



NEWFOUNDLAND  
AND LABRADOR

**HEALTH  
BOARDS  
ASSOCIATION**

**Budget Presentation  
To  
Minister of Finance and  
President of Treasury Board**

*NLHBA Mailing Address*

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

*NLHBA Delivery Address*

Board of Trade Building  
Suite 202  
66 Kenmount Road  
St. John's, NL  
A1B 3V7

Telephone (709)364-7701  
Facsimile (709)364-6460  
Email [nlhba@nlhba.nf.ca](mailto:nlhba@nlhba.nf.ca)  
Web Site [www.nlhba.nf.ca](http://www.nlhba.nf.ca)

**February, 2004**

## **MISSION**

As the federation of *publicly-funded* health boards, the NLHBA is the collective voice of its members and provides advocacy, guidance and selected services to support the delivery of high quality health and community services in all regions of Newfoundland and Labrador

## **DEFINITION OF “HEALTH”**

Health is a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity.

*World Health Organization*

## 1. INTRODUCTION

The Newfoundland and Labrador Health Boards Association (NLHBA) is the federation of health boards that serve Newfoundlanders and Labradorians across the province. Through its membership, the NLHBA represents the regional Institutional Health Boards, the regional Integrated Health Boards, the regional Health and Community Services Boards, the St. John's Nursing Home Board and the Newfoundland Cancer Treatment & Research Foundation. These Boards are governed by voluntary trustees, who are appointed by the Minister of Health and Community Services and **serve without payment** in the public interest in this demanding sector.

To provide input to the budget process, the NLHBA annually presents its key concerns for the health and community services system in the Province. For the first budget of the new Government, we look forward to your response to these comments and recommendations from the Health Boards, based on the realities of delivering the programs and services in the health and community services system for our Province. The recommendations and issues discussed below have been identified by Health Boards as consistently important across all regions of the province. Issues particular to a region will be, or have already been, presented by individual boards in the region in question.

## 2. NEW STRATEGIES

The NLHBA welcomes the new Government and looks forward to a productive relationship and a fresh, innovative approach to the health and community services sector.

**Strategic Thinking:** The Department of Health and Community Services' Strategic Health Plan, *Healthier Together*, (SHP) was released in 2002. Strategic planning is strongly supported by Health Boards, and the health and community services system had long advocated for a strategic framework for planning and delivering health services. Our members took an active part in the consultations leading to the SHP and have been reviewing their own strategic plans to bring them into line with the strategic directions of DOHCS. The hope is that this will support Health Boards and DOHCS working together and coordinating strategies and priorities in order to improve services and make best use of resources for the benefit of the population.

The SHP is a living document that must be regularly modified to adapt to change. The NLHBA looks forward to a review and renewal of strategic thinking in order to set the priorities for this year for actions to be taken in 2004. It is important to ensure that the public is not receiving mixed messages on the directions of the health and community services in the context of budget challenges.

As a basis for forward planning by Health Boards in the regions, location of services; and review of board structures in the regions are two crucial initiatives for Government. Government has already done considerable work and consultations on both these initiatives and there is a feeling that the necessary information to make these important decisions may have already been identified. Decisions on each of these issues are essential before further planning can take place. Plans for the future, both fiscal and organizational, will hinge on where services are to be located and who will deliver them. Boards are ready to work with Government over these important leadership decisions and will be ready to implement the decisions once Government has announced its plan.

**Location and Levels of Services:** In order to apply provincial resources in the most effective manner, it is clear that decisions on the location and level of services to be offered in the province need be made provincially, particularly in the context of the need to be fiscally prudent. The need to balance the Health Boards' budgets and to use Boards' health funds to repay debt will lead to the reduction of services. It is preferable that this happen in a planned and prudent manner as a needs-based decision from a provincial perspective in order to avoid leaving people without access to health services.

