Fact Sheet

Health Care Funding in Ontario

Total health care operational spending by the provincial government will increase to $30.26 billion this year (2004-05) according to the provincial government spending Estimates. This is an increase of $2.033 billion from 2003-4, or a 7.2% increase.

Health care funding accounts for 38% of the provincial government's spending, according to the 2004 budget. This is up marginally from the 2000 provincial budget, which put health care spending at 37 % of government spending but it is down from the 40% budgeted for health care in the 2003 budget.

Areas that will receive major increases include extra money for drugs, doctors, long term care facilities, and, with the government's emphasis on moving patients out of hospitals, there is significant new money for home care. Hospitals have faired less well.

Nursing Homes and Homes for the Aged
The Estimates indicate the government plans to increase funding for LTC facilities $438 million, somewhat more than announced just prior to the budget. In the pre-budget announcement the provincial government indicated that would increase spending (at an unspecified point) by $531 million. A total of $340 million would create new long-term care beds. A further $191 million would:

- Hire 2,000 new staff, including: 600 new nursing positions (RNs and RPNs); and 1,400 new frontline staff positions including personal support workers, dietitians, activities coordinators, therapists, nurse practitioners and others.

With the new money, the government claimed it would ensure that all long-term care residents receive at least two baths a week, or more, depending on their personal care needs, and would reinstate the requirement that all long-term care homes have a registered nurse on site at all times. Notably, however, the government did not promise a minimum number of daily hours of care for each resident.

Two Sorts of Funding Increases for Homes
Total funding for long term care facilities is set in the Estimates at $2.5 billion this year. This is a $438 million, **or a 21% increase** from 2003-4.

The 2004-05 funding increase continues a trend of funding increases for the homes sector. Two reasons account for this. [1] significant increases in the number of beds, and [2] increasing per diem rates.

As a result of increased numbers of beds and increased per diem rates, nursing homes and homes for the aged have seen some of the largest overall increases in provincial government funding in the health sector. **Since 1997, funding has doubled.** With the

growth in the number of LTC beds and the increasing amount of care required by LTC residents, funding should continue to increase.

1] Increased Beds
There has been a great increase in the number of long term care beds in recent years. As funding is based on the number of residents, this has driven up funding. Indeed, the government claims that as of August 31, 2004, 17,444 new beds have been built. The government plans to open 3,760 new long-term care beds in 2004-05.

With the growth in beds there has also been a corresponding increase in the number of staff. Between 1993 and 2002, nursing and residential care facilities in Ontario have seen an increase in hourly paid staff from 57,000 to 76,000, a 19,000 person, or a 1/3 increase.

2] Increased per diem rates for homes
Between 1998 and 2003, per diem rates (funding per resident per day) at nursing homes and homes for the aged increased from $93.64 to $117.04. That is an increase of $23.40 per day, a 25% increase.

Per diem rates funded by the Ministry July 1, 1998:

Nursing and personal care[1]	$47.65
Programming and support services	$ 4.86
Raw Food	$ 4.38
Other accommodation	$36.75
Total	**$ 93.64**

Per diem rates funded by the Ministry as of July 1, 2003:

Nursing and personal care	$62.95
Programming and support services	$5.92
Raw food	$5.24
Other accommodation	$42.93
Total	**$117.04**

The lion's share of this increase has come over the two years since 2001, with the per diem rate increasing from $98.50 (April 1, 2001) to $117.04 (July 1, 2003), an increase of $18.54, or 19%.

Despite the government's announcement of increased funding to provide better service, new per diem rates for 2004 have not yet been established.

Emergency Health Services (Ambulances)

[1] The base amount is the per diem for an average facility (CMI of 100). If a facility has higher than average care levels, then the per diem will be greater; if the home is below the average the per diem will be less.

Prior to the download of emergency health services to local municipalities by the Conservative government, the provincial government used to provide 100% of the approved costs for ambulance services (except in Toronto). With the download of ambulance services to upper tier municipalities, the provincial government limited itself to 50% of the *approved* costs.

Nevertheless, the provincial government spending on ambulance services has also seen very significant increases – indeed a higher increase than the average for other health care services. Between 1996-97 and 2003-04, the ambulance budget Estimates have increased $148 million, from $234 million to $382 million. That is an increase of 63%, an average of over 7% a year.

This year, however, increases were more modest, increasing to $401 million, a 4.9% increase of just under $19 million.

