



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

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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 regional health authorities (RHAs) that serve Newfoundlanders and Labradorians across the province. The boards of the RHAs are governed by voluntary trustees, who are appointed by the Minister of Health and Community Services and serve without payment in the public interest.

Each year, in consultation with the health authorities, the NLHBA presents a position on key issues for consideration in developing the budget for the health system in Newfoundland and Labrador. The NLHBA appreciates the opportunity to bring these concerns and recommendations to the attention of the Minister of Health and Community Services and the Minister of Finance and looks forward to continuing the current positive and constructive working partnership.

2. OPPORTUNITIES

This has been an interesting year in the provincial health system, in which fundamental changes to the structure of the health system were announced and continue to be implemented throughout the system. The Boards and staff of the RHAs are embracing these changes and working with each other and Government to improve the provincial health system, with a commitment to cost control and a collaborative, evidence-based approach. The restructuring offers the opportunity to make the most effective use of our resources by developing new models of care for our clients, patients and residents, reviewing current service delivery in the light of the new structure, and continuing to work together towards the best health system for the people of Newfoundland and Labrador.

Nowhere is the collaborative approach more valuable than in making the tough decisions frequently a part of providing a publicly-funded service. Many factors come into play in such decisions, such as changes in the way that services are provided, the impact of technology, and the effects of geography, weather and out-migration patterns on the location and delivery of health services. There are also pressures from other directions, such as local community needs for employment provided by the provincial health system.

During the change process effective partnerships amongst health authorities and with Government are developing, with opportunities for collaboration with the Department of Health and Community Services (DOHCS) on policy and standards development to support consistent application of province-wide benchmarks and quality practices. The primary health care projects are examples of partnerships with health professionals working together to achieve common goals, supported by work on human resources training through interprofessional/interdisciplinary education initiatives.

A partnership approach will also facilitate the identification of human and financial resources required by RHAs both for new services and for existing services to be devolved from Government, and is indispensable for long range planning on every aspect

of the health system. This type of collaboration is essential for consistent data collection for evidence-based decision making and offers potential for projects in biotechnology and other innovative technologies. Increasing partnership opportunities are being identified for revenue generation from the Federal Government in providing services in aboriginal communities and for aboriginal people.

2. CHALLENGES

Per Capita Health Costs: In comparison to other provinces, this province has major challenges in the provincial health system arising from the operating costs of service delivery, particularly to isolated areas, due to our huge geographical area and small and scattered population. Health costs per capita, therefore, are higher than in many other provinces but lower than in the Canadian territories. A look at the map of Canada shows that the province of Newfoundland and Labrador shares the geographical challenges of size, northern location and sparse population with the Canadian territories. In Nunavut, for example, total public and private per capita spending was forecast to have been more than twice the Canadian national average of \$4078, and the lowest total per capita health spending in the territories is the Yukon at \$5469 per person, as compared to Newfoundland and Labrador at \$4253 per person.¹ There are special costs accompanying these geographical factors: in Labrador, as in the territories, funding is needed, for example, to offset the travel subsidy for medical travel across the entire region to access services. The additional fuel costs over the past year fall particularly heavily on the northern regions, but have greatly increased costs throughout the province. RHAs also have additional items not included in other provinces' health budgets, such as the non-employment related community services and funding for capital works.

In total spending on health, Newfoundland and Labrador spends less per capita than Ontario, Manitoba and Alberta. To break down these figures further, however, in Newfoundland and Labrador about 79% of total health spending comes from public funding, compared to 67% in Ontario (in the territories a significantly larger portion of the health spending also comes from the public purse, partly reflecting the federal government's funding health services for aboriginal peoples).² To understand the reasons for this, we have to remember that in 1998, the most recent year for firm statistical data, a family in Newfoundland and Labrador earned only 57% of the income of a family in Ontario and the forecast is that this percentage has not changed.³ There is simply less private money available in this province to spend on health services and our provincial government has had to step in to fill in the gap. The provincial government in Newfoundland and Labrador has, therefore, the highest spending per capita of the Canadian provinces, although public spending is well below that of the Canadian territories. It is noteworthy, when comparing health spending with that of other provinces, that this province spends only 5.0% of the health budget on administration of the system (health spending categories are designated by CIHI as administration, human

¹ *Health Care in Canada, 2005*, Canadian Institute for Health Information, p. 19.

² *Ibid.*, p. 21.

³ *Earning and Employment Trends*, B.C. Stats, August 2000

resources, finance, budgeting and communication) as compared to the national expenditure on administration of 5.9%. Significantly, CIHI notes that “Expenditure per capita was much higher in the territories, reflecting the higher costs of servicing large areas with relatively small populations.”⁴ Newfoundland and Labrador is achieving some successes in containing costs in spite of similar challenges.

Such costs and challenges are increasing as the population decreases, together with related difficulties in recruitment and retention of health human resources in rural and remote Newfoundland and Labrador. Demographic changes in this province could be more regularly tracked in order to be factored into decisions on meeting changing needs.

Incidence of major diseases: Challenges are also presented by increasing evidence on the high rates of major disease in the province, such as heart and renal disease, diabetes and others related to lifestyles with low levels of physical activity and high levels of obesity and tobacco and alcohol abuse. Costs are being incurred not only because of more expensive treatments but also through increasing demands from a more educated public. Attention and resources are needed both for treatment of those already sick and for supporting healthier lifestyles to reduce future disease rates.