The NLHBA recognizes that these are sensitive and difficult decisions. However, we are optimistic that provincial leadership in making these decisions will bring some order and clarity to the process. In this province there is a small population of just over 500,000, scattered over a huge landmass with only a few small urban areas. These demographics lead to specific challenges in the delivery of health and community and related challenges of recruitment and retention of health human resources in rural and remote Newfoundland and Labrador. With the outmigration of our young adults, the healthiest section of the population, the difficulties of offering health services in rural and remote areas of Newfoundland and Labrador have intensified. The frail and sick are often left without family support and the publicly-funded health system has to address their needs under less than optimal conditions. Unfortunately, per capita allocation of federal health funding, via the CHST (soon to be the CHT), has taken none of these challenges into account in calculating provincial funding and our resources are severely strained under the current service delivery mandate.

Through the Community Accounts, targeted research and the Newfoundland and Labrador Centre for Health Information initiatives, we can identify the needs of the population in each area. A strategic framework can be developed, with principles for selecting the health services that should be offered to meet those needs, the human and other resources required to provide the level and type of services, and the locations for the services. We hope that there will continue to be a focus on wellness, with strategies to strengthen the public health infrastructure as well as the core program structure. Health Boards can then deliver health and community services in their regions based on a rational overall plan that can be operationalized according to the needs and circumstances of each region. Individual Health Boards in their regions cannot make such a decision. It is clear that we cannot offer all services in all places without compromising quality, so decisions on where to locate services need to be made on a provincial basis. Without the

provincial perspective, we run the risk of failing to use our resources in the most effective way and spreading our provincial resources too thinly.

As an example of the need for clear provincial direction, some Boards are working on implementing Primary Health Care (PHC) networks. All change in the health and community services systems has associated costs, and the PHC networks are no exception. We note that primary health care received support in the "Blue Book," but are awaiting further direction on whether the current form of activities will continue to be supported.

As part of any location of services decisions, a health human resources strategy will be needed. On the retention issue, some advances have been made towards a more competitive level of funding for health salaries and wages, although enhanced salaries are also needed to prevent critical numbers of health management and health professionals leaving the Province or the health system. There are concerns in clinical positions, senior management, information technology professionals, in addition to longstanding compression issues in level 1 management due to reclassification of union bargaining units. A Health Human Resources strategy, using the reliable data from the Health Human Resources Planning group, should address the serious shortage and lack of forward planning for training, recruitment and retention of health professionals in the light of decisions on the location of services and the regional board structure in the Province and the effects of the public service wage freeze.

We note that decisions to offer certain types of services only in certain areas may need legislative change where delivery of those services is mandated by legislation, and will certainly need policy change across the province to accommodate the new framework. It is also important to recognize that changes in any part of the health and community services system will affect the entire continuum of health and community programs and services. Decisions should be made in the context of the entire health and community services system, taking into account the costs of travel and the appropriate levels of service.

**Review of Regional Board Structure:** The NLHBA appreciates the support given to the regional delivery of health and community services as making sense in a largely rural province where the population is dwarfed by the geography of the province. We believe that this is indeed the best way to ensure that the needs of the community are met, given the resources available for the purpose.

Health Boards in some regions where there is more than one board have in fact already initiated discussions and action on this topic. They have been holding regular meetings on co-ordinating and/or sharing services or have already presented proposals to DOHCS on their chosen regional structure. Effective partnerships have also been developed with other organizations in the regions, forming strategic social networks to address health issues such as mental health needs from a multidisciplinary, health determinants perspective. It must be emphasised, however, that there are significant regional differences in this matter, so any decisions on board restructuring would be most

productively made according to the circumstances in each region while recognizing the initiatives already under way. Health Boards believe that good decisions can be made through consultation with the Boards involved that will benefit the provincial population through better co-ordinated services and programs. It is fair to say that there will not be significant savings to the health and community services system by moving to regional authorities, but there may well be improved services through restructuring and enhanced coordination. We already have two boards modelling this integrated board system and others moving towards integration in some programs through partnerships.

Decisions on the number and type of regional boards will need to be made at the provincial level, with appropriate legislative and regulatory changes. For accountability measures in a regionalized system, whatever the structure may be, government needs to articulate its policies and directions so that Health Boards can operate under a clear set of expectations. Health Boards are ready to be a part of the discussions for those decisions.

