



NEWFOUNDLAND
AND LABRADOR

HEALTH BOARDS ASSOCIATION

NLHBA RESPONSE TO *GOVERNMENT'S PLAN*

*TO RECOVER THE PROJECTED ANNUAL DEFICIT
OF \$18 MILLION FROM THE INSTITUTIONAL SIDE
OF THE HEALTH SYSTEM*

NLHBA Mailing Address

P.O. Box 8234
St. John's, NF
A1B 3N4

NLHBA Delivery Address

Beclin Building
1118 Topsail Road
Mount Pearl, NF
A1N 2M3

Telephone (709)364-7701
Facsimile (709)364-6460
Email nlhba@nlhba.nf.ca
Web Site www.nlhba.nf.ca

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1 Introduction

On Monday, September 10, most of the Board members of the Newfoundland and Labrador Health Boards Association (NLHBA) participated in a conference call with Premier Roger Grimes and Minister Julie Bettney, in which the Premier and Minister Bettney presented Government's plan to address the \$18 million deficit projected for this year due to the delivery of institutional health services to the population of this province.

The Board of Directors of the Newfoundland and Labrador Health Boards Association is composed of the Chairs of the Boards of Trustees appointed by Government to govern the fourteen Health Boards in the province. The NLHBA speaks as the collective voice of those dedicated voluntary trustees, who serve in the public interest, and are accountable to the Minister of Health and Community Services and the public. The relationship between the Health Boards and the Minister is seen by the Association as a valuable and essential component of the health system in this province.

2 Roles and Responsibilities: the Consultation Process

In recognizing the challenges ahead, Health Boards are willing to work together with Government and other stakeholders, including physicians, to resolve the issues which need addressing. The consultation process being recommended by Government is a positive step towards seeking alternatives to address the projected deficit in the health system. Employees who work day-to-day in the work environment often have very creative solutions on ways to solve problems.

2.1 *Mandate and accountability of the Health Boards and that of the unions.*

Government, and through delegation of authority, Health Boards, have the obligation to clients, taxpayers and the public in general for the delivery of health services. Unions have the primary obligation to protect and advance the rights of their members, who are our employees. Given these interests and roles, consultation with unions, as opposed to groups of employees in their individual work environment, may not reach consensus over solutions to the deficit problems. Union leaders have already stated that they cannot accept solutions that adversely affect their members so it is hard to identify what their role would be.

2.2 *Process issues*

- Many of the Health Boards are already in the early stages of implementing the pre-determined plans, with the support of Government, that were called for by Government earlier in the year.
- The process of consultation over each stage of the plan was designed to be gradual and according to pre-determined principles.
- This process is significantly different from consultations with parties such as unions over ways to control costs and allocate funds in the budget. The Health

Boards need direction by Government over how to marry these different methods of doing business, since the first process is already under way.

- The proposed process will require additional financial and human resources;
- At least one Health Board has signified its intention to hold a full consultation process with all internal stakeholders, including staff, management, resident/clients/patients and families. All groups including unions, will be invited to present their ideas for cost savings.

Some fundamental process questions will need to be discussed with Government, including: What level of detailed information will need to be provided to unions? How extensive should the consultation be? Who will be the final arbiter in the case of irreconcilable differences between the unions and the employers?

2.3 Realities and Challenges

Health Boards recognise the financial realities of running the health system in this province. Government has pointed out that the amount of \$1.4 billion, or 44% of its annual budget, is devoted to the health system. The Premier has indicated that there are no additional dollars available. This is what we have to work with in the health system and Health Boards are ready to take an active role in working towards solutions. The Romanow Commission at the national level, and the Health Forums at the provincial level will also engage the public, providers and Government in a review and decision-making process for the sustainability of the health system. This is our opportunity to engage all stakeholders in this important process.

Before any final actions are taken, the Board would like to take the opportunity to communicate to the Minister and the Premier some of the inherent difficulties which will need to be addressed or at least recognized in the process of controlling costs:

- Issues over which Health Boards have limited control, such as physicians' compensation and service delivery, other health human resources supply and compensation, increasing public expectations;
- The interconnected nature of the health system, where changes in one area of the province adversely affect other areas. Because of this, potential effects on other parts of the system should be assessed and balanced against the potential savings, with all actions requiring approval by Government on this basis. It is essential for the wellbeing of the health system as a whole that Government take a leadership role in reorganizing the health system;
- The continuously evolving environment, which includes not only the standard issues of new drugs and technologies, but at this most critical time, the upcoming collective bargaining with nurses and potential job action by physicians, which will likely adversely affect co-operation by those most able to influence the outcomes of our plans. In addition, physicians have not been included in this consultation process even though utilization issues have to be

considered in reducing costs. Physicians are one of the major cost drivers of the health system;

- The studies that have been done in the past which have not revealed any significant opportunities to reduce costs in the operations of the Health Boards offering services under the current service mandate, such as the John Abbott Report;
- The national context, where the struggles of the health system in every province across Canada to continue to meet the needs of Canadians in a cost-effective manner have generated numerous reports without any consensus on the best way to address the issues. Our province is therefore not alone with its challenges.

3 Operational Issues:

In its letter dated May 17, 2001 to the Deputy Minister of Health and Community Services (attached), the Association gave notice of its concerns that unless there were major changes in the organization, level of service and the delivery of services in the health system, Health Boards would experience a deficit, probably as large as \$20 to \$30 million.

There has been no such major change in the delivery of services in the health system over the past six (6) months, other than, in many cases, increased services based on demands from the population of the Province. As a result, the projected deficit of \$18 million for institutional services should be no surprise to Government. Health and Community Services and Integrated Boards are also projecting a deficit for community-based services, again based on the fact that there has been no change in the mandate for delivery of services to the population of the Province.

