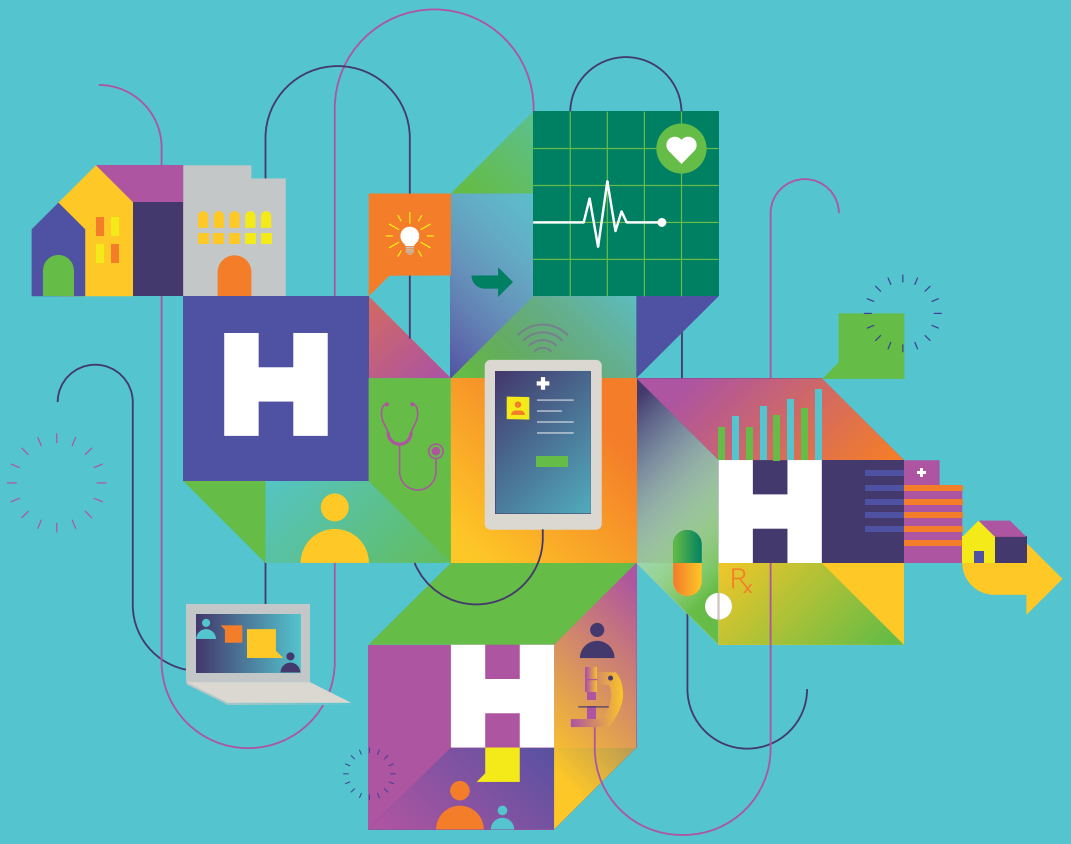
Supporting Hospitals Through the Evolving COVID-19 Pandemic and Beyond

JANUARY 2022



Ontario Hospital Association

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Summary

For almost two years, Ontario hospitals have been at the forefront of the pandemic response, working to meet the needs of their patients, supporting other sectors—most notably, long-term care—and protecting Ontarians in several ways, including providing COVID-19 testing, vaccinations and other public health supports.

As of January 2022, COVID-19 case counts have been increasing exponentially due to the Omicron variant and hospitals have seen a rapid rise in hospitalizations. This is occurring at a time when hospitals had been working to address a backlog of care—which will now be further exacerbated due to the recent requirement to pause scheduled procedures in order to create surge capacity. All the while, hospitals are determining how best to emerge from the pandemic prepared for a "new normal" future. Overall health system capacity, including hospital bed capacity, remains a key issue, as well as the imperative to protect, sustain and renew Ontario's health human resources (HHR).

Hospitals' prolonged collective response has succeeded through the unrelenting dedication of health care workers, particularly physicians, nurses, other clinical staff and numerous other support and administrative staff. This response was made possible through essential funding and other resources provided by the Government of Ontario. Additional hospital beds were funded, new long-term care (LTC) bed capacity is being built and increased LTC hours of care per resident are being funded.

Ontario hospitals would like to thank the Government of Ontario for additional hospital supports, including the new bed allocations and for keeping its promise to keep hospitals financially whole in the 2020/21 fiscal year. This was accomplished with government funding for COVID-19 expenses, reimbursement of lost revenue, and $697 million in working funds to create financial stability.

In order to protect these gains and maintain the sound financial footing which will allow hospitals to continue to be the backstop of the Ontario health care system, providing essential services upon which Ontarians rely, the OHA is recommending that the Government of Ontario stay the course for the remainder of 2021-22 and into 2022-23. To that end, in preparation for the province's upcoming fiscal planning, the Ontario Hospital Association (OHA) is putting forward the following recommendations.

