



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.

1. INTRODUCTION

The Minister of Finance has provided an opportunity for key stakeholders, groups and individuals in the province to take part in a series of Pre-Budget Consultations Roundtable Discussions. The Newfoundland and Labrador Health Boards Association (the Association) is the federation of regional health boards that serve Newfoundlanders and Labradorians across the province. Through our membership, the Association 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.

The budget consultation process offers an excellent opportunity for the Association to review and strengthen, for Government, its policy positions on key concerns for the health system in the Province. We expect that Government will give serious consideration to these consistent messages 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 2000 Budget was presented to the public, the Association has been lobbying Government on three major issues:

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 to the required standards with the funding available for 2001 - 2002; and
3. adequate and predictable funding to establish all aspects of the health system on a secure financial basis for long-term planning.

The Association urges Government to recognise that there is not enough funding available for the health system to deliver the currently mandated services at an acceptable level. The financial review team, headed by John Abbott of the Institute for the Advancement of Public Policy, was announced in last year's Budget as the most recent in a series of financial reviews of the operations of the Health Boards, and has confirmed that there are no major efficiencies in internal operations left to be undertaken by Health Boards without further decisions by Government on rationalizing service delivery. It is clear that the Health Boards are managing their funds effectively, even in the absence of a timely budgetary process and without overall standards and goals for the health system. Health budget deficits are therefore not the result of inefficient management.

The health system as it now stands is underfunded in the amount of approximately \$50 million. This means that Health Boards are providing \$50 million worth of services that are not funded. This deficit will continue to rise without decisive action by Government.

2. FUNDING THE HEALTH SYSTEM

2.1. Strategic Planning

2.1.1. ***Strategic Health Plan:*** The lack of overall strategic planning for the health system in the Province has significantly impeded the development of the restructured health system to full potential. The Association strongly supports the Department of Health and Community Service's (DOHCS) positive response to our consistent lobby for a Strategic Health Plan to guide the operations of the health system in this province. The strategic planning process with DOHCS has now begun with a process to identify common ground among the strategic plans which have already been developed by individual Health Boards and the Departmental Plan developed by DOHCS.

2.1.2. ***Health Human Resources Plan:*** Work is proceeding on health human resources planning for the Province, which will forecast changing needs for Nurses, Physicians, Allied Health professionals, and other health professionals.

This research on requirements for Health Sector Human Resources (HR) will address three questions: First, what are the inputs and outputs to the workforce over time? Second, are we meeting today's needs? Third, how will changing demographics and changing modes of service delivery change the need for services? Availability of information to perform these forecasts is good for some and not so good for others, but certain basic trends in the needs for services and health professionals can be determined. While not an exact science, this is a logical approach for HR and budget planning, adding important insight for policy makers.

2.1.3. ***Service Decisions:*** The Association expects that the Strategic Health Plan will be an invaluable framework for decisions on the services that the Province can afford to fund for a given year, taking into account demographic changes and changes from the previous year such as inflation in costs and wage settlements. With a Strategic Health Plan and a Health Human Resources Plan integrated with the principles of the Strategic Social Plan, it will be possible to identify the needs of the population and whether certain needs will be met, the services that should be offered, the human resources required to provide those services, and the locations for those services, based on what the Province can afford. The Association looks forward to a comprehensive strategy for addressing funding issues in the health system.

2.1.4. ***Standards and Guidelines:*** Standards and guidelines must be determined for all services delivered in the health system:

- Accountability in the health system cannot be achieved without the consistent application of standards and guidelines across the province;
- Without these benchmarks for measurement of progress, it is impossible to implement a meaningful accountability system;
- Appropriate funding can be determined for the cost of delivering the mandated services according to the identified standards and guidelines.

2.1.5. ***Evidence-Based Decision-Making:*** Health decisions of all kinds must be based on reliable data, according to clearly understood principles, so that the rationale for decisions can be clearly understood and supported by health administrators and professionals and by the population of the Province. The framework for this will be provided by the Strategic Health Plan for each year and by data gathered from various sources. However, in order for the data to be reliable, an updated information system will have to be installed throughout the health system, and applied consistently to ensure comparable statistical information.

2.1.6. ***Accountability:*** The Association supports the principle of Government's accountability initiative and hopes that it will prove to be a dynamic process that strengthens and assists best management practices, evidence-based decision-making, long-term planning and continuous improvement of the health system.