3.1 Real Cost of the \$18 Million Deficit

Since no earlier approval was forthcoming from Government to reduce services in line with the measures proposed by Health Boards, the size of the problem has been significantly increased. The \$18 million annual deficit for delivery of institutional services will most likely equate to double that amount in real costs, due to the required reduction in services, between now and March 31, 2002. Minor modifications to service delivery would not result in an annualized saving of \$18 million. The major reductions, closure of services and lay off of employees that will be required will cost our Health Boards many additional dollars through the lay off process, bumping, reorientation of staff, severance pay and general disruption of service delivery. Severance costs were not covered by Government in the last fiscal year, costs that have been added to the deficit.

Clarification of whether Government will cover these costs is essential, as otherwise these amounts will need to be added to the projected deficits of Health Boards delivering institutional services.

3.2 Exact Deficit of Each Health Board

Health Boards need to know how the Department of Health and Community Services (DH&CS) calculated the amount of the deficit, at what point in time the calculation was made and what information was used in the calculation. Most Boards have submitted proposals to the DH&CS that would reduce their deficits, and have not received an answer from the Department as to whether or not these proposals are acceptable. As a result, Boards do not know whether the cost savings associated with these proposals are included in the \$18 million.

We also understand from the conference call meeting with the Premier and the Minister of Health and Community Services on September 10th that the deficit of each Health Board would be communicated to the unions. It is therefore important for DH&CS to advise each Institutional and Integrated Board of the methodology and timing of the deficit calculation before starting discussions with the unions.

3.3 Disclosure of Information

Health Boards Trustees recognise that service demands exceed available resources, therefore it will be necessary to reduce service levels. Government support will be required before such actions are taken. Recognizing the sensitivity of these decisions, appropriate processes and time schedules will need to be put in place to share this information with the appropriate stakeholders. Past experience suggests that this is the best approach.

As indicated in the discussion on process, the proposed three-year action plans contain many sensitive issues that, for the most part, have not been discussed with managers of our organizations. In many cases the actions have received no approval from the Department of Health and Community Services for the cost-saving measures proposed. From an operational point of view, most of the proposed three-year action plans require major changes in service delivery, which will cause considerable upset amongst employees and limit co-operation in identifying cost saving measures. Health Boards need time to make sure that key stakeholder groups, including health professionals, municipalities and politicians, are aware of potential changes. Consequently it would be inappropriate at this time to have these plans discussed or made known to the unions.

3.4 Collective Bargaining

Several of our organizations have pointed out that collective bargaining issues have not been fully funded, even though commitments have been given by Government to fully fund the cost of benefits contained in Collective Agreements. Our Board is on record as stating that no future Collective Agreement would be signed without a commitment for full funding of the cost of benefits by the Provincial Government. In addition, reclassifications of positions in our organizations have not been fully funded by Government.

These costs are added to the deficits of our organizations. If Government is to honour its original commitment on funding these items, these costs should be identified and removed from our deficits.

3.5 *Approved Expenditures*

Government have requested that no new services or increases in existing services occur without specific approval from Government. We need timely responses to these requests and willingness by Government to support the decisions once they are made.

- Some Health Boards have expressed grave concern over the issue of one-time savings. In the past, to meet fiscal responsibilities, one-time savings have been identified, such as temporarily leaving unfilled a much needed health professional position, which have then been designated by DH&CS as permanent, reversing the previously-given approval for the expenditures.
- Health Boards have received written commitments on funding from DH&CS for particular services and programs, only to find out later that no funds are available in spite of the prior approval of the expenditure. The cost of those services and programs also have become part of the deficit

3.6 *New Drugs*

Several of our organizations have had to pay the cost for new drugs which have been required by patients in our organizations for which they have not been reimbursed by DH&CS. We recommend that Government should make the decision either not to allow these new drugs to be provided or to pay the cost. The uncertainty on this issue means that the unfunded drug cost is currently adding to our deficits.

4 Health and Community Services Boards

The Health and Community Services sector of the health system has not been involved in these discussions by the Department of Health and Community Services or the Premier. Each of these organizations is projecting deficits to the end of March 2002 with no indication that any or all of these expenditures will be paid by Government.

Tenders are being called to conduct an operational review of the four Health and Community Services Boards and the two Integrated Boards that provide community-based services throughout the Province. This review is to include a thorough analysis of all aspects of these Boards' operations, including financial, service delivery and organizational processes. The Newfoundland Cancer Treatment and Research Foundation is also embarking on an operational review.

The Association invited the Board Chairs and CEOs of these organizations to participate in the recent discussions to keep them informed about what is happening on the

institutional side of the health system. These Board Chairs and CEOs are concerned that future changes in the Institutional Boards may place greater demands for services on our Health and Community Services and Integrated Boards, demands that these Boards may not be able to meet without additional financial and other resources. Because of this, the Association welcomes the final statement in Government's draft Operating Principles for this process, that "Government will not support measures which have the effect of displacing costs from one board to another, unless it is the result of prior dialogue and agreement between the two boards."

In future, we recommend that discussions on deficits should involve all Health Boards.

5 Conclusion

Collective efforts are required to deal with the many complex issues in the health system. The Romanow Commission and the Provincial Health Forums are mandated to engage the public, providers and policy makers to develop strategies to ensure the sustainability of our health system. Health Boards in this province are ready for a productive dialogue with all stakeholders on creative ways to eliminate the deficit, but require further direction and support from Government on the issues outlined above.

