Ontario Health Coalition
Health Care Budget Issues and Pre-Budget Analysis
Media Briefing Note

Thursday, March 20, 2008

There will be significant controversies surrounding the budget this year for major health care sectors:

- Announced hospital funding levels are inadequate to meet population growth, aging and inflation. Seventy-five (75) hospitals face deficits in 2008-09, with a forecast increase to 104 hospitals facing deficits in 2009-10. There will be significant cuts and hospital restructuring if these issues are not addressed.

- In long term care homes, the government has been the target of aggressive campaigns for increased funding by the companies that own and operate the facilities. Unlike previous funding increases which have been given without strings attached to improve hands-on care levels for residents, this year, the government must attach a regulation to any funding increases requiring facilities to provide a minimum average standard of 3.5 hours of direct care to residents per day. No more public funds should go into increasing profit margins. The regulated care standard was a key election promise by Premier Dalton McGuinty.

- Dramatic cost increases in the privatized P3 hospitals warrant caution. The government has now announced more than 30 privatized P3 hospitals. In all the P3 hospitals to date, cost overruns have amounted to at least $1 billion in capital costs alone, and high private financing costs are shifting money away from care budgets to bricks and mortar - and profit-taking. The Provincial Auditor General is conducting an audit on the Brampton Civic Hospital P3. There should be a moratorium on further P3s pending the findings of that audit.

- The government will be announcing its next steps in homecare in the next few weeks. After a mass protest of more than 1,500 people in Hamilton after the non-profit Victorian Order of Nurses and St. Josephs were cut from the bidding process in January, the government placed a second moratorium on competitive bidding - the practice of tendering out homecare to for-profit and non-profit companies to compete for contracts every three years. The system has resulted in high administrative costs, unpopular dislocation for patients and reduced continuity of care, and massive nursing and personal support worker lay -offs leading to severe staffing shortages. The government should conduct open province-wide hearings on this issue, including the potential to create a public non-profit homecare system in Ontario as exists elsewhere across Canada.

1. Hospitals - Announced funding levels implausible and will lead to serious cuts

Seventy-five (75) hospitals face deficits in 2008-09. The situation is forecast to worsen in 2009-10 with 104 hospital facing deficits that fiscal year, according to a March 5 Ontario Hospital Association survey. The deficits are significant and will require service cuts if the government does not step in and provide needed funding. A list of hospital deficits that have been publicly disclosed and a mapping of "hot spots" is attached.

The McGuinty government previously announced global funding increases that will not meet inflation and population demographic changes for this current fiscal year and next. The funding increase for this year was announced at 2.4% to decrease to 2.1% next year. These are implausible levels of funding - below population growth and the inflation rate for hospitals[1] - and will result in service cuts and higher fees for patients if they are not addressed in this budget.

The government has required hospitals by law to balance their budgets and sign "accountability agreements" enforced by fines for hospital executives and boards if they do not comply. The Ministry of Health has provided a set of steps for hospitals to take to find increased revenues or cuts to balance their budgets (see below). These start with increasing revenues through parking fees and space rentals, then move to cuts and rationalization of services, starting with support services and progressing to clinical services.

The OHA is calling for $140 million across the board and an extra 1% for 63 small hospitals to keep them viable. It has recommended that hospitals should not sign accountability agreements that require cuts and/or are unfeasible.

This is already significant news across Ontario, and unless the provincial budget provides the required funding for hospitals, we will see more hospital restructuring, including movement of services away from local communities, "load shedding" of services by hospitals, and higher fees for patients where allowed.

The provincial government is undertaking a new round of hospital restructuring under the radar. The government has given itself and the Local Health Integration Networks (LHINs) new restructuring powers to order transfers, amalgamations and closures of services across their vast geographic areas. The Ministry of Health is moving away from global budgets for hospitals to price-based competition for hospital funding (called Health Based Allocation Model or HBAM) which will centralize services away from local communities, superceding local hospital board's decision-making powers and community need. This has been done in the U.K. where it has resulted in significant privatization, high administrative costs and massive protests as local hospital programs are moved or cut. The Ontario Health Coalition is calling for an across-the-board increase in global budgets to meet population need for hospital services.