**Research:** It is time to recognise the value of research as part of strategic thinking about directions for the health and community services system. We are in the fortunate position of having the largest university in Atlantic Canada in our province, Memorial University of Newfoundland (MUN), with several health professional schools training health professionals in medicine, nursing, social work and pharmacy, all of which offer research expertise on provincial, national and international health issues. This gives the health and community services system the opportunity to use the available research evidence to foster innovation and inform decisions in policy and health services delivery to enhance the client/patient/resident's health status. A strong relationship with MUN also benefits Health Boards in recruitment of health professionals by attracting the brightest minds with a thirst for evidence and fostering an evidence-based culture through the better availability of research findings. The NLHBA is working on research transfer initiatives to strengthen the relationship between Health Boards and MUN and is in the process of placing on line an inventory of current research, best practices and quality improvement initiatives ongoing in Health Boards for the benefit of Health Boards and health researchers alike. The proposed Provincial Research Ethics Board will streamline the ethical review of research in the province for a more researcher-friendly approval process.

From the financial perspective, research brings in large amounts of funding from outside the province with associated employment, generates evidence to evaluate health services and possibly less costly alternatives and positions the province to take advantage of the federal government's agenda for advancing research. The support and encouragement of research will enable the body of research to reach a critical mass where it can compete with other provinces for federal research funds, taking advantage of research successes through employment spinoffs and the possibility of commercial advantage from innovations arising from research projects. Health Innovation Canada is currently being established with federal support to partner with and facilitate such initiatives. Through the Atlantic office, Newfoundland and Labrador has the opportunity to work with Health Innovation Canada for the economic benefit of the province.

To sum up the discussion on the decisions necessary for the new approach, it is clear that planning for the future cannot take place until there is certainty on the number of Boards that will be implementing the strategies and the extent of the service delivery mandate for each region. Using research will ensure that all decisions in policy and practice are based on the best evidence available, so that resources are used in the most effective manner for the benefit of clients/patients/residents in the province.

### **3. COSTS AND FUNDING IN THE HEALTH AND COMMUNITY SERVICES SYSTEM.**

**Costs:** Health Boards in this province have made major efforts in cost control over the past few years, but the balanced operating budgets of last year for some Institutional Boards have proved in the main to be a challenge to sustain, due to increasing costs not under Board control. Rapidly increasing demand for home support (and in some regions, Child, Youth and Family Services,) even with clients eligible only when they meet emergency criteria, has highjacked the budgets of Health and Community Services and Integrated Boards. They have, however, managed to contain most other costs, often at the expense of early intervention, prevention and health promotion programs which are crucial to break the cycle of need.

It is worth recalling at this point the challenges in the past when Government was directly operating child, youth and family services and the home support programs. The reality was that these services and programs, legislatively mandated to address the needs of the most vulnerable members of the population, always ran over budget, and annually required special warrants to meet those needs. Health Boards face the same challenges due not to inefficiencies but to increasing needs in these areas where service delivery is mandated by legislation. In spite of this, they have had some success with prudent management of resources in child, youth and family services. The home support services and programs continue to present challenges of expanding needs, particularly in this time of significantly shortened hospital stays.

Budget letters from Government have required Health Boards to present a balanced budget based on the current year's revenue, representing a cut in funding due to inflation and rising costs. Since only a few Boards have made arrangements to pay down their deficits, the budget letter requirement to do so within a seven to ten year timeframe also represents further shrinkage in the funds available to service provision. Further cost control will have a significant effect on health and community services and will require direction from Treasury Board and DOHCS on how the delivery of health and community services and programs should be restricted. As noted above, Boards are already finding that cost control is eroding mental health services, health promotion and early intervention initiatives, and other areas are having to be cut to balance the budget for home support (with the resulting impact on the Institutional Health Boards and the Departments of Human Resources and Employment and Education) and to pay the huge costs of addressing sick leave. Addressing the home support crisis requires DOHCS to make a decision on changing the current "urgent and emergent" provincial criteria, as

requested by Health Boards already, and sick leave needs to be addressed in the collective bargaining process. To discuss some of these concerns, Health Boards would have welcomed the opportunity to consult with DOHCS and Treasury Board earlier in the process of developing the budget letters, and would still be ready to make themselves available for discussions, even at this late stage.