Community (Home) Care

While long term care has received significant overall increases for a number of years, community home care services had been virtually frozen since 2001. Indeed, between 2000-01 and 2003-4, funding increased only 3.12%. As a result, service was cut from tens of thousands of clients according to the Ontario Association of Community Care Access Centres.

This year, however, reflecting a new government policy, community care received a significant funding increase. The provincial government budget Estimates set funding for Community Care Access Centres at $1.307 billion. This is an increase of $103 million or 8.6% over the previous year.

The government says funding increases in this sector will continue in future years. Indeed, the budget indicated that the government would [1] support an extra 95,700 Ontarians annually with care in their homes by 2007-08, and [2] provide end-of-life care to another 6,000 clients each year.

It remains to be seen, however, if the government will improve the difficult pay and working conditions in this sector. With an ongoing crisis in home care, the government has promised an independent review of its policy of compulsory competitive bidding for home care contracts. We are still awaiting the implementation of this promise.

Hospitals

Hospitals got a relatively smaller increase of only 4.35% -- that is an increase of $470 million to $11.3 billion in total. The previous year saw an increase of $1 billion, or over 10%. The provincial budget forecasts more modest increases for successive years until 2007-8, averaging 3.4% per year.

These are significantly smaller increases for hospitals than has been the case in recent years. Since the 1998 budget – six years earlier – hospital funding has increased $4.5 billion. That is a 66% increase, or almost 9% annually.

The Ontario Hospital Association is deeply concerned about the modest funding increase for hospitals, arguing that another $600 million is needed just to maintain existing services.

In July, $403 million of the new funding was allocated to the various hospitals. With a complex new funding formula, funding increases for specific hospitals have varied wildly, with some hospitals getting 1% or less, and others more. So, for example, Lakeridge Health, with 654 active beds, was allocated $2.1 million, while nearby Southlake Regional Health Centre, with just 300 beds, was allocated $34.5 million – 16 times more.

Health Minister Smitherman has repeatedly claimed that he will not increase hospital funding again this year. In a replay of the Harris years, layoffs at hospitals have begun. The Budget sums up the government's approach: "By putting more resources into community care and focusing more on prevention, people will be able to leave hospital sooner, and inappropriate admissions will be avoided."[2]

With Bill 8 (*The Commitment to the Future of Medicare Act*) the government now requires hospitals to sign "accountability agreements" with the provincial government, agreements which will require the hospitals to meet certain goals. For example, the government notes that these accountability agreements will require hospitals "to increase the percentage of nurses working full-time and to work towards a goal of having a minimum of 70 per cent full-time positions."

The Ontario Hospital Association (OHA) notes that, the government will also require hospitals to balance their budgets by 2005-06 through these accountability agreements. However, in recent years, the hospitals have run large deficits to deal with funding problems. As noted above, the OHA claims Ontario hospitals are facing deficits in excess of $600 million this year, as a result of operating cost increases of eight per cent for this year.

The OHA notes that the government sponsored accountability agreements will establish a limited list of protected hospital services:

- Cataract surgeries
- Those services performed under agreement with Cancer Care Ontario
- Selected cardiac services
- Mental health program
- Dialysis services
- Organ and Tissue Donation and Organ Transplantation
- Hip & Knee total joint replacements
- Provincial Regional Genetics Program
- Cleft Lip & Palate Craniofacial Dental Services
- Acquired Brain Injury Services

[2] Ontario Budget, The Plan for Change, p. 18.

- Trauma
- Sexual Assault and Domestic Violence Treatment Centres
- Magnetic Resonance Imaging
- Cochlear Implants
- Regional Geriatrics Program

Given the requirement to achieve balanced hospital budgets and the deficits faced by the hospitals, the OHA concludes that other hospital services are in jeopardy of de-listing, citing the following items as a "partial list":

- Arthritis clinics
- Chemotherapy clinics
- Children's beds – acute & rehabilitation
- Complex care beds
- Day surgery
- Diabetes clinics
- Ears, nose and throat clinics
- Emergency room services
- General surgery beds
- General surgery clinics
- Gynecology services
- Neo natal intensive care
- Obstetrical beds
- Pain clinics
- Palliative care beds
- Physiotherapy services
- Radiology services
- Rehabilitation beds
- Changes in the Way the Provinces Accounts for Hospital Spending
- Surgical beds
- Ultra sound services
- Urgent and emergent clinics"

The OHA states: "Unless additional funding is provided, hospital services will be short by up to:

- 16,000 hospital staff by 2006/07, and
- 42,800 less in-patient surgeries will then be performed by 2006/07."