Recommendations

The OHA is recommending the following investments to maintain the financial stability of hospitals while they continue to manage traditional, annual operating pressures plus ongoing pandemic and other extraordinary financial challenges.

- **For the 2022-23 fiscal year, annual year-over-year base operating pressure: 3.5% ($735 million)**

  This amount is based on expectations of annual increases in:
  - **Inflation at 1.0% ($210 million)** based on a conservative estimate of future projections.
  - **Growth at 2.5% ($525 million)** for general untargeted growth, Post-Construction Operating Plans (PCOP), Cancer Care Ontario/Ontario Health (CCO/OH) and Quality-Based Procedures (QBPs).

In addition, the following investments and actions are recommended to address continued COVID-related and other pressures for the duration of the current 2021-22 fiscal year and beyond:

- **Dedicated funding to reduce the massive backlog of procedures and services.**
- **Continued reimbursement for COVID-related expenses and lost revenues as defined in 2020/21 for the remainder of 2021/22 and all of 2022/23.**
- **2022/23 to be a "learning year" to determine which of the COVID-related expenses and lost revenues plus inflationary cost pressures, should be rolled into hospital global budgets for future years.**
- **Keeping the additional beds and related funding allocations that were made over the past two years.**
- **Creation of a new, separate program for direct reimbursement of cyber security and asbestos removal efforts due to prohibitive costs that are not part of hospitals' historical budgets.**
- **Support for the Paying for Quality approach for inpatient schizophrenia care as recommended by the Hospital Advisory Committee (example, $25M).**

Ongoing Pandemic Response and Challenges

Throughout Ontario's continued pandemic challenges of 2021, the Government of Ontario responded appropriately through shutdowns, a cautious reopening and supporting vaccinations and passports. In the 2021/22 Ontario Budget, the government committed to an additional $5.1 billion investment in hospital support since the onset of the pandemic and the creation of more than 3,100 new hospital beds. This commitment included $1.8 billion for 2021-22 for COVID-19 patient care, the surgical backlog and other patient requirements.

As of January 2022, Ontario has been experiencing a rapid rise in the number of COVID-19 cases as part of the fourth pandemic wave. The number of infections has been rising daily at an exponential rate with estimates that neared 20,000 per day, in early January, according to Ontario's Science Advisory Table. The number of patients with COVID-related illness in intensive care units has quickly increased to just over 600 and hospitals have experienced a continued rapid surge in intensive care admissions and hospitalizations in general. Almost 3,900 confirmed COVID-19 patients were in hospital as of mid-January.

Hospitals and the health care system entered the pandemic in a state of under-capacity and misaligned resources and services. While new beds have been added over the past two years to address the pandemic and to mitigate hallway health care that had become standard over so many years, it remains the case that system capacity is still a serious problem. In recent months, the number of Alternate Level of Care (ALC) patients has risen sharply to historically high levels. There are currently approximately 5,800 ALC patients (as of mid-January 2022) in total which includes approximately 4,150 patients in acute care. Hospitals have never seen ALC levels this high.

While system capacity is most often gauged by beds, occupancy rates and wait times which are directly related to funding levels, it is important to note that staffing availability is a critical capacity-limiting factor. Historical challenges with the supply of health human resources (HHR) involving issues of recruitment, retention and scope of practice have been significantly magnified by the pandemic. These issues have now become urgent.

Hospital Bed Capacity

Up until the onset of the pandemic, Ontario hospitals had been operating for many years at a very high level of efficiency that was unmatched in Canada. Years of funding restraint in the face of steady population growth and aging had created conditions of hallway health care, which is a challenge that the OHA and Government have been working together to address.

Historically, on a per capita basis, Ontario hospitals have had very low numbers of beds compared to other provinces and countries. Fortunately, the provincial government approved and funded the addition of approximately 3,100 beds prior to the pandemic to address hallway health care and throughout the pandemic to help ease further pressures. The extra bed capacity has been critical in allowing hospitals to support other health sectors that have been compromised during the pandemic and to keep the system as stable as possible, to ensure patient safety during these difficult times.

Currently, as of mid-January, hospitals are once again facing extraordinary challenges due to the rapid community spread of the Omicron variant. This coincides with hospitals' extraordinarily busy fall and winter season that typically presents difficult capacity pressures. Hospitals have a clear need to maintain the current and growing level of beds in order to avoid an immediate return to hallway health care and to offset other pressures.

Acute care occupancy rates are at 96% with some large hospitals approaching or exceeding 100%, and significant ICU bed capacity is still needed for increasing numbers of patients with COVID-19. Emergency department (ED) volumes have returned to the normally high pre-pandemic levels and there is a fear of even higher volumes as physicians could elect to have more patients present to the emergency department instead of to physician offices.

With the rise to historical ED volumes, there have been other concerning indicators:

