



NEWFOUNDLAND
AND LABRADOR

**HEALTH
BOARDS
ASSOCIATION**

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

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MISSION

As a federation of health boards, the NLHBA is dedicated to working collaboratively with the province's publicly-funded health system through dynamic leadership in advocacy, the creation and exchange of ideas, and development of consistent policies, standards, and guidelines.

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 boards that serve Newfoundlanders and Labradorians across the province. Through our 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 in the public interest.

To provide input to the budget process, the NLHBA annually presents its key concerns for the health system in the Province. We look forward to Government's response to these comments from the Health Boards, which are based on the realities of delivering the programs and services in the health system for our Province.

Since the 2001 Budget was presented to the public, the NLHBA has been lobbying Government on three major strategic directions:

1. a consultation and decision-making process for Health Boards and Government to complete the development of the crucial overall strategic directions for the health system in our Province;
2. decisions on the services that can be delivered and the required standards; and
3. adequate and predictable funding to establish all aspects of the health system on a secure financial basis for long-term planning.

The NLHBA feels that there has been a renewed partnership with Government in the process of developing the Strategic Health Plan, which provides a flexible context for future planning and decisions on services and funding.

2 STRATEGIC HEALTH PLAN

In September, 2002, the long-awaited Strategic Health Plan, *Healthier Together*, was released, with three major goals: Improve the Health Status of the Population of Newfoundland and Labrador; Improve the Capacity of Communities to support Health and Well Being; and Improve the Quality, Accessibility and Sustainability of Health and Community Services. The NLHBA is extremely pleased with the Department of Health and Community Services (DOHCS)' positive response to the long-term request from the health system for a strategic framework for planning and delivering health services. Our members brought their skills and experience to the many consultations leading to the Strategic Health Plan and the directions of the Strategic Health Plan reflect that input. Health Boards continue to be involved in the Wellness initiative, the Joint Planning Committee, the Health and Community Services Human Resources Planning Steering Committee and the Primary Health Care Advisory Committee, which are tasked with implementing some of the most crucial aspects of the Strategic Health Plan.

Many of the recommendations made in the NLHBA budget presentation for 2002 will be part of the roll-out of the Strategic Health Plan, including an information technology strategy (one of the features of primary health care reform and renewal) and a health human resources plan (a feature of the location of services goal). Both of these issues have received much attention nationally, and the federal government has included funding for information technology in the 2003 First Ministers' Accord on Health Care Renewal. However, as a province we must continue to support a strategic focus in these areas, particularly as our province has specific challenges of recruitment and retention of health human resources in rural and remote Newfoundland and Labrador. With 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 public health system has to address their needs under less than optimal conditions. Per capita allocation of federal health funding, via the CHST, has taken none of these challenges into account in calculating provincial funding.

On the retention issue, some advances have been made towards a more competitive level of funding for health salaries and wages. This allows us to increase the ability to compete nationally for new health professional employees. Enhanced salaries are also needed to prevent critical numbers of health management and health professionals leaving the Province. This continues in response to intensive marketing efforts by other provinces and countries. Some specific examples of salary areas still to be addressed are:

- Clinical positions (physicians, nurses and Allied Health Professionals);
- Senior management (CEOs, VPs of Finance);
- Information Technology professionals in demand in the private sector;
- Level 1 and 2 management, whose compensation is uncompetitive due to compression resulting from the reclassification of union bargaining units. As "front line" representatives, managers need to feel that they are supported, not just in a financial sense.

Last year we called for DOHCS to take the lead in developing and implementing succession planning for Health Human Resources, implementing province-wide staff/management education and a Recruitment and Retention strategy. Such a strategy is intended to address the serious shortage and lack of forward planning for training, recruitment and retention of health professionals required both now and in the future. Now that we have a Strategic Health Plan and reliable data from the Health Human Resources Planning group, we have a golden opportunity to use these resources to move forward in this area. We look forward to Government's response.

Nationally, it is also important to state our disappointment, for both Romanow and Kirby, in the lack of focus on wellness initiatives. The shift from an illness model to wellness cannot happen without additional funding and program emphasis. The lack of priority for this was also obvious in the First Ministers Health Accord.

After this promising beginning in strategic health planning, the NLHBA emphasizes the importance of implementing the Plan in a timely fashion, in order to direct the future development of the health system. "Better use of financial and human resources will enable reallocation of these resources into new or expanded services, thus contributing to system sustainability" (*Healthier Together*, page 18). We know that work has begun in some areas, such as location of services, and eagerly await the opportunity to provide input into ongoing work and develop processes to address other proposals.

2 SERVICES, STANDARDS AND BENCHMARKS

Several of the recommendations in the NLHBA Budget Presentation for 2002 dealt with decisions that need to be made on services, standards and benchmarks. The NLHBA recognizes that these are sensitive and difficult decisions. However, we are optimistic that the implementation of the Strategic Health Plan will bring some order and clarity to the process. Through the Strategic Social Plan, the Community Accounts and the Newfoundland and Labrador Centre for Health Information initiatives, we can identify the needs of the population in each area. The implementation of the Strategic Health Plan offers a framework, with timeframes, for selecting the health services that should be offered to meet those needs, the human and other resources required to provide the services, and the locations for the services. Health Boards can then plan and deliver health services in their regions based on a rational overall scheme that can be operationalized according to the needs and circumstances of each region.

Accountability: Benchmarks for measurement of progress are essential for the implementation of a meaningful accountability system and the determination of appropriate funding for the cost of service delivery. The absence of such benchmarks has led to significant regional variations across the province. As an example of this key element of health planning, Health Boards are particularly concerned with the need for standards and benchmarks for wait-times. It is clear that consistently-applied provincial standards and guidelines are essential for evidence-based practice leading to the most effective use of health resources. In the absence of province-wide standards, some Health Boards are establishing their own benchmarks, and one Health Board is installing a communication system which locates wait lists in Health Board offices rather than in the offices of individual physicians. The preferred situation is for DOHCS to establish consistent standards across the province. Wait times for diagnostic procedures vary widely across the province, and wait lists for home support and nursing homes need to be coordinated and rationalized. There are opportunities to lower costs and redirect dollars, but this can best be achieved once standards, guidelines and action plans are developed. For example, attention paid to establishing standards and guidelines for clinical practice led to considerable cost-savings for the Newfoundland and Labrador Cancer Treatment and Research Foundation, which has saved \$1 million in treating patients by insisting on adherence to existing clinical standards and guidelines.

Alternative service delivery models: As part of the planning for service delivery, both the Strategic Health Plan, the Romanow and Kirby Commissions, and the 2003 First Ministers' Accord have focused on alternative models of service delivery. The NLHBA strongly supports this initiative as an integral part of the development of the provincial health system through the Strategic Health Plan, and urges Government to continue to press for adequate federal funding for these initiatives. New models for Primary Health Care services have already been piloted in this province, followed by the establishment of the Primary Health Care Advisory Committee, an initiative that will hopefully result in changing and extending the skill mix of health professionals in this area. We need to work with all stakeholders in primary health care to ensure buy-in and support so that we can agree on a process to move forward on this.

In the long-term care sector also, the St. John's Nursing Home Board has presented a new model for long term care, the need for which was recognized in the Strategic Health Plan, and all stakeholders need to focus on the proposed innovative solutions. The need for appropriate home care services is an important component of any long term care strategy. Within this context, there is some concern in this province about the emphasis on the nursing component of home care. Currently our primary demand is for home support (both personal care and support). It is important that this service not be medicalized in order to fit under the Canada Health Act. As with our challenges in the long term care sector, we need the right staffing mix to ensure the appropriate care.

The province's Independent Living arrangements were targeted in the 2002 budget presentation as needing new solutions. It was pointed out that Health Boards have no control over these arrangements, (at an annual cost of over \$270,000 for some clients) and this province is alone in Canada in this massive expenditure. We need provincial leadership to look at co-operative living arrangements and other ways to meet these needs in a more cost-effective manner.

On the national scene, the Romanow and the Kirby Commissions have identified the need for adoption of common standards and new ways of delivering services across the health system. We now have good information on which to develop standards. In this province through the Newfoundland and Labrador Centre for Health Information's work (recognized nationally and financially supported by Infoway), we are already leading the way in electronic information-sharing systems. The next step is to initiate a process in partnership with provinces, territories and the Federal Government for this important initiative.