The health system is the shared responsibility of Government, the Health Boards and the health professions, and requires all three parties to work together to continually improve quality. Health Boards have already developed their individual strategic plans, and are looking forward to the strategic planning process with Government to fulfill its responsibility of guidance in defining roles, setting guidelines, goals and expectations, and making timely policy decisions on the health system based on consultation with and evidence from Boards. The Health Boards cannot bring the health system to full performance without this action from Government, which is essential in order for Boards to be accountable for performance against the goals and expectations, using agreed-upon standards and guidelines for delivery of fully-funded health programs and services.

RECOMMENDATION:

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.

2.2. Appropriate Funding for the Health Boards

Health Boards do not receive enough funding to cover the costs of the services that they are expected to provide. Since no growth factor is built into health funding, the situation worsens each year as inflationary pressures and demographic change increase the costs of providing health services without compensatory recognition in funding. *Understanding Canada's Health Care Costs*, released in August 2000 on behalf of the Provincial and Territorial Ministers of Health, predicts a "highly conservative" average of almost five per cent rise in health costs annually over the next 27 years due to basic cost drivers such as population growth, aging, inflation and other factors. This amounts to a total increase of almost 250 per cent by 2026. This calculation does not address other factors which drive up costs in the health system, such as new technologies, increased expectations, information technologies, labour costs, and others.¹

In this Province, Institutional Boards are facing increasing public expectations, and the increased costs of new technology, new drugs, new equipment, new medical specialists and expanding and enhancing programs. The Health and Community Services Boards deliver community services which are not factored into 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 enough funds. The Integrated Boards face both the institutional and the community services concerns.

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

RECOMMENDATION:

Build a realistic annual cost increase in to the base health funding, based on the calculations in *Understanding Canada's Health Care Costs*, 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.

2.2.1. Provincial Budget Process

- (a) *Health System Deficits*: The Minister of Finance and President of Treasury Board has stated that while much of the budget funding for this year has been notionally allocated for areas like health and education, there will be about \$100 million in additional funding this year, about 50 per cent of which will be used for public sector salary and benefit increases and the remaining 50 per cent already has commitments for several millions. The Association has significant concerns about this budgetary process for the health system. A deficit of approximately \$50 million is projected for the fiscal year 2000-2001. This means that unless the upcoming budget includes an extra \$50 million in the funding base, it will not reflect the true cost of providing the currently-mandated health services to the population of the Province and will result in a further deficit for the fiscal year 2001-2002. There are also deficits for previous years which are being maintained by Health Boards. In order to balance Health Board budgets, it will be necessary to increase funding or cut services. The Budget should address the fact that the health system is currently operating at a deficit and provide a true picture of the cost of operating the health system as it now exists. The alternative is to continue the current system of deficit financing, in which the cost to Health Boards of maintaining these debt loads has a significant negative impact on operating budgets, causing a major cash-flow problem.
- (b) *Budgetary Process*: Once the Provincial Budget is approved the Department of Health and Community Services advises each Health Board of its share of the health budget. This is a lengthy process, which may take months for Health Boards to have their budgetary requests approved. In the past, final approval has

not been given until towards the end of the fiscal year. The lack of timely final budget approval prevents long term planning by the health system, and is inhibiting good business practice. Boards need at this point to get away from crisis-driven decisions by becoming involved in the budget process for the fiscal years 2001-2002, 2002-2003 and 2003-2004, so that advance planning for strategies to balance their budgets can be developed.

RECOMMENDATION:

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.

2.2.2. Transferred Services

Services are often transferred to Health Boards without the proper infrastructure or funding in place for the mandated programs:

- *Community Services:* the services and programs that were moved from the Department of Human Resources and Employment to the Health and Community Services and Integrated Boards were not provided with enough funding for the level of services required to be delivered, let alone for the expected increase in the level of services. The inadequate funding is also due to the lack of a funding formula linking population needs to budgeting;
- *Home Support:* The increasing demand for home support services due to the move to non-institutional provision of care and demographic factors such as the aging of the population and outmigration of younger potential caregivers in the family cannot be met without more funds for this purpose;
- *Health Promotion:* Inadequate funding has been dedicated to this important mandate in the health system. Investment in health promotion, early intervention and prevention would lead to significant improvements and long term economies across the health continuum. Resources dedicated to address and improve the

effects of health determinants in the Province would also have a positive impact on the entire health system;

- *Legislative requirements:* The Provincial Government has passed legislation requiring certain services to be provided (the *Child, Youth and Family Services Act*, for example) and has not provided sufficient funds to carry out the legislated mandate.

