



## **2010 Pre-Budget Presentation**

By

Dr. Kevin Smith  
Board Chair  
Ontario Hospital Association

And

Tom Closson  
President and CEO  
Ontario Hospital Association

To

**Standing Committee on Finance and Economic Affairs  
of the Ontario Legislative Assembly**

Tuesday, February 2, 2010

**CHECK AGAINST DELIVERY**

**[Dr. Kevin Smith, Chair, Ontario Hospital Association Board of Directors]**

Thank you, Mr. Chair.

My name is Kevin Smith. I am Chair of the Ontario Hospital Association's Board of Directors, and President and CEO of St. Joseph's Healthcare in Hamilton. With me is Tom Closson, President and CEO of the OHA.

We are here to offer you a snapshot of today's hospital operating environment, and to discuss what is necessary to maintain stability – and public confidence – in our health care system in the coming years.

In some ways, our presentation today has been 20 years in the making.

Since 1990, the last time Ontario's economy was wracked by a serious recession, hospitals have completely changed the way they provide patient care.

In 1990, approximately 50,000 hospital beds were staffed and in operation; in 2008, that number had fallen to just over 30,000 beds, even though Ontario's population has grown by almost 3 million people through that time period.

New medical technologies have made it possible to offer outpatient surgery to nearly 1.2 million Ontarians each year, which speeds their recovery, is safer for them, and is easier on their families. Technology has also helped us to reduce a patient's average length of stay from 8.2 days in 1990 to 6.7 days in 2009.

Breakthroughs in telemedicine allow us to bring specialists' expertise to every corner of the province.

New health policy thinking has led to a welcome shift away from high rates of hospitalization, and toward providing as much patient care as close to home as possible.

Increasing public expectations related to quality and governance have driven our efforts to become more transparent and accountable, including the adoption of Hospital Service Accountability Agreements, annual audits by Ontario's Auditor General and the OHA's call for the Freedom of Information Act to be applied to hospitals.

Making these changes was not always easy for hospitals to implement, or for the communities they serve to accept.

However, the net result of these changes is a hospital system that is stronger; provides faster, safer patient care; and is the most efficient and productive in Canada when compared to the other provinces. I'd like to explore that last point for a moment.

Hospitals' high level of efficiency allows the Government of Ontario to fund them at a per capita rate that is 13.6% lower than the average of all of the other provinces, which in turn has created a \$2.5 billion efficiency dividend that the government invests in other priorities.

This efficiency dividend increased by \$900 million last year, which is both a remarkable achievement and evidence of hospitals' ongoing commitment to driving further efficiency improvements.

Ontario hospitals' work over the past twenty years to become the most efficient in Canada has also led to another positive and, perhaps, surprising result: in 2004, hospitals became the slowest-growing major cost component within Ontario's total health care budget, behind physician payments and pharmaceuticals. While hospitals' expenses growth rate is flattening, growth in other parts of the health sector – particularly physicians – will increase rapidly in the next few years.

The work of maximizing the utility of every taxpayer dollar they receive is never done. Most hospitals in the province have adopted an informal goal of finding 1% in new efficiencies every year, and the OHA believes that this goal is both reasonable and appropriate. To assist them, and the government, in bending the health cost curve, the OHA recently developed a paper that discusses some of the systemic changes that could be made to make our health system more sustainable.

All of this work means that, today, Ontario's hospitals are as well-positioned as possible to weather the current economic storm.

**[Tom Closson, President and CEO, Ontario Hospital Association]**

We have called on the Government of Ontario to provide the hospital sector with a 2 percent increase in base operating funding in the 2010-11 fiscal year, and an immediate return to providing multi-year targets thereafter. This increase should be exclusive of funding increases to cover growth in population and demand. I should note that some additional support may be needed to assist those hospitals with significant structural deficits. The OHA also believes that in funding hospitals, it is essential to return to the use of a methodology that incents and rewards hospitals for being efficient.

A 2 percent increase for the sector is lower than the current rate of hospitals' salary and expense inflation, which we estimate at 3 percent. It shows that Ontario's hospitals recognize that our province has a financial challenge, and that they want to be part of the solution. It is, in our view, the absolute minimum increase necessary to maintain health system stability and access to patient care.

A 2 percent increase will, in large part, allow hospitals to protect access to patient care and preserve their ability to help the government meet its stated goals of reducing wait times for surgeries and in emergency departments.