We believe that some of the requisite groundwork is in place and are looking forward to the implementation of these essential planning recommendations.

3 FUNDING

Costs: Health Boards in this province have made major efforts in cost control over the past few years, and almost all Institutional Boards presented balanced operating budgets as a result. Health and Community Services and Integrated Boards' efforts to balance their

budgets were hampered by the lack of extra money to meet increasing demands in the home support sector. Health Boards are taking accountability seriously.

However, significant 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 2026.¹

In addition to these identified national factors, it is recognized in the Strategic Health Plan that this province faces unique problems in trying to deliver health services to a small population scattered over a large geographic area. The strategic challenges for our province were identified in the Strategic Health Plan as: the health status of the population; demographic change; the quality and accessibility of health services; and the sustainability of health services. In addition, the 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 without sufficient funds. Health Boards want to ensure that these challenges are addressed through the implementation of the Strategic Health Plan. The NLHBA was disappointed that the Romanow Commission, unlike the Kirby Commission, did not recognize the immediate need for a realistic funding base for services currently delivered in the health system. We are only partially reassured by the small amount of funding (approximately 25%) offered for this purpose in the 2003 First Ministers' Accord on Health Care Renewal. We look for provincial leadership on this issue so that Health Boards can plan and deliver services without being unduly affected by economic and demographic change.

There are two funding issues which will inhibit the implementation of the Strategic Health Plan if not addressed: Health Boards' deficits and the lack of a strategic funding model.

Health Boards' deficits: A conservative estimate of the accumulated debt of the Health Boards would be over \$100 million. Health Boards are already currently struggling to address interest costs associated with large lines of credit. Together with the inevitable cost increases referenced above, the requirement that this debt, plus interest, be repaid from the current operating budgets of Health Boards represents an additional shrinkage in funds available to deliver health services. It is inevitable that health services will be under-resourced, since the apparent increase in the health budget masks a significant decrease due to debt repayment, and as yet there has been no decisive, province-wide action taken on restructuring the health system. Although it was not a formal recommendation in the 2002 budget presentation, the NLHBA suggested a solution: for Government to co-sign or take over this debt and for Health Boards to arrange their repayments to Government according to

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

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.

Funding Model: The development of a funding model is central to the success of the Strategic Health Plan with its key links to accountability for all parties. 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 and 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;
- ensure that funding is allocated according to population health principles and the promotion of wellness;
- 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.

The Funding Model should also include a strategy for funding technology, building and equipment replacement, based on the priorities identified by the Strategic Health Plan. 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 that opens the system to accusations of political bias and interference. A Strategic Funding Model will make a positive contribution to health planning for current and future directions.

4 INTERGOVERNMENTAL PARTNERSHIPS

The *Canada Health Act* (CHA) governs the overall policy and framework of the public health system in the country and the federal government provides funding that it deems to be appropriate. The provinces have the constitutional authority to administer the health system and have to add further funding to support health programs and services in each province. Since the CHA covers only medical and hospital services, other health programs and services are the responsibility of the provinces, including the early intervention and health promotion services that are now recognized as crucial in reducing the need for acute care services. This structure depends on partnerships and a co-operative working relationship between the two levels of government. The NLHBA was disappointed in the lack of attention to the equalization formula in the recent First Ministers' Accord and hopes that the decision to remove the equalization ceiling does not represent the only change contemplated. We encourage the provincial government to continue to push for a thorough review of the equalization formula, so that it supports the concept of smaller provinces as equal partners in the Canadian federation.

The allocation formula for CHST funds is now based on a per capita calculation and this should be reviewed and modified for a new health-specific transfer. For those provinces with a shrinking population (generally the same provinces that have a smaller tax base) this has resulted in less funding for health services. Unfortunately, health services have to be offered in every province however small the population. The large land mass of a province

such as Newfoundland and Labrador has an extra impact, in that providing health services to the shrinking population is much more costly than it would be if the same number of people were clustered in an urban centre. Further demographic challenges for the health system are both an aging population in the island portion of the province and a significantly young population in Labrador. The per capita allocation formula is an arrangement that is not supportive of a healthy relationship among provinces nor between provinces and the federal government. The NLHBA supports the renewal and modification of this formula to strengthen the ability of all provinces to offer reasonably equal health services to all Canadians.