RECOMMENDATION:

Pause the transfer of further services or programs until the current mandate is provided with sufficient funding for delivery of the mandated services to identified standards and guidelines. In the future, transfers should only take place after a full audit on the human resources and funding requirements has been completed. The transfer would then take place with funding provided for resources required to deliver the services according to identified standards.

2.2.3. Capital Equipment and Technology Requirements

Aging technology, buildings and equipment are affecting service delivery in all Health Boards, and operating budgets have to be used to maintain obsolete technology and equipment as well as repairs to buildings. The high cost of updating with new technology and equipment requires additional funding and a revised capital budget.

RECOMMENDATION:

Develop a Technology, Building and Equipment Replacement Funding Strategy for the next three to five years, based on the priorities identified by the Strategic Health Plan.

2.2.4. Health Information System

Many Health Boards still have inadequate information systems. For evidence-based decision making, it is essential to be able to gather and access information in a timely and efficient manner.

RECOMMENDATION:

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.

2.2.5. *Drugs*

The costs of drugs to the system is constantly increasing, due either to increased usage or to the cost of new specialty drugs (the cost of some cancer treatments has increased by 30% to 40% this year, for example, and usage of the seven most highly priced cancer drug treatments has increased by 200%).

RECOMMENDATION:

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.

2.3. Recruitment and Retention

A Recruitment and Retention strategy needs to be funded, based on the Health Human Resources Plan, 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.

Problems of recruitment and retention of health professionals are seriously affecting the administration and morale of the health system. The Association is pleased that funding has been found to address reclassification in some areas. However, benefits provided to unions, either as part of the collective bargaining process or otherwise, such as sick leave utilization and replacement, should be fully funded by Government to avoid adding extra costs to the Health Boards' budgets. It is

absolutely essential to address human resources issues as a means of ensuring quality services in the health system.

The Association supports a proactive, rather than a reactive, approach. It is clear that there are unsolved concerns in every sector of health human resources. A higher level of funding has to be applied to health salaries and wages in order to establish the ability to compete for new health professional employees and prevent critical numbers of health management and health professionals leaving the Province in response to intensive marketing efforts by other provinces and countries. Some specific examples include:

- 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.

RECOMMENDATION:

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.

RECOMMENDATION:

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.

3. CONCLUSION

In this presentation the Association has emphasised the importance of strategic planning, now beginning with DOHCS, 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 and the financial resources available in this Province. Without these important decisions based on the realities of funding, needs to be met and standards to be applied, there is no consensus on what services should cost to deliver or whether the Province can afford a particular service.

The current system of mandating a broad range of services without overall planning, agreements on consistently-applied standards and guidelines or adequate funding for delivery has naturally resulted in annual deficits. Financial reviews ordered by Government have shown that Health Boards are conducting their affairs efficiently. It is clear that the deficit financing of the health system is due to inadequate funding for the services that are required at present and not to poor financial management in the Health Boards. The Government Strategic Health Plan should be based on the realities of the cost of a service delivered to agreed-upon standards, and should not mandate a particular service if there is no funding available at the required level. Forward planning in which service provision and funding are always linked will ensure that services that are provided are adequately funded.

A public education initiative will be necessary to advise the public what services are available through the health system and the health needs that will be met. The culture of “hoping for the best” in trying to deliver health services at a level that is possible with the funding available has led to considerable public unrest as expectations are not met. A Strategic Health Plan that clarifies the rationale for decisions on standards, services, funding, access principles and so on, will dispel public suspicions that money is somehow being wasted and ensure consistency and accountability in the health system.

In conclusion, the Association 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.

RECOMMENDATIONS

- 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. Build a realistic annual cost increase in to the base health funding, based on the calculations in *Understanding Canada's Health Care Costs*, 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.**
- 3. 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.**
- 4. Pause the transfer of further services or programs until the current mandate is provided with sufficient funding for delivery of the mandated services to identified standards and guidelines. In the future, transfers should only take place after a full audit on the human resources and funding requirements has been completed. The transfer would then take place with funding provided for resources required to deliver the services according to identified standards.**
- 5. Develop a Technology, Building and Equipment Replacement Funding Strategy for the next three to five years, based on the priorities identified by the Strategic Health Plan.**
- 6. 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.

7. **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.**
8. **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.**
9. **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.◆**