To be clear: if the hospital sector receives a 2 percent increase in operating funding, the basket of services that many hospitals offer will change, and there will be changes to the hospital workforce. These changes are occurring as hospitals follow through with measures to improve their efficiency and operate within that 2 percent envelope. But, as mentioned, we believe that hospitals can make these changes while preserving the stability of the health care system.

However, the data we have seen to date strongly suggest that an increase of less than 2 percent in hospital operating funding would undercut the government's goals with respect to reducing wait times in emergency departments, undo much of the hard-won progress made to date in reducing surgical wait times, and erode public confidence in our health care system.

At many hospitals, certain core patient services would be reduced. In some cases, they may well be eliminated completely.

This would be particularly serious in northern Ontario, where geography and a lack of community-based services have made hospitals the default hub of local health care.

Large numbers of hospital beds would need to be closed. Our hospital system currently operates at nearly 100% capacity. Last month, 4,977 Ontarians were waiting in hospital beds for a long-term care bed, complex care, or rehabilitation, or to receive community services that are also backlogged. These particular problems would be felt most acutely in northeastern, southeastern and central Ontario.

745 patients waited in hospitals' emergency departments for a medical bed to become available, and these numbers are increasing, particularly in the Greater Toronto Area, where a rapidly growing population is already straining the health care system. A reduction in hospital beds would make it impossible for many hospitals to house alternate level of care patients while offering timely surgery and shortening wait times in emergency departments.

I should note here that hospitals' ability to manage these pressures depends, in many ways, on the community health sector, which is facing the same fiscal challenges that hospitals are. Ontario's health care system is very interconnected. Funding or policy decisions that affect capacity in the community – specifically, a decision to not continue expanding home care services – whether initiated at the provincial or regional level, will have significant consequences for the entire health system. For that reason, it is important for the government to test funding and policy options related to specific parts of the health sector against system-level imperatives before decisions are made.

I should note that an increase of less than 2 percent would also deepen hospitals' working capital deficits, which will make it difficult for hospitals to pay their bills in a timely manner. This issue that has not yet been resolved by the government, notwithstanding a commitment made in February 2004 to do so. We continue to strongly

encourage the Ministry of Finance to establish the Working Group that is needed to move forward with addressing this major hospital financial problem.

The important thing to remember is that what I have just described is a scenario – one that we hope does not come to pass.

The government fully understands the challenge an increase of less than 2 percent in operating funding would pose to Ontario's hospitals and health care system. Ultimately, during these unprecedented times, the government and hospitals share the same vital objective: to avoid actions that will significantly reduce access to patient services. I am confident that they will work with us – as they have in previous years – to protect access to the health care services that Ontarians expect.

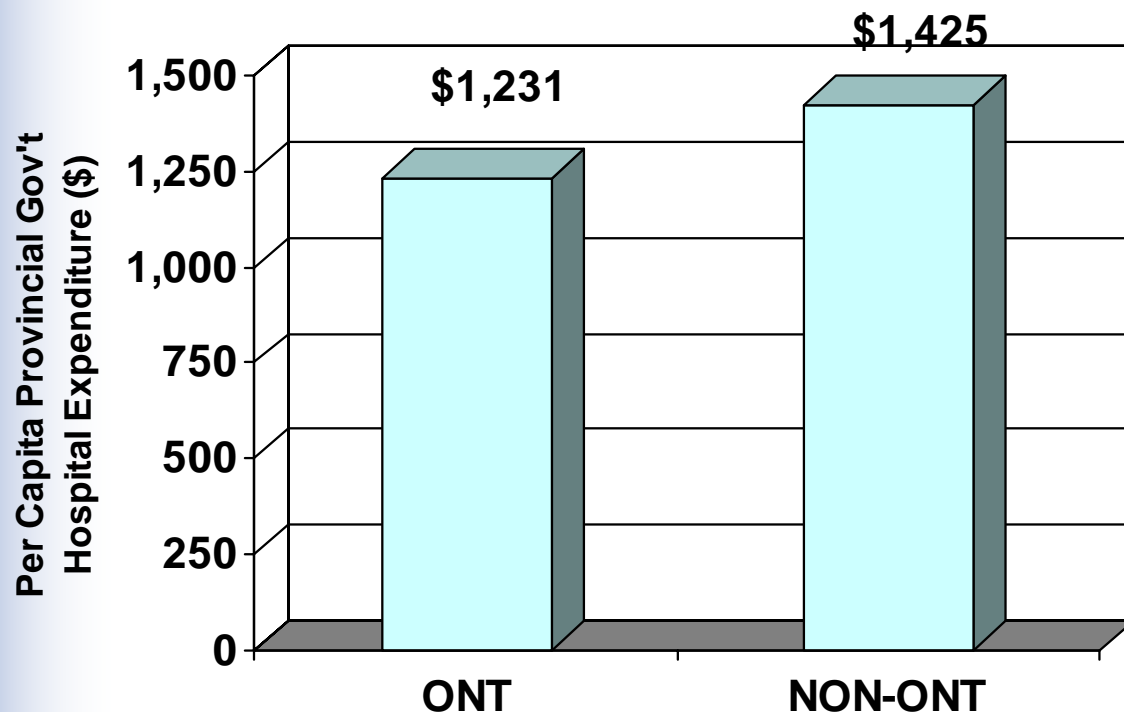
We would be happy to answer your questions.