Despite this list, hospital administrative and support services are likely the services most threatened by this attempt to reduce hospital costs.

So, Lakeridge Health hospital states that its "first priority" is to cut administrative and support costs. It will also work with Local Health Integration Networks to move appropriate services from the hospital to the community.[3]

For his part, Health Minister George Smitherman recently stated: "I've seen yet no progress from Ontario's hospitals looking within what is now for them an $11.5-billion budget to find even one step in the right direction…I think they've got more work to do..." [4] Smitherman believes $150 million can be saved by consolidating purchasing and administrative services.[5]

Hourly paid hospital workers have already made a very large contribution to the efficiency of hospitals. But for-profit corporations, hospital bosses, managers and salaried personnel are getting bigger and bigger proportion of hospital budgets.

Despite funding increases, **hospitals have consistently reduced the numbers of hourly paid staff and increased the numbers of bosses, managers and other salaried staff.** In the ten year period 1993-2003, salaried hospital staff in Ontario have increased from 16,363 to 26,589, an increase of 10,226 or 62.5%. Between 2002 and 2003, salaried staff increased from 24,003 to 26,589 -- an increase of 10.8% *in only one year.*

In contrast, hourly paid staff have declined from 169,796 to157, 784, a loss of 12,012, or 7.1%. .

Adding insult to injury, hospital CEOs and presidents earning over $100,000 per year have seen their income rise 5.4% *per year* between 1996 and 2003. The total number of hospital employees earning over $100,000 per year has increased 16.2% over the same period. [6]

Another key fact driving up hospital costs is for-profit corporations are getting more and more money for the supplies and drugs sold to hospitals. In just six years, these costs have expanded from 18% to 24% of hospital budgets.[7] That's a huge increase in a very short period of time.

Pharmaceutical Drugs

Yet again, the costs of pharmaceutical drugs -- the only health care sector totally dominated by for-profit corporations – will see some of the largest increases. Funding for drug programs will increase according to the Estimates to $2.55 billion, an increase of 11%. Since 1997-98, provincial funding of this for-profit sector has ballooned over 150%.

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[3] Lakeridge Health, "Lakeridge Health Developing Health Services Plan to Meet Ontario Government Requirements," September 10, 2004.
[4] Daily Miner and News, "Minister say no more hospital cash," September 7, 2004.
[5] Toronto Sun, "Health Crunch," September 4, 2004. Ottawa Citizen, "Ontario Budget Directive…", September 4, 2004.
[6] Mark Mullins, "Where Does the Money Go?" Fraser Institute, September 2004
[7] The Change Foundation, Financial *Review of Ontario Hospitals,* December 2003.

Health Care Capital Funding

The provincial government budgets separately for capital expenses, i.e. expenses for building new hospital facilities or buying equipment. This is different from operating expenses that pay for items like wages and benefits. Total provincial government health care capital is $346 million – comparable to the amounts budgeted in recent years.

Important Accounting Changes

The government has announced a significant shift this year in how it characterizes its hospital funding expenses. Under new accounting standards, the Province will add to its books 154 public hospitals to its books. They will be consolidated into the Province's financial statements starting with the 2005-06 Public Accounts, and in subsequent Ontario Budgets, starting in 2006-07.

This will impact on the Provincial government's financial plans and reports. With the inclusion of these hospitals (along with school boards and community colleges):

- The province's annual surplus / deficit will reflect these organizations annual surpluses and deficits, and its net debt will reflect their debt.

In recent years hospitals have run large deficits as a response to funding restraints, helping them to achieve larger funding increases. The government has challenged this through the accountability agreements envisaged in Bill 8 (The Future of Medicare Act). Consolidation into the provincial government books, further increases pressure on the hospitals to avoid deficits particularly as this change will first show up in the 2006-7 budget, about a year and a half before the next election.

A second change is positive. While "operating expenses" is spending on items like wages, "capital expenses" is spending on building and renovating facilities or buying equipment. Under the new regime the Province's capital transfer payments to these organizations may be treated as Provincial investment in capital assets rather than current year expenses. This means that the costs of hospital capital expenditures can be apportioned over the life of the facility, rather than all as current year expenses.

As P3 hospital leases can be apportioned over many years, this change will reduce or eliminate a purely accounting based advantage of P3 hospitals!

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