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[1]Ontario Ministry of Finance 2007 Ontario Economic Outlook and Fiscal Review. Table 17, Selected Expense Risks and Sensitivities shows Hospital Net Expense Annual Growth Assumption for 2007-08 at 7.7%. A one percent change from this growth assumption represents $174 million.

Ontario Hospital Deficits Publicly Reported To Date

Central

Scarborough, Ajax-Pickering - Rouge Valley
07/08 $6.5 mln deficit projected
Latest reports: a $40 million operating debt and $35 million capital debt
Warnings of significant lay offs to nurses and other staff, unspecified impact on services

Oshawa - Lakeridge
Unspecified debt
(Oshawa-Whitby-Clarington This Week, Feb 13/07)

Peterborough
07/08 $6.5 million deficit projected

Muskoka
Complex continuing care beds across the North Simcoe Muskoka LHIN may be cut by 13 beds
(Internal Memo from North Simcoe Hospital Alliance, Oct 19/07)

Bracebridge/Huntsville
07/08 $1.2 million deficit projected
08/09 $2 million deficit projected
Consultant hired to look at operational costs and revenue streams
Awaiting results of lab service pilot review in March. Community lab services may be discontinued depending on report

Owen Sound - Grey Bruce Health Services
Owen Sound Hospital is reporting long waits in ER. Officials will not disclose financial situation.

Collingwood General and Marine Hospital
$1.3 million deficit projected on operating budget of $35 million

Brampton William Osler
Brampton Civic Hospital reported underfunded operational budget earlier this year.
Services moved from Etobicoke General to Brampton Civic Hospital last spring.

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South-West, Hamilton & Niagara

Niagara Health System
07/08 $15 million deficit projected
08/09 $16 million deficit projected
09/10 $15 million deficit projected
The hospital has already identified $12 million in "savings" over the next two years or the deficits would be worse**.**

London Area
The South-West LHIN has said that four hospitals in the London region face deficits this year but officials declined to say which hospitals.

Woodstock
07/08 $2.65 million deficit projected. Hospital at 105% occupancy, patient stays up 6%.

Sarnia Bluewater
$4.5 million deficit was projected for 2006 resulting in $3.5 mln service and staff cuts
07/08 $1.8 million deficit projected
- rate for semi private rooms increased from $200 to $210 and private rooms went from $245 to $250 on July 1, 2007, parking fees increased.

Cambridge Memorial
$3.5 million deficit was projected for 07/08, 24 employees eliminated. Open job positions were left unfilled, nursing hours reduced and parking fees increased.

Leamington
08/09 $1 mln deficit projected
09/10 $2 mln deficit projected
Steering committee set up to review services. Warren Chant, CEO of LHIN says "all of the core services of the hospital from ER to Obstetrics to ICU to surgery and all administrative, diagnostic and support departments, are currently being looked at." (Leamington District Memorial Hospital press release, Oct 5/07)

St. Thomas-Elgin General
Therapy pool used by over 200 people a week closing at end of March.

Strathroy and Newbury Hospitals
Strathroy has $2.2 million deficit on $30 million budget. The hospital closed three long term care beds to try to reduce costs, but may have to re-open the beds because of patient need.
Newbury has $500,000 deficit on $10 million budget.
Entire operations of both hospitals being looked at by LHIN, but service cuts under consideration are secret.

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East & South East

Childrens Hospital of Eastern Ontario (CHEO) - Ottawa
This year, the hospital cut $1.7 million by closing 7 beds and eliminating 20 nursing positions. The hospital is projecting a deficit for next year. "We're reached a point where we don't know what else to cut without closing clinics or closing additional beds and reducing access," said Michel Bilodeau, CEO of the Children's Hospital of Eastern Ontario.

Queensway-Carleton Hospital

As of last week the hospital was still negotiating its budget with the LHIN

Cornwall

07/08 $4.7 million deficit projected

08/09 $6.7 million deficit projected

09/10 $9.6 million deficit projected

A consultant has been hired to help balance the budget. Officials have not made public any proposals for cuts yet.