- 30 -

# **Presentation to Standing Committee on Finance and Economic Affairs**

Dr. Kevin Smith and Tom Closson  
Ontario Hospital Association  
February 2, 2010

# The Ontario Hospital Efficiency Dividend



Ontario spends 13.6% less than other provinces, on a per capita basis.

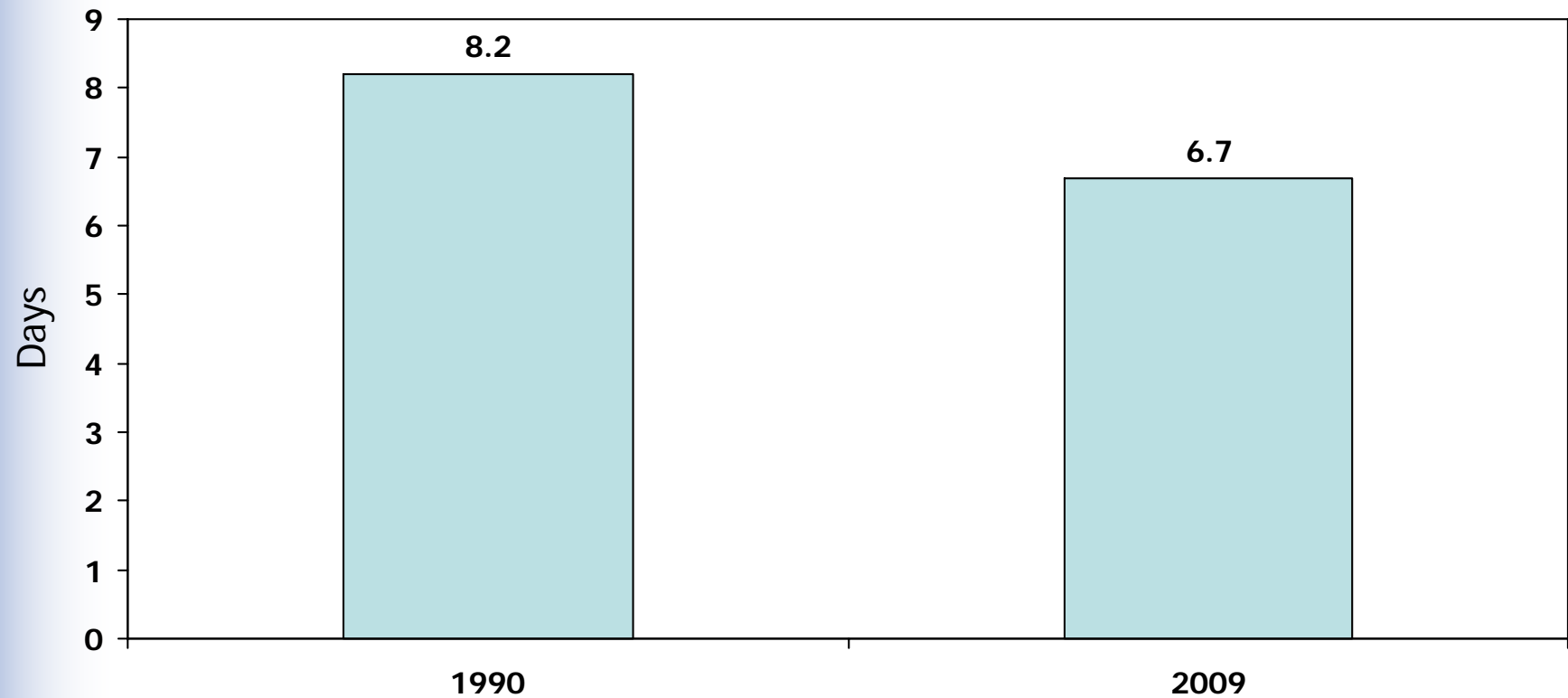
It would take \$2.5 billion to bring Ontario up to the average of what other provincial governments spend on hospitals.