After many reviews of Boards' operations, most of the major efficiencies possible have been addressed. Boards are continually being challenged and always address budget management with a focus on maintaining quality of health services while considering ways of doing things better and at less cost. This is the standard way of doing business within Health Boards. Nonetheless, from 70% to 80% of the health and community services budget is consumed by human resources in wages and salaries, which have risen considerably in past years. In addition, for those Boards that have been successful in filling their medical complement due to the increases in physician salaries and more attractive work conditions, there has been a significant escalation in volume of patients with associated increased costs. Many other costs in the health system are not under the control of Health Boards and these increase each year due to inflationary pressures and demographic change. In *Understanding Canada's Health Care Costs*, the Provincial and Territorial Ministers of Health identified such cost accelerators as population growth (in the case of this province, population shrinkage), aging, inflation, changing public expectations, increased availability and demand for expensive health technologies, increasing drug costs, and new or increasingly prevalent diseases. Due to these cost drivers, they predicted a total increase in these costs of almost 250 per cent by 2026.<sup>1</sup>

In addition to these identified national factors, this province faces unique problems in trying to deliver health services to a small and shrinking population scattered over a large geographic area. Health and Community Services and Integrated Boards are dealing with cost drivers not factored in to the *Understanding Canada's Health Care Costs* calculations and face accelerating deficits in the community services sector due to increased demands and services transferred to these Boards from Government without sufficient financial supports.

Provincially, health costs are being forced up by rising public expectations of the health and community services system, often focused around costly innovative technologies and treatments at a time when the level of funds available is falling. We need to factor in increasing expenses due to the many innovations intended to improve health and/or extend life. One example from the Health Care Corporation of St. John's is the Implantable Cardiac Defibrillator, costing around \$25,000 each for the technology alone. In the light of overwhelming evidence of efficacy for genetically predisposed individuals (unique to Newfoundland and Labrador), heart attack survivors and sufferers from major coronary disease, the insertion rate in 2003/2004 is expected to reach 80. More increases are expected in the future. Such technology may have long-term benefits but requires short-term investment which affects the current budget. The high costs of managing chronic lifestyle diseases such as diabetes, cardiac, cancer and hypertension documented

---

<sup>1</sup> *Understanding Canada's Health Care Costs: Final Report*, Provincial and Territorial Ministers of Health, August 2000, pp. 28-56.

by the Canadian Institute of Health Information, also calls for early intervention and health promotion to break the cycle. However, the results of investment at this time will not show immediate results and represents cost savings only in the future.

Unfortunately, the federal government, advised by the Romanow Commission, does not appear to recognize the immediate need for a realistic funding base for services currently delivered in the health system, a need that is a legacy of the drop in federal contributions in the early '90s. Only a small amount of funding (approximately 25%) was offered for this purpose in the 2003 First Ministers' Accord on Health Care Renewal and we hope that the additional \$2 billion promised by the federal government will indeed be forthcoming.

**Health Boards' deficits:** Health Boards are already struggling to address interest costs associated with large lines of credit. By now it will be clear that all deficits were incurred with authority from DOHCS (even where authority was not required by legislation) in order to avoid curtailing the provision of health and community services. Together with the inevitable cost increases referenced above, the requirement in this year's budget letters that this debt, plus interest, be repaid within seven to ten years from the current operating budgets of Health Boards represents an additional shrinkage in the funds available to deliver health services. This cannot happen without having a severe impact on programs and services. The NLHBA has suggested that, in order to minimize the funds taken from operating budgets, Government should co-sign or take over this debt, with Health Boards arranging their repayments to Government according to the amount owed by each Board. Government is in a much stronger negotiating position with respect to advantageous repayment terms, and has the ability, for example, to float a new bond issue to manage this debt.