Quinte

08/09 $10.6 million deficit originally projected, reduced to $3.6 mln by projected “savings” not yet detailed or approved by board. Hospital may be forced to curb 4 bed expansion in ICU and put ER expansion on hold. Proposals have also included increased parking rates, cuts to admin and support staff, centralized purchasing across the region, and pharmacy and lab service cuts and consolidation. Current proposals are secret.

Campbellford Memorial

Unspecified deficit projected for 08/09

There is a proposal to shut down OR (day surgery)

Northumberland

07/08 $500,000 deficit projected

08/09 $1.5 million deficit projected

Kingston General Hospital

07/08 $13.5 million deficit projected

08/09 $24 million deficit projected **.**The Ministry of Health has sent in a Supervisor to investigate.

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North

North Bay

07/08 $2 million deficit

Predicting deficit for next two years

West Nipissing General Hospital

08/09 and 09/10 $350,000 deficit projected for each year

Mattawa

07/08 $120,000 deficit projected

08/09 $260,000 deficit projected

09/10 $350,000 deficit projected

Sudbury

$3.5 - $5 million deficit projected for next year

Sault Ste. Marie

$9.12 million deficit for current year, up from earlier projection of $5.8 million

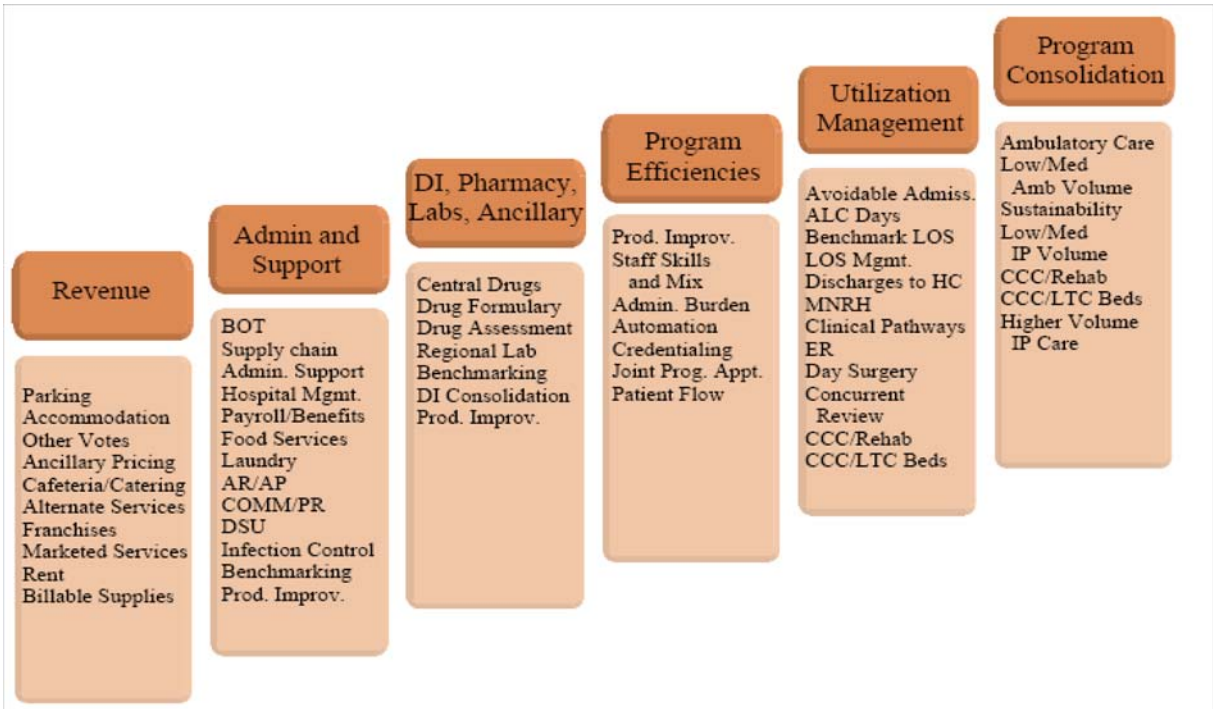
08/09 $8 million deficit projected

Kenora - Lake of the Woods District Hospital

Budget plan showing a deficit of $500, 000 and $900,000 over next two years was rejected by the LHIN. Recovery plan of cutting the Intensive Care Unit was also rejected.