\$1,425	Non-Ontario
<u>-1,231</u>	Ontario
194	Differential
<u>x 13</u>	Ontario pop. in millions
\$ 2.5	Billion less expenditure

Note: 2009 Forecast. Operating expenditure only, excludes capital. "Non-Ont" is all provinces excluding Ontario, YT, NWT & NUN.

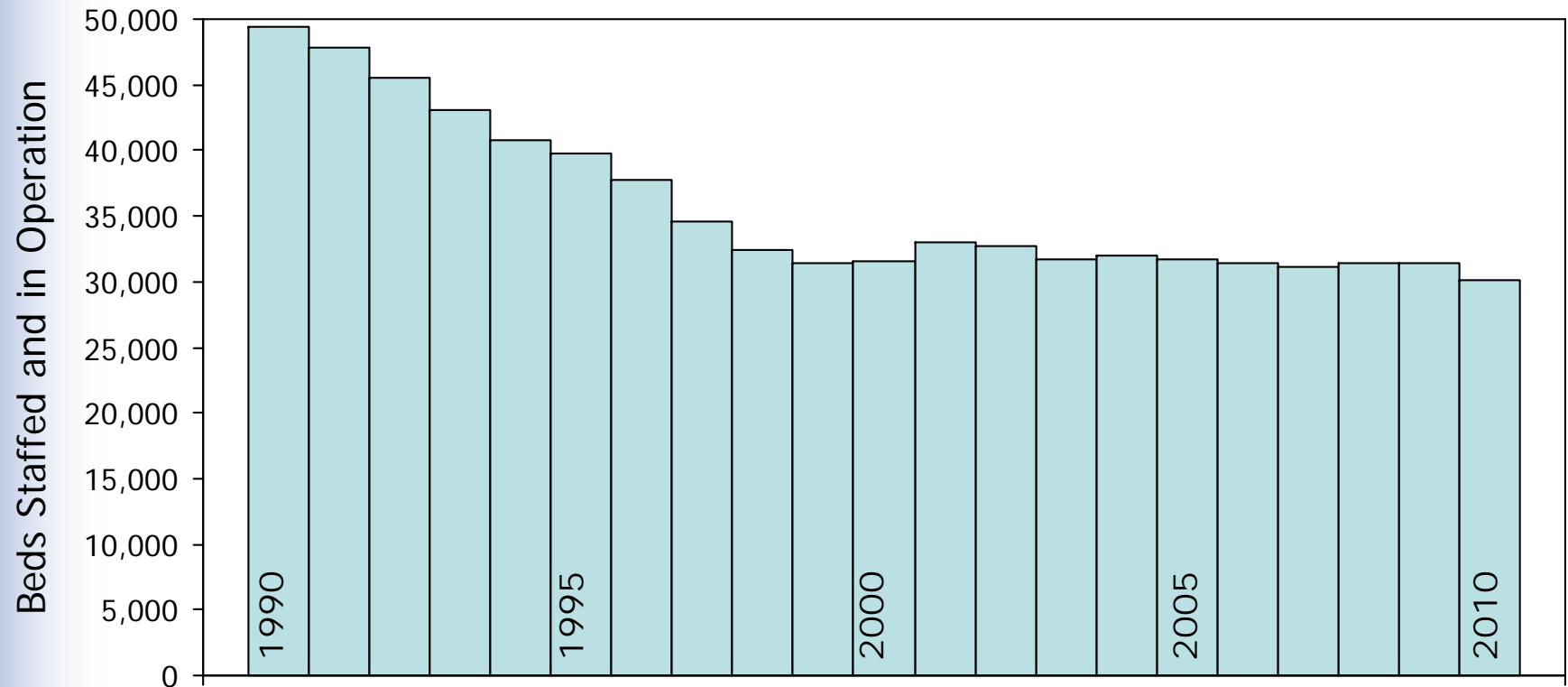
Source: Canadian Institute for Health Information, November 2009.