**Allocation Principles for Funding:** In 2001, the NLHBA developed a set of principles for a funding model as a basis for discussion with DOHCS on strategic directions for funding allocation decisions. DOHCS hired a consultant whose report essentially supported the feasibility of a "funding model" for Newfoundland and Labrador. Clearly-defined funding goals and principles, based on the population health principles that support the provincial health system, will structure accountability in the health system, letting us track health funding expenditures, ensure that funding is allocated according to population health principles and the promotion of wellness, and communicate both the perception and the reality of fairness in funding allocation and the achievement of a level playing field for all regions of the province.

A model for funding allocation should also include a strategy for funding technology, building and equipment replacement. Without some action on this front, it will be difficult for the health system to avoid the current patchwork quilt of ad hoc funding allocations mainly from operating funds to keep the capital investment in place. Capital works funding is urgently needed to address the deteriorating condition of our physical plants and equipment. In the past, there has been a conscious decision by government to defer investing in this area, but we are at a point where the neglect of the infrastructure has to be reversed now to contain the costs being incurred in patching up the current

structures. Further needs are due to changes in certain aspects of services delivery over the past few years, requiring renovation or redesign of buildings to respond to the newer approaches in service delivery, such as more day care/surgery clinic space.

To sum up, there have been both challenges and successes in the ongoing task of managing costs and funding and delivering the best health and community services possible within available resources. In some cases, investments have not been made in the past which would have avoided increasing costs today. A well-funded, effective focus on wellness and lifestyle issues would have meant less current funding going to manage chronic lifestyle diseases and, ongoing capital investment would have given health infrastructure a longer life. In order to avoid short-term, budget-to-budget thinking, a long term strategic focus on population health and wellness would guide the balance between today's needs and tomorrow's results.

#### 4. CONCLUSION

The NLHBA believes that Government leadership based on the realities of the cost of a service delivered to consistently-applied, agreed-upon standards, can avoid deficits in the health system in future by not mandating the provision of a service if there is no funding available at the necessary level. Forward planning in which evidence, service provision and funding are always linked will ensure that services that are provided are adequately funded.

We appreciate that there are difficult decisions ahead and are ready to work with Government and all stakeholders on the actions required across the province. It will be important to educate the public on what to expect from the health system, what services are available and what health needs will be met. This strategy should specifically include the support of Government and DOHCS for Health Boards and their mandate. Public education that clarifies the rationale for decisions on location of services, standards, funding, access principles and so on, will go a long way towards restoring public confidence in the provincial health system.

In conclusion, the NLHBA is pleased to address this presentation to the Minister of Finance and President of Treasury Board, and looks forward to a positive response to our concerns and recommendations.

## RECOMMENDATIONS

1. That in order to apply provincial resources in the most effective manner, decisions on the location and level of health and community services to be offered in the province be made as soon as possible at the provincial level.
2. That decisions on the number and type of regional boards be made as soon as possible with appropriate legislative and regulatory changes and clear directions on Government expectations as a basis for accountability frameworks.
3. That a realistic base budget for the health system be established and a timely, multi-year, truly global budget process instituted, based on valid acceptable funding formulae, which take into consideration the health needs of the population in each region, as identified collaboratively by the health system and Government.
4. That clearly-defined funding goals and principles be developed and established, based on wellness and population health principles and including a technology, building and equipment replacement funding strategy.
5. That, in order to minimize the funds taken from operating budgets, Government should co-sign or take over Health Boards' debts, with Health Boards arranging their repayments to Government according to the amount owed by each Board
6. That a health human resources strategy be developed, using the reliable data from the Health Human Resources Planning group, to address the serious shortage and lack of forward planning for training, recruitment and retention of health professionals in the light of decisions on the location of services and the regional board structure in the Province and the effects of the public service wage freeze.
7. That we maintain and strengthen an effective focus on wellness and lifestyle issues on the premise that a long term strategic focus on population health and wellness will guide the necessary investments today for good health in the future.