Provincial, national and international networks: The struggle to contain costs and maintain quality programs and services is not only a problem for Newfoundland and Labrador. In this, as in many other respects, the provincial health system reflects developments in the national and international health scene. Provincial and Territorial Ministers of Health have identified 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. The expansion of research and innovation has resulted in previously untreatable diseases now having options for treatment, but at a high price to the system. People learn about new treatment options in the media and on the internet and expect to see them here in this province. Costly innovations intended to improve health and/or extend life are in demand not only by the public but also by health and medical professionals, as are new drugs on the market, which may or may not represent an advance in care. Some drugs for patients at home are not covered in this province but are in other provinces, increasing the pressure to keep patients in hospital in order to continue coverage of their drug costs. Due to these cost drivers, a total increase in costs of almost 250 per cent was predicted between 2001 and 2026. Investment in the upstream issues is difficult in the face of maintaining the day-to-day response to those requiring diagnosis and treatment.

This network of international, national and provincial health developments is also reflected in our province. Regional health concerns are also province-wide concerns, in that each individual RHA has its own regional needs but is also affected by the needs and circumstances of other RHAs in the provincial health network. Shortages of professionals or services in one region will increase demand in another, labour relations

⁴ *Preliminary Provincial and Territorial Government Health Expenditure Estimates 1974-1975 to 2004-2005*, Canadian Institute for Health Information., pp. 15-16.

decisions in one region affect all regions, rural needs affect urban decisions and vice versa. In addition to the above costs not in the control of the health authorities, there are significant costs attached to collective agreements, such as sick leave, for which no extra funds are provided by Government. This results in costs of \$48.2 million (2002 figures) for sick leave costs which have to be covered from the general revenue of the health authorities, funds that will therefore not be available for direct client care.

Increased demands for service: All four RHAs with the responsibility for delivering health and community services in an integrated manner in their regions are facing increased demands for service in the community which are placing severe strains on their budgets. Eastern, Central and Western have particular challenges in the home care area and Western and Labrador-Grenfell in child, youth and family services. These services and programs, legislatively mandated to address the needs of the most vulnerable members of the population, always run over budget under current circumstances. When Government was delivering these services, special warrants were required annually to meet those needs. Health boards face the same challenges from 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, (except in Labrador, where child, youth and family services, not home support services, are the major challenge) but the home support services and programs continue to present challenges of expanding needs, particularly in this time of significantly shortened hospital stays.

Savings targets: Because of these factors, the target set in terms of restructuring savings is proving to be unrealistic, particularly in view of the additional costs associated with the restructuring itself, such as annual leave payouts and so on, as identified in the NLHBA Budget 2005 position paper. In addition, the proposed skill mix changes are not yet attainable in the absence of provincial standards and guidelines for achieving the skill mix goals. The monies, however, have already been taken from regional health budgets. It is important for RHAs to have the appropriate resources to manage the change process and move forward in a positive manner.

Inherited debt repayment: Balanced operating budgets have proved to be difficult to maintain in the face of these pressures, leading to increased debt in RHAs, which have inherited the accumulated debts of the former health boards. It is worth emphasizing again that debt incurred by the former health boards was always approved by Government, often in preference to action plans presented by health boards to eliminate the debt, action plans that were not acceptable to Government. It is clear that the requirement that RHAs repay these past debts from current budget allocations will have a major impact on funds available to deliver health services to the population.

Capital investment issues: In addition, health authorities are struggling to find resources 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 order to contain the costs being incurred in patching up the current structures. The aging infrastructure of this province's health facilities is costing us

money simply to maintain in its present state without any thought of renovation or replacement. Significant investment will be needed to bring it up to modern standards and building codes so that we can take advantage of new technology and new ways of delivering services. The move to RHAs is bringing its own costs, as changes in certain aspects of services delivery, already taking place, require renovation or redesign of buildings to respond to newer approaches in service delivery, more day care/surgery clinic space and appropriate interdisciplinary team clinic space.

Patient safety costs: Newfoundland and Labrador have made the decision to focus on patient safety as a major theme for their health system, emphasizing the importance of risk management in health services delivery. This decision reflects a renewed national focus on keeping patients safe in the health system by reducing the incidence of adverse events or events that negatively affect patients. To move this agenda forward, all RHAs, with the support of DOHCS, have signed on to a focused national program, Safer Healthcare Now!, and have taken the first steps towards implementing one or more of the six proposed interventions in the program. The primary goal for reducing the number of adverse events will be to keep patients safe but one of the long-range benefits to the health system will be to reduce costs. A major challenge arising from this decision and from the general patient safety theme is the need for up-front investment in measures to contain costs currently generated by adverse events.

Long term funding solutions: In order to address these fiscal issues in the most effective manner, the health and community services system needs long term, sustainable funding to achieve long-term goals in acute care, health status and health human resources. Long term funding allocations, together with a health services plan, are an essential part of long-term planning, in that all sectors in the health and community services system have long-term goals.

4. FOLLOW UP

We have set out above both the opportunities and the challenges as seen from the perspective of the Regional Health Authorities tasked with delivering health and community services to the population of the province. In order to take advantage of the opportunities and meet the challenges offered by the new structure of the health system, we are asking for the support of Government for the following strategies and policy directions:

- Develop and implement a provincial health services plan to guide regional decision making;
- Develop provincial standards to be consistently applied in all areas;
- Support better information and consistent data collection;
- Base decisions on valid evidence and good planning;
- Promote quality practices throughout the province;

- Make investments recognizing that results will be long term, as always in the health system;
- Focus on proactive and more consistent communications, particularly with the public;
- Fund collective agreements or, alternatively, pursue cost savings through the collective bargaining process; and
- Pursue downsizing of the health workforce through attrition only in order to maintain stability and morale amongst the staff.

We appreciate the opportunity to present these recommendations and look forward to the response from Government.