



Speaking Remarks

Tom Closson
President and CEO
Ontario Hospital Association

to

Standing Committee on Finance and Economic Affairs

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CHECK AGAINST DELIVERY

Thank you.

The Ontario Hospital Association knows that the financial and economic crisis facing Ontario is extraordinarily serious.

Government revenues have fallen dramatically.

Jobs are disappearing.

People are worried.

Under these circumstances, which are unprecedented in recent memory, the people of Ontario want coordinated action. They want hospitals, LHINs and the Ontario Government to work very closely together – focusing on practical and realistic solutions that protect patient care.

Without change, the rising costs of health care overall are not sustainable – even before the current economic crisis. That's why the OHA is a strong supporter of health system transformation.

Ontario's hospitals have a legacy of adaptability, and we work closely, in partnership, with government.

We lead by example and focus our efforts on improving health system performance. We helped create Ontario's wait-times strategy. We helped shape and implement our province's nation leading patient safety public reporting regime.

Today, the government is balancing very demanding, often competing priorities in preparation for the next Budget.

As you know, the people of Ontario are proud of their hospitals. And people have high expectations when they are in need of the services that only hospitals can provide.

In Budget 2008, the Ontario government confirmed that the base hospital funding allocation would be 2.1% for 2009/10, down from 2.4% for the current fiscal year.

Additional resources are also provided, but for targeted initiatives such as the Wait Times Strategy and priority programs.

Now, the cost of operating Ontario's hospitals increases by more than this as the result of inflation, increases due to responsible collective agreements intended to attract and keep nurses, as well as cost increases from an aging and growing population.

Most hospitals in Ontario have signed a two year accountability agreement with their LHIN requiring that they achieve a balanced budget. Given the 2.1% base allocation, this means that the majority of hospitals are facing particularly serious financial

pressures for 2009/2010. Hospitals will make every effort to minimize the impact on access to services and on the workforce, but this will not be possible in each instance.

So already, hospitals are making choices. That's why many hospitals have recently moved to reduce costs by eliminating or reducing services and staff positions, including nurses.

For the past two months, representatives of the OHA have been meeting with senior government officials and staff to discuss the fiscal and economic crisis and its potential impact on the hospital sector.

Our discussions have been open and productive. We will continue to work with the government in the time ahead as decisions are made about hospital funding.

Members of the Legislature and the people of Ontario can be proud of the efficiency of hospitals. Compared to hospitals in other provinces, Ontario's hospitals do more with less funding per capita. Today, this produces a remarkable \$1.6 billion efficiency "dividend"-- up from \$1.2 billion just a year ago -- that is then invested in other priorities by the government.

Unlike the mid-90's, many hospitals today also operate near 100 percent occupancy. The government has made significant progress in the area of pandemic planning, but the hospital sector does not yet have the surge capacity needed to respond effectively in the event of an emergency as recommended by the Naylor Report, the Walker Report and the Campbell Commission on SARS.

And unfortunately, 20 percent of Ontario's hospital in-patient capacity is now occupied by patients in need of care in another, more appropriate setting – such as assisted living, palliative care, long term care and home care.

That's up from approximately eight percent just two short years ago.

While efforts underway to tackle the alternate level of care patient challenge hold promise, the capacity to care for these patients outside of hospital settings does not yet exist.

Hospitals are facing enormous pressures to respond to the relentlessly increasing demand for services. And as hospitals move to put or keep their budgets in balance, they are not on equal footing.

Because funding has been provided on an across-the-board basis, relatively more efficient hospitals, or hospitals in high population growth areas, receive the same annual increase as other organizations. This has created a distorted environment. More efficient hospitals, hospitals in high growth communities, and small and remote hospitals have less flexibility to cut costs.

As we recommended in our last four pre-Budget submissions, we believe strongly in investing in health services outside hospitals. Hospitals will also continue to transfer out certain services that can be delivered in the community, such as outpatient physiotherapy and outpatient lab services.

In some instances, hospitals are also embarking on long overdue changes to consolidate services in order to achieve greater efficiencies and improve quality, as is the case with the Niagara Health System. We strongly support these reforms.

But even in making allowance for these measures, if the base hospital allocation drops lower than 2.1 percent, a level that is already generating a significant adjustment in services and the workforce, a very large contraction in the capacity of the hospital sector would take place.

This would have extremely serious consequences for patients.

In particular, we believe that it would severely limit access to hospital care even further, generating much greater congestion in emergency departments and longer wait times for care, especially during winter months and flu season. We know that neither the government, nor hospitals, want this kind of impact on quality of care.

Given the urgency of the financial and economic crisis, the OHA therefore makes several recommendations to this committee and to the Ontario government.

We recommend:

- That the government confirm its decision on the base 2.1% funding allocation in order to allow the hospital sector to move forward with implementing the measures necessary to operate within budget, including service changes and workforce adjustments, if and as they are necessary;
- That a productivity improvement fund of up to \$150 million be created, building on the success of Ontario Buys, that seeds measures that may improve hospital sector performance over the longer term, and facilitates workforce adjustment paying for staff severance necessitated by the 2.1% allocation;
- That the government provide special assistance to small and remote hospitals, which today, operate effectively as comprehensive community health centres, that are unable to cut costs further without affecting their long-term viability; and
- That additional funding for the 20 to 30 hospitals that are already highly efficient, have a large forecast deficit unrelated to operational inefficiency, and have poor indicators of financial health as measured by a very low current ratio, in order to avoid massive cuts in services and major dislocations of staff through layoffs.

It goes without saying that we also support the presentation made earlier today by our colleagues from the Council of Academic Hospitals of Ontario regarding health research and its ability to drive innovation and economic growth.

As I close, I want to reiterate the importance of partnership. Given the gravity of the economic crisis, the people of Ontario want hospitals, LHINs and the Ontario government to work closely together, continue with health system change and focus on solutions.

The OHA will continue to build strong, adaptable, system oriented leadership in health care through our Governance Centre of Excellence and Leadership Institute, building on the very leadership of the hospital sector that has led to its \$1.6 billion efficiency dividend.

Ultimately, during these unprecedented times, the government and hospitals share the same vital objective: to avoid drastic cuts that will destabilize patient services and the hospital workforce.

I would be happy to answer your questions.

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