather | Travel | Future | Autos

Europe | Mid-East | Business | Health | Sci/Environme

Share

er 'excessive' PFI

rutiny from two influential
ommittees

theguardian

News | Sport | Comment | Culture | Business | Money | Life & style

News › Politics › Private finance initiative

Investors 'using tax havens to cash in on PFI contracts'

- Critical MPs' committee report attacks system
- Treasury accused of complacency

Heather Stewart
The Guardian, Thursday 1 September 2011

PFI has helped schools to expand and keep costs off the Treasury balance sheet. Photograph: David Levene for the Guardian

City investors have made bumper profits from taxpayers by buying up the contracts for schools and hospitals funded through the private finance initiative and taking the proceeds offshore, the public accounts committee warned on Thursday.

Ontario Health Coalition

Ontario Health Coalition

The Telegraph

HOME NEWS WORLD SPORT FINANCE COMMENT BLOGS CULTUR

Politics Obits | Education Earth | Science Defence | Health Scotl

HOME » NEWS » UK NEWS

PFI costing £13,000 per taxpaying household

Britain's economic reputation is at risk because of hidden debts Private Finance Initiative adding up to £13,000 per taxpaying experts said last night.

By Rowena Mason, Political Correspondent
6:09PM GMT 09 Feb 2012

Follow 3,244 followers

The Intergenerational Foundation, an economic think-tank, said the total cost of repayments under the controversial PFI scheme has now reached £239 billion. This is 80 per cent higher than the £131.5 billion debts released in the new Whole of Government Accounts.

The think-tank claims the huge sum is risking Britain's top-notch AAA credit rating, which determines how cheaply the Government can raise money on the international markets.

Last night, the foundation warned the cost of PFI has been under-appreciated.

"Such build-ups clearly put Britain's AAA credit rating at risk by adding over a quarter to the country's £1 trillion national debt," said Angus Hanton, co-founder of Intergenerational Foundation.

Under the PFI deals, a private contractor builds a hospital, school or other public service. It owns the building for up to 35 years, and during this period the public sector must pay interest and repay the cost of construction, as well as paying the contractor to maintain the building.

Related Articles

BBC

theguardian

BLOGS CULTURE TRAVEL LIFE

Health Scotland Royal

Scottish Politics

cessive profits with

ts from Private Finance
lth authorities, MPs have

Life & style

cash in on

Autos

Environme

Ontario Health Coalition

Ontario's P3 Hospitals are Characterized by Secrecy & Inadequate Public Interest Oversight

- Infrastructure Ontario is dominated by vested interests.
- There have been no public audits on more than $4 billion in P3 hospital projects.
- All relevant documents are secret, preventing independent scrutiny.
- Infrastructure Ontario's own documents show much higher costs for construction and financing of P3s compared to public sector comparators.
- The entire financial case relies on a heavily contested notion of "risk transfer" that has not been audited.

Lack of Public Interest Oversight

- All board members of Infrastructure Ontario come from private capital market firms, banks, architects, private insurance companies, private law firms involved in real estate commercial development, construction, and P3 consulting firms. **In other words, the board of Infrastructure Ontario is entirely populated with people who come out of corporations or entities with ties to vested interests in P3 profits and privatization.**

- Only short summaries (approx. 12 page) Value for Money summaries have been publicly released. **All figures and calculation methods that would enable public scrutiny of key figures are secret. There has been no audit done on any P3 hospital except the Brampton Hospital.**

- Re. the Brampton Hospital, **the Provincial Auditor General found that the P3 scheme is >$200 million more expensive than if the hospital was built publicly (ie. without the private financing scheme).**

- **The same profit-seeking companies involved in the British P3 debacle are involved in Ontario's P3 hospital schemes.**

Cost of Completed Large P3 Scheme Hospitals for which there have been no public audits

Bridgepoint Health	$820 million
London Mental Health Centre	$830 million
Niagara Health System	$1.05 billion
North Bay Regional Health Centre	$592 million
Sault Area Hospital	$458 million
Woodstock General Hospital	$337 million

Total	$4.09 billion

Note: This list includes only the large P3 hospital schemes that have reached substantial completion. It does not include all of the other large P3 hospital schemes underway in Ontario.

Source for all figures: Infrastructure Ontario Value for Money Assessments

Infrastructure Ontario Documents Show that the Justification for P3 Schemes Relies Entirely on Controversial Claims of "Risk Transfer"

- Infrastructure Ontario's own documents show that the actual base cost for financing and construction is substantially less (ranging from 1/3 less to 1/2 less) in the public (non-P3) comparators as compared to the privatized P3 hospitals.
- The P3 schemes are adjusted to show Value for Money entirely through the use of "risk transfer", a concept that is notoriously contentious.
- There has been no transparency or public access to documents that would allow public scrutiny of the risk transfer evaluation.
- Risks transfer claims amount to more than $2 billion in the completed projects to date. These claims have never been audited.