# Average Length of Stay in Acute Care, Ontario, 1990 vs. 2009



Source: Daily Census Summary, Ministry of Health and Long Term Care.

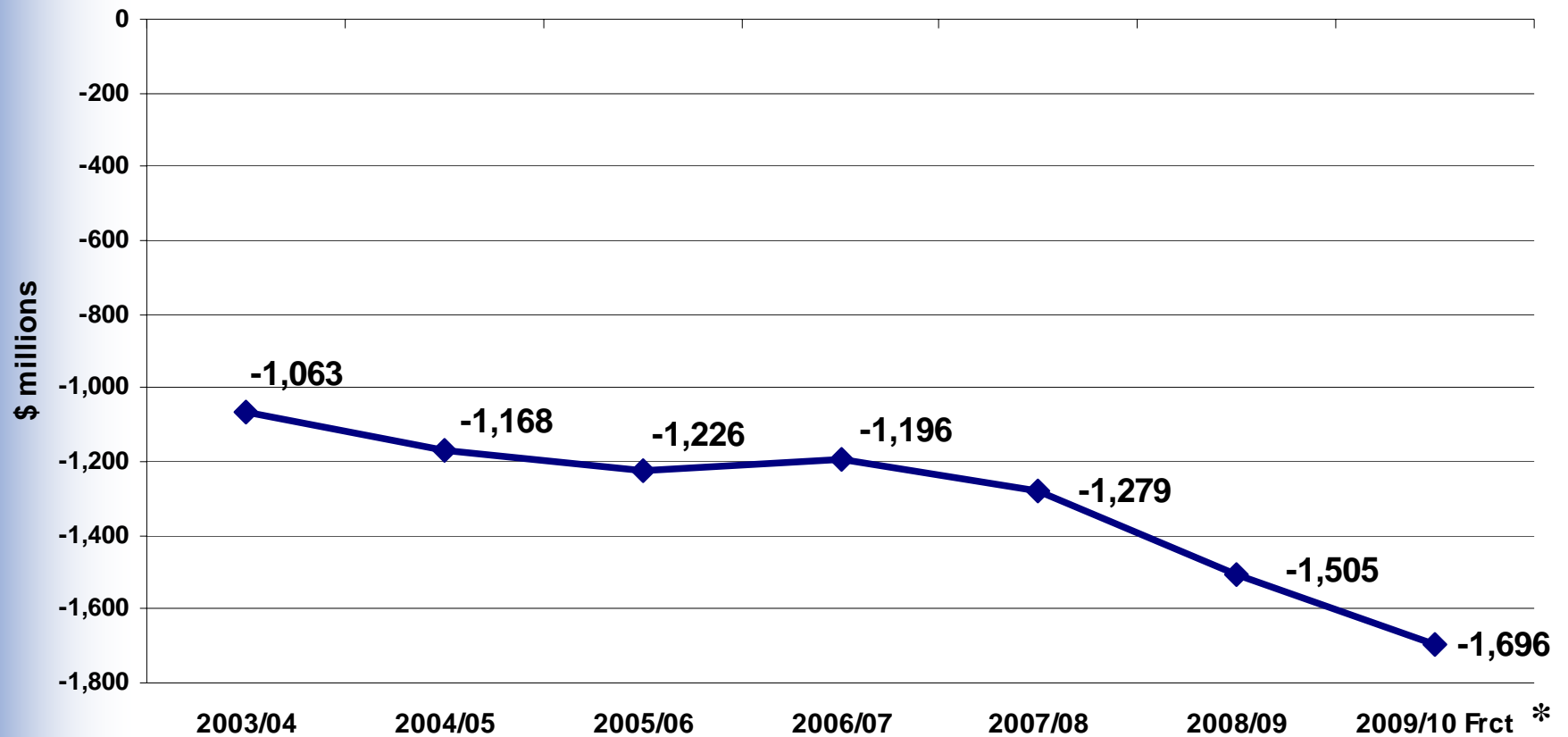
# Total Beds Staffed and in Operation, Ontario, 1990 to 2010



Sources:  
Note:

Hospital Statistics, 1989-90 to 1992-93. Daily Census Summary, Ministry of Health and Long Term Care, 1993-94 to 2009-10.  
Bed numbers are as of March 31 each year, except for 2010.  
A slight increase in beds beginning in the early 2000's is due to the gradual divestment of some Provincial Psychiatric Hospitals (PPHs) to the Public Hospital sector.

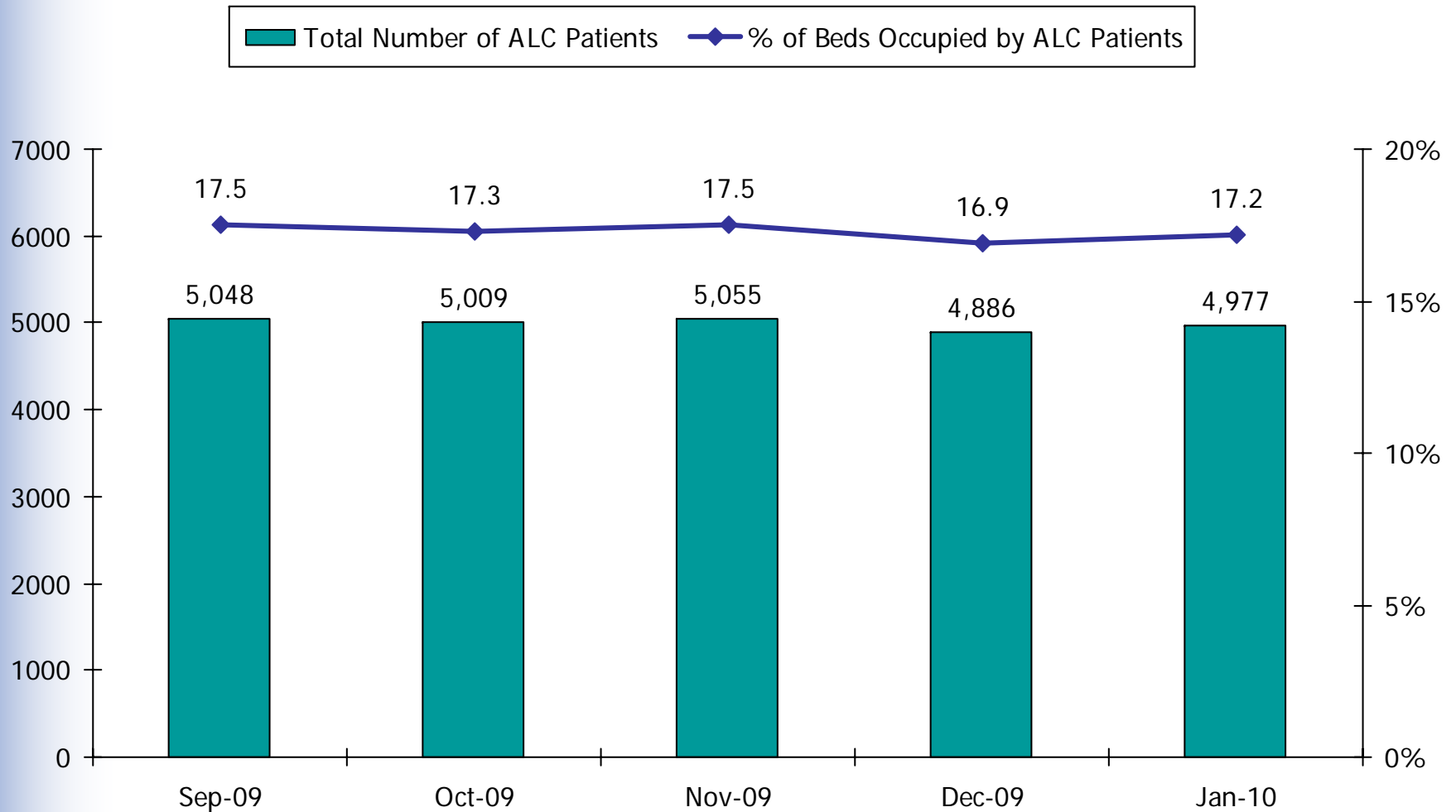
# Gross Working Capital Trend



\* 2009/10 Forecast based on 2009/10 Q2

# Total ALC Patients (Acute and Other)

## September 2009 to January 2010



September 2009 to January 2010 ALC Survey Results

# Number of Patients in Emergency Waiting for an In-patient Bed

Sep. 2009 - Jan. 2010