(Total hospital budget is approx. $37 million)

Hospital Priorization Framework- from MOHLTC Hospital Annual Planning Submissions Guideline 2007-08 (steps to find revenue increases and budget cuts to eliminate hospital deficits)



The ministry's Prioritization Framework provides a stepped methodology to approaching decisions toward achieving a balanced operating position. Examples of hospital strategies that can be used in the various steps have been provided in Appendix A to generate ideas for expense reductions during hospital planning. The examples provided are not an exhaustive list and hospitals are also encouraged to consult with other peer hospitals to benefit from the learning experienced during the 2006/07 HAPS process.

These guidelines have been vetted through consultation with several hospital sector leaders prior to their completion. They are meant to assist the hospitals in consideration of opportunities for greater efficiency of operations and to align any changes in clinical services offered by the hospital with more strategic considerations. The ministry will use these guidelines as an evaluative framework in assessing hospital's expenditure reduction or revenue generation strategies identified in the HAPS.

Hospitals are expected to clearly outline the decision-making tool utilized in order to identify and categorize savings and revenues within the Prioritization Framework. The goal is to clearly portray the relationship between the savings and revenue options presented by the hospitals in the HAPS in comparison to the Prioritization Framework.

2. Long Term Care Homes - Strings Must be Attached to New Funding

The long term care homes sector has been plagued by widely-publicized reports of inadequate levels of care for years, culminating in the Health Minister's recent controversial musing about personally wearing an incontinence product for 24 hours. Last week, a major international report was released revealing extremely high rates of violence and injury in Ontario's long term care homes.

Last year, the McGuinty government passed a new Long Term Care Homes Act and promised to bring in a regulated care standard. Again, during the provincial election, Premier Dalton McGuinty promised to bring in a regulation guaranteeing a care standard across the province within three months of the election. The government has still not come through.

The key issue in this sector is that the government must attach strings to funding to ensure that it is spent on improving hands-on care. The Ontario Health Coalition, all the major seniors' groups, nurses, unions and others have been calling for a care standard to provide an average of 3.5 hours of care per resident per day. This regulated average care level would be contoured to the system for assessing care needs of the homes resulting in higher required care levels for homes with demonstrated higher levels of acuity and lower required care levels for homes with demonstrated lower levels of acuity.

Ontario has the highest rate of for-profit privatization in long term care facilities in Canada. The McGuinty government has continued with the Harris government's process for contracting with for-profit companies to build, own and operate new long term care homes, paid by public funds.

This year, the Ontario Long Term Care Association (for-profit homes) and the Ontario Non-Profit Homes and Services for Seniors (non-profit homes) are campaigning for increases in funding of between $500 and $600 million, including funding in the profit-taking envelope and in capital costs which allow for profit-taking. The OLTCA wants funding for 3 hours of care, and increases in funding in the funding envelopes which allow for profit-taking, without a specification that there would be a clear and enforceable regulation requiring companies to spend that money on front-line care.

There have been significant funding increases in this sector in recent years. The majority of this funding has gone to increase the number of beds, as has much of the staffing increase reported by the government. The issue of increasing care levels in existing beds has not been clearly reported by the government.

Ontario LTC Homes - Hours per resident day (average):

Phases	Paid Hours					Worked Hours				
Phases	1 (1st Q. 2005)	2 (2nd Q. 2005)	3 3rd Q. 2005)	4 4th Q. 2005)	5 (March 2006)	1 (1st Q. 2005)	2 (2nd Q. 2005)	3 (3rd Q. 2005)	4 (4th Q. 2005)	5 (March 2006)
Nurse Practitioner	0.0002	0.0001	0.0001	0.0001	0.0001	0.0002	0.0001	0.0001	0.0001	0.0001
Clinical Nurse Specialist	0.0003	0.0003	0.0003	0.0003	0.0003	0.0002	0.0002	0.0003	0.0003	0.0003
Infection Control Practitioner	0.0005	0.0005	0.0005	0.0005	0.0007	0.0004	0.0005	0.0005	0.0005	0.0007
Registered Nurse	0.341	0.354	0.363	0.366	0.364	0.312	0.319	0.332	0.331	0.331
Registered Practical Nurse	0.361	0.376	0.380	0.388	0.395	0.329	0.335	0.344	0.345	0.354
Personal Support Workers	1.9	1.972	2.046	2.071	2.081	1.725	1.760	1.852	1.844	1.877
Total	2.611	2.710	2.798	2.836	2.851	2.375	2.421	2.538	2.529	2.573