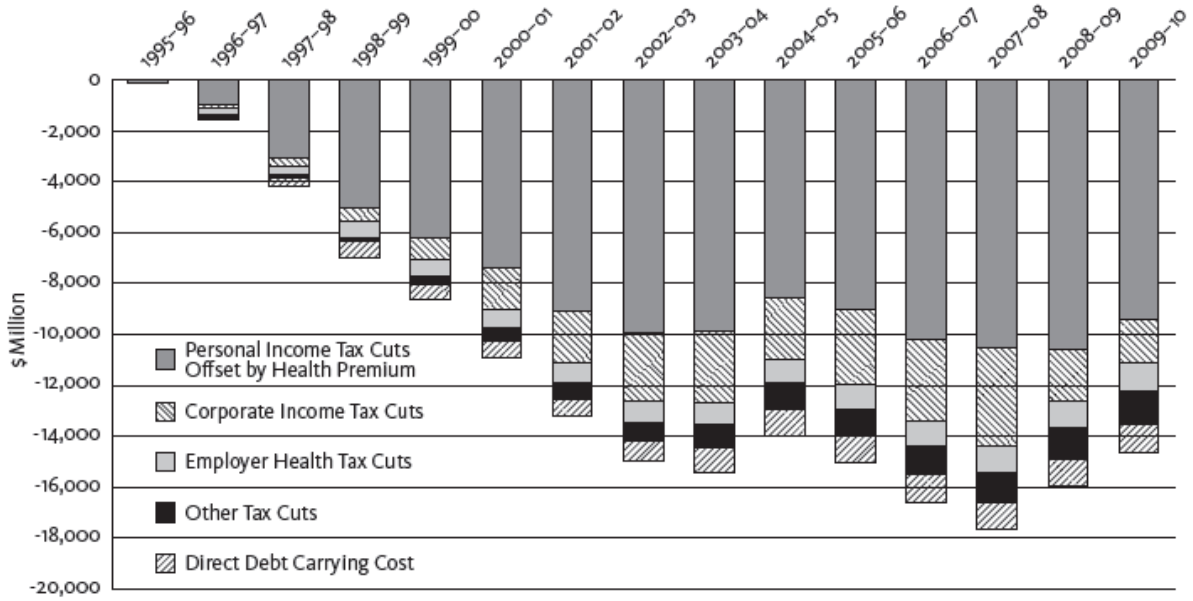
Closing the Employer Health Tax Loopholes Could Generate $2.3 Billion per year

- The share of hospital and medical care costs in Ontario accounted for by the Employer Health Tax has declined considerably, from 17% in the first full year of the tax in 1991 to 13% in 2009.

- Economist Hugh Mackenzie reports,

  "The exemptions and gaps in the Employer Health Tax base are not just poorly-targeted and unfair, they are also extremely costly to the public purse, and therefore indirectly to all Ontarians who collectively pay the price in the form either of reduced services or higher taxes in other areas."

Annual Tax Cut Impact on Provincial Budget Capacity Ontario 1995/96 to 2009/10



Total foregone revenue: >$15 billion per year

Source: Economist Hugh Mackenzie in Ontario Alternative Budget Technical Paper "Deficit Mania in Perspective" February 2010.

There are two primary loopholes in the EHT

- When the Ontario Employer Health Tax (EHT) was introduced, it included a graduated rate structure. The rate was 0.98 per cent for employers with total payrolls of less than $200,000, increasing on a graduated scale to 1.95% on payrolls exceeding $400,000. It was the only payroll tax levied in Canada with a graduated rate structure. In the late 1990s, the the graduated structure was replaced with a full exemption – or loophole - excluding the first $400,000 in an employer's payroll.

It is the only payroll tax in Canada with such an exemption.

- Income from self-employment and partnership income is not subject to the tax, creating a significant issue of inequity.

The case for closing the EHT loopholes

Poor Targeting

- In its review of the EHT – the only review of the tax that has ever been made public – the Ontario Fair Tax Commission found that fully two-thirds of the benefit from an exemption of the first $100,000 in payroll would accrue to businesses with payrolls in excess of $400,000. Using that analysis as the foundation, **the Ontario Alternative Budget estimated that 54% of the additional benefit from the replacement of the graduated rate structure with a flat exemption for the first $400,000 of payroll would have gone to businesses with payrolls in excess of $400,000.**

- **Furthermore, the use of payroll as the basis for a definition of a small business is questionable, to say the least.** It is not at all difficult to imagine businesses which, by anyone's definition, would be considered large but which have payrolls below $400,000. For example, a business which contracts out a significant portion of its work and which pays its owners in the form of dividends could easily qualify as a small business for EHT purposes. Similarly, professional practices are often structured so that their support staff are technically employed by single purpose corporations owned by the partners. Each of those single purpose corporations would qualify for the 'first $400,000' exemption.

The case for closing the EHT loopholes cont'd...

Inequities

- The structure of the tax raises significant questions of fairness. The loophole that excludes income from self-employment and partnership income from the tax creates a significant issue of horizontal equity – unequal treatment of equals. The exemption also creates substantial inequities in the ultimate incidence of the tax.

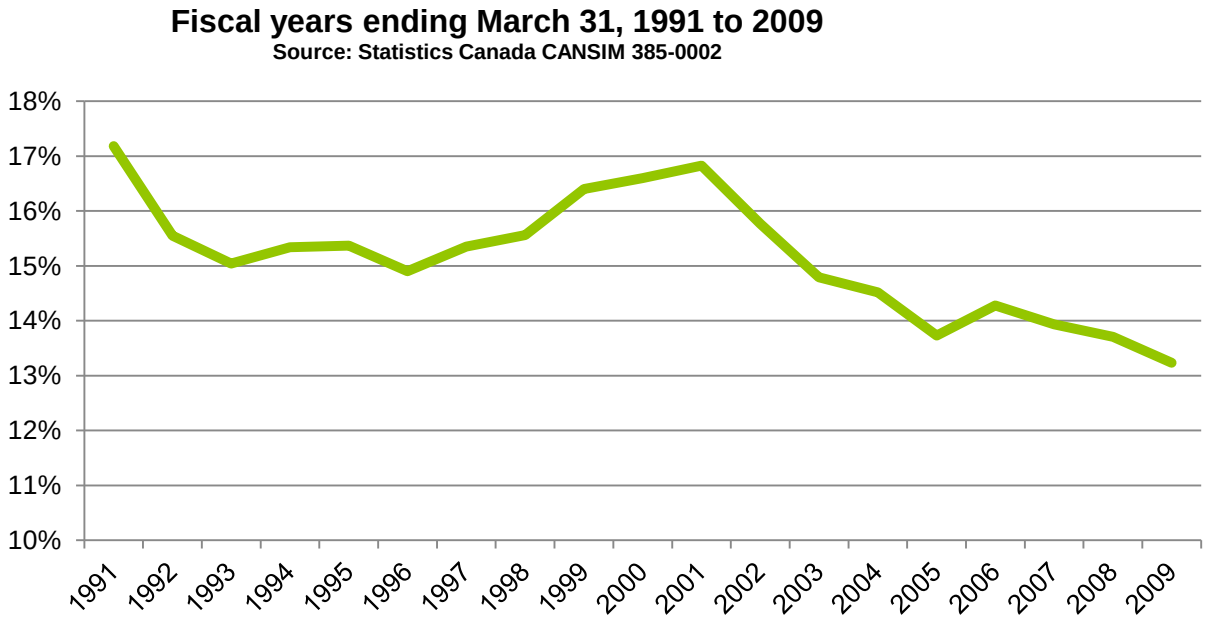
- It is entirely conceivable that a business with one or two employees each earning more than $100,000 per year would be exempt from this tax using the $400,000 payroll exemption. Working for an employer with a payroll below $400,000 does not mean that one is a low-paid employee any more than working for a large employer would mean that one is not a low-paid employee. As a consequence, highly-paid employees of "small" employers benefit from the exemption while low-paid employees of "large" employers bear the tax.

The case for closing the EHT loopholes cont'd...

Principle

- Public health insurance is not only a major benefit to Canadian individuals and families, it is also a significant competitive advantage for Canadian business. The EHT is the only tax levy that reflects in any way that competitive advantage, and in fact covers only a fraction of the cost of OHIP.

Employer Health Tax Share of Medical Care and Hospital Spending



Summary of Recommendations

- Stop the cuts to needed hospital services.
- Establish a clear set of services to be provided in small and rural community hospitals as per the Ontario Health Coalition's small and rural hospital report.
- Place immediate moratoria on cuts to rural and small hospitals (including amalgamated hospitals) and for-profit privatization of hospital services in all hospitals.
- Improve hospital funding to meet the average of other provinces.
- Place an immediate moratorium on privatized P3 hospitals.
- Request that the Ontario Auditor General conduct a full audit of all P3 hospital projects completed to date.
- Close the Employer Health Tax loopholes.
- Create a public non-profit home care system that reduces redundancies and directs funding to expanding care services.