In 2002 the NLHBA drew Government's attention to the fact that, according to the Canadian Health Coalition and the Organization of Economic Cooperation and Development (OECD), the cost of prescription drugs has risen 344% from 1985 to 2000 and the cost of drugs in Canada is 30% higher than the average of OECD countries. A high proportion of "new" drugs on the market offer very little, if any, new advances in care compared with already available, less expensive drugs. There is a clear role for the Federal Government to address this, and other potential cost-drivers such as gene patents, at the national and international level to make decisions that control these costs. The NLHBA is calling upon all levels of government to tackle this issue to avoid the publicly-funded health system pouring its funds into the profits of private pharmaceutical companies. We are encouraged by the recognition in both the Romanow and the Kirby Commissions of this issue, particularly from the patient perspective, and we are relying on DOHCS to keep pressing for innovative solutions to rising drug costs.

5 CONCLUSION

In this presentation the NLHBA has expressed its support of the Strategic Health Plan in order to coordinate all aspects of the health system and ensure that key decisions on service provision and adequate funding are based on realistic goals for the health system, given the needs to be met, the financial resources available in this Province and the mandate provided by Government. The NLHBA believes that the Strategic Health Plan together with a Strategic Funding Model, based on the realities of the cost of a service delivered to consistently-applied, agreed-upon standards, will avoid deficits in the health system in future by not requiring 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 some difficult decisions ahead in implementing the Strategic Health Plan, provincially, regionally and within health organizations, and are ready to work with Government and all stakeholders on the actions required to coordinate our approach consistently across the province. We do caution, however, that Health Boards may need bridge funding to bring about certain changes in the system, and hope this will be forthcoming if required.

Now that the Strategic Health Plan is released, a central communications strategy would be helpful to educate the public on what to expect from the health system, what services are available and what health needs will be met so that public expectations are not allowed to grow unchecked by the realities of the health system. This strategy should specifically include the support of Government and DOHCS for Health Boards and their mandate. Full promotion of the Strategic Health Plan that clarifies the rationale for decisions on standards, services, 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 recommendations.

APPENDIX « A »
RECOMMENDATIONS continued from
2002 BUDGET PRESENTATION

- 1. Determine standards and guidelines for service delivery together with appropriate human resources and then decide on the services that can be delivered at the required level with the amount of funding available for the health system in order to meet the goals of the Strategic Health Plan.**
- 2. Develop accountability legislation defining the authorities, roles and responsibilities of all parties in the provincial health system and provide communication/education strategies to support the implementation.**
- 3. Explore alternative models of care.**
- 4. Build in a realistic annual cost increase to the base health funding in order, as a base funding position, to allow the health system to maintain its current status before allowing for additional funding for specific health initiatives and concerns.**
- 5. Establish a realistic base budget for the health system and institute a timely, multi-year, truly global budget process, based on valid acceptable funding formulae, which takes into consideration the health needs of the population in each region, as identified collaboratively by the health system and Government, and leads to full accountability.**
- 6. Develop a Technology, Building and Equipment Replacement Funding Strategy to be reviewed every three to five years, based on the priorities identified by the Strategic Health Plan.**

- 7. With the funding for information technology available provincially and federally, purchase and install a comprehensive health information system uniformly throughout the health system, and train new and existing staff to use the system to best advantage.**
- 8. Develop a funding strategy for drugs in the health system as part of the Strategic Health Plan, taking into account the rapid change likely in the future.**
- 9. As a crucial component of the strategic planning initiatives led by DOHCS, the Health Human Resources Steering Committee should develop and recommend to Government a five year human resources plan, using demographic analyses and based on the strategic goals, standards and guidelines of the Strategic Health Plan, with appropriate funding for implementation.**
- 10. Immediately initiate the development and funding of a comprehensive Health Human Resources Recruitment and Retention Plan that would employ up-to-date human resources and marketing techniques in an innovative and proactive manner to attract and retain the levels of health human resources identified in the Health Human Resources Plan. ♦**