Note: "worked hours" is defined as including breaks, but excluding vacation, statutory holidays, sick time, education, bereavement, and other paid absences. The phases reflect quarterly reporting by facilities up to the final quarter (#5) ended March 2006.

Note: Reported staffing levels were disclosed by the government only after a Freedom of Information Request last year. Publicly-disclosed levels (see next page) are available only to March 2006. Another FOI has been sent in for updated figures. This level of secrecy is unacceptable.

3. Hospital Infrastructure - P3 costs soaring, will shrink money available for health care

The Ontario government has thirty-five (35) privatized P3 hospitals announced or in process. Of these, approximately a dozen projects will include long term privatization (20 - 30 years) of hospital management and service functions. The first two P3 projects in Brampton (William Osler Health Centre - Brampton Civic Hospital) and Ottawa (Royal Ottawa Hospital) have been plagued with serious problems and major cost overruns. In fact, all the P3 hospital contracts signed to date show significant cost overruns totalling almost $1 billion.

The unnecessarily high costs of privatizing the financing and services of the hospitals will redirect public funds to bricks and mortar - and profit-taking - limiting funds available for health care services. In Brampton, independent economist Hugh Mackenzie found that the higher interest rates on private financing meant that the hospital cost $174 million more than if it were financed publicly. Former Director of the Auditor General's Office of Canada found that the P3 deal included $430 million in higher interest, management fees and dividends for equity investors, on a hospital that was projected to cost $350 million in total at the outset of the P3 process. In the U.K., the British Medical Journal found that the high cost of the P3 hospitals resulted in 30% cuts to hospital clinical budgets.

The controversy has resulted in the Ontario Provincial Auditor conducting an audit on Brampton's hospital P3. The Ontario Health Coalition has called for a moratorium on hospital P3s pending the results of this audit.

Table 5. Ontario P3 Hospitals Cost Increases (Capital Costs Excluding Equipment)			
Community	**Projected Costs** **(final publicly reported costs prior to tendering)**	**Final Reported Costs At Signing of Project Agreement**	**Cost Increase**
Brampton	**$350 million (reported cost by WOHC and MOHLTC 2001 - 2003)**	**At least $650 million (2007) for a building that was substantially reduced in capacity from initial design**	**$300 million**
North Bay	**$218 million (2005- reported by hospital)**	**$551 million (2007 - disclosed by leaked document printed in local newspaper, confirmed by government)**	**$333 million**
Royal Ottawa	**The project was capped at $100 million (2001- reported by hospital)** **(announced twice more on September 9, 2003 and July 6, 2004 at cost of $100 million - by government releases reported in Ottawa Citizen.)**	**$146 million (2006- disclosed by hospital)**	**$46 million (note: this was the reported cost at the hospital opening. However, it has since been reported that the building is incomplete and has significant construction problems. It is not clear whether this is the final cost.)**
Sarnia	**$140 million (2005 - reported by hospital)**	**$214 million (2007 - disclosed by leaked document reported in newspaper, confirmed by MPP)**	**$74 million**
Sault Ste. Marie	**$200 million (2005 - reported by hospital)**	**$408 million (2007 - disclosed by hospital)**	**$208 million**

Ontario Privatized P3 Hospital Projects To Date

(Hospitals marked with an asterisk * will likely include long term management and service privatization - 20 to 30 years)

P3 Hospitals Completed

Brampton Civic Hospital (William Osler Health Centre)*

Royal Ottawa Hospital*

Infrastructure Ontario- Listing of P3s In Process (March 19,2008)

