

Ontario Health Coalition

Myth Buster



Hospital Funding in Ontario Budget 2016

March 24, 2016

Real-Dollar Cuts Across Ontario

Ontario's Wynne government has been claiming that it has increased public hospital funding this year by 2.1 per cent. This would not be sufficient to meet population growth and health care inflation levels, even were it true. But the truth is that most of Ontario's hospitals are not getting anywhere near a 2.1 per cent funding increase. The fact is that Ontario's 2016 budget leaves Ontario's hospitals facing cuts in real dollar terms for the ninth consecutive year.

To be clear, in the 2016 Ontario Budget, global hospital funding is not increasing by 2.1 per cent. It is increasing by 1 per cent.

While we are pleased that the government has moved off of 0 per cent funding increases (Ontario's government had frozen hospital funding for the last four years) the fact remains that this is another year real-dollar budget cuts for most hospitals because funding does not keep pace with inflation. Given the losses over the last decade and the deep hole that many hospitals now find themselves in, another year of real-dollar cuts will only deepen Ontario's hospital cuts crisis.

At the same time as setting real-dollar global funding cuts, Ontario's government has changed the hospital funding formula. As a proportion of total hospital funding, global funding (which covers overhead costs and general hospital operational costs) has been shrinking. Today, global funding is only 1/3 of hospital budgets. The hospital global funding crunch accounts for a great deal of the hospital cuts that we are seeing across Ontario.

Change to funding formula squeezes community hospitals

Ontario's government has changed the hospital funding formula. The Wynne government has been steadily shifting money for procedures like cataract and hip & knee surgeries to force these services to be centralized into fewer towns. The government is purposely underfunding community hospitals to force them to reduce the scope of services that they provide. Each hospital has to specialize in fewer and fewer services. Birthing units, mammography, complex continuing care beds, acute care beds, operating rooms, and all kinds of other services are closing down from a combination of real-dollar cuts to global funding and shifting monies that are tied to procedures. Patients have to drive from town to town to access care. The result? Across Ontario community hospitals have been gutted.

In addition, the new funding formula is taking money out of communities to shift it to high-growth areas, even if the hospital budgets in the communities' losing funding are already too low to meet their needs. Currently, the new funding formula means:

- Approximately 1/3 of hospital funding goes to global (overall) hospital budgets.
- The other 2/3 is made up of HBAM funding (Health Based Allocation Method –which takes money from some communities to move it to high growth areas) and pay-for-procedure funding (which is specified for cataract, hip & knee surgeries and other volume-based procedures and unused portions must be returned if volumes are not met). Note: even for high-growth areas, HBAM funding does not meet population growth and inflation needs.

There is other hospital funding that is specifically directed to cover post-construction operating costs and special funding envelopes directed specifically for specialized care such as organ transplants or children's hospitals, but that funding only goes to those select procedures in those select hospitals.

What is the Bottom Line?

Ontario hospitals are being cut. Across the board, their global funding increase this year is less than 1 per cent. This is far below the consumer rate of inflation which is projected to be 1.8 per cent this year and 2 per cent in 2017 (and the health care inflation rate is significantly higher). This follows four years of 0 per cent funding increases. It is the ninth consecutive year of real-dollar hospital cuts, meaning that hospital global funding increases have not even met the rate of inflation. This forces local hospitals to cut ever more services.

A minority of hospitals – usually larger hospitals and those in high growth areas and those that have highly specialized services like provincial childrens' hospitals or those that do organ transplants – will get a 2.1 per cent funding increase this year. Even so, this rate is not enough to meet their population growth and inflationary costs.

In addition, the provincial government is continuing with its funding formula changes to force the dismantling of community hospitals as we know them, to force specialization and centralization of care into fewer locations with patients forced to travel further for services.