Projects Under Construction:

Hamilton Health Sciences - Hamilton General Hospital

Hamilton Health Sciences - Henderson General Hospital

Montfort Hospital

North Bay Regional Health Centre*

The Ottawa Hospital Regional Cancer Program

Quinte Health Care

Rouge Valley Health System

Runnymede Healthcare Centre

Sarnia Bluewater Health

Sault Area Hospital*

St. Joseph's Health Care, London (Phase 1)

Sudbury Regional Hospital

Sunnybrook Health Sciences Centre

Trillium Health Centre

Request for Proposals Closed - Submissions Under Review

Credit Valley Hospital

London Health Sciences Centre/St. Joseph's Health Care, London (Phase 2)

Request for Proposals Open

Kingston General Hospital

Niagara Health System*

Toronto Rehabilitation Institute

Woodstock General Hospital*

Pre-Qualified Bidders Named

Lakeridge Health

Royal Victoria Hospital

Windsor Regional Hospital

Request for Qualifications Closed

Hamilton Health Sciences - McMaster University Medical Centre (MUMC)

Request for Qualifications Open

Bridgepoint Health*

Pre-Tender

Centre for Addiction and Mental Health (*Phase II redevelopment will likely involve long term privatization)

Halton Healthcare Services*

Humber River Regional Hospital*

Markham Stouffville/Toronto Grace Hospital*

St. Joseph's Health Care - Hamilton

St. Joseph's Health Care - Parkwood Hospital

West Lincoln Memorial Hospital*

Women's College Hospital

4. Homecare - Costs and Competitive Bidding Mired in Controversy

In January more than 1,500 people joined a public protest in Hamilton against “competitive bidding” - the system that forces repeated tendering of homecare contract to for-profit company and non-profit agency bidding. The non-profit VON and St. Josephs who were currently providing the service and had provided home nursing for decades in Hamilton, were deemed ineligible to continue in the bidding process, according to secret criteria. As a result of the outcry, the provincial government placed a moratorium on competitive bidding across the province. This is the second moratorium as a result of public protests against this competitive bidding system. The Ministry will likely decide its next move in the next few weeks.

Competitive bidding, a form of privatization pioneered in Thatcher's Britain and Reagan's America, was introduced by the Harris government. Before 1997, non-profit organizations provided homecare in a model that favoured cooperative relationships among agencies. But when the new system forced head-to-head competition with for-profit providers - including investor-owned multinationals – cooperation was lost, services were cut, and administrative costs ballooned.

Competitive bidding has proven to be very costly. Public funds are transferred through no less than four sets of administration before a single dollar reaches hands-on caregivers: from the Ministry, to the Local Health Integration Network (LHIN), to the Community Care Access Centres (CCACs), to the provider agencies. Each community must maintain a pool of 8-10 agencies to make bids. The contracts awarded must be of sufficient size to maintain all the duplicate administrations with their managements, data systems, personnel systems, offices and overheads. Bidding itself is expensive. The Ontario Community Support Association priced a single bid at $30,000 in 2001, not including what it the costs the CCACs for full-time bid-rating and oversight staff.

While homecare is touted as the solution to hospital deficits, the sector struggles with staff shortages and instability as employees migrate to jobs in hospitals and long term care facilities with more job security, higher pay and better benefits. Every three years, at bid time, thousands of experienced nurses and personal support workers lose their jobs, seniority and benefits, only to face the same dislocation again three years later. Turnover rates, a vital indicator of homecare quality, are higher than 50 percent. Care has been disrupted again and again for thousands of vulnerable patients at each round of bidding. The great irony is that the winning agencies typically compete for the staff just laid-off by the losing agencies. No other part of our health care system relies on such an expensive, damaging and ineffective regime.

During the first moratorium on competitive bidding, Elinor Caplan's mandate for reviewing homecare was not broad enough to question competitive bidding itself. This time, wider options should be on the table, including creating an integrated public/non-profit homecare system that rejoins case management and care provision. The Ontario Health Coalition is calling for province-wide hearings to forge a solution to the problems created by competitive bidding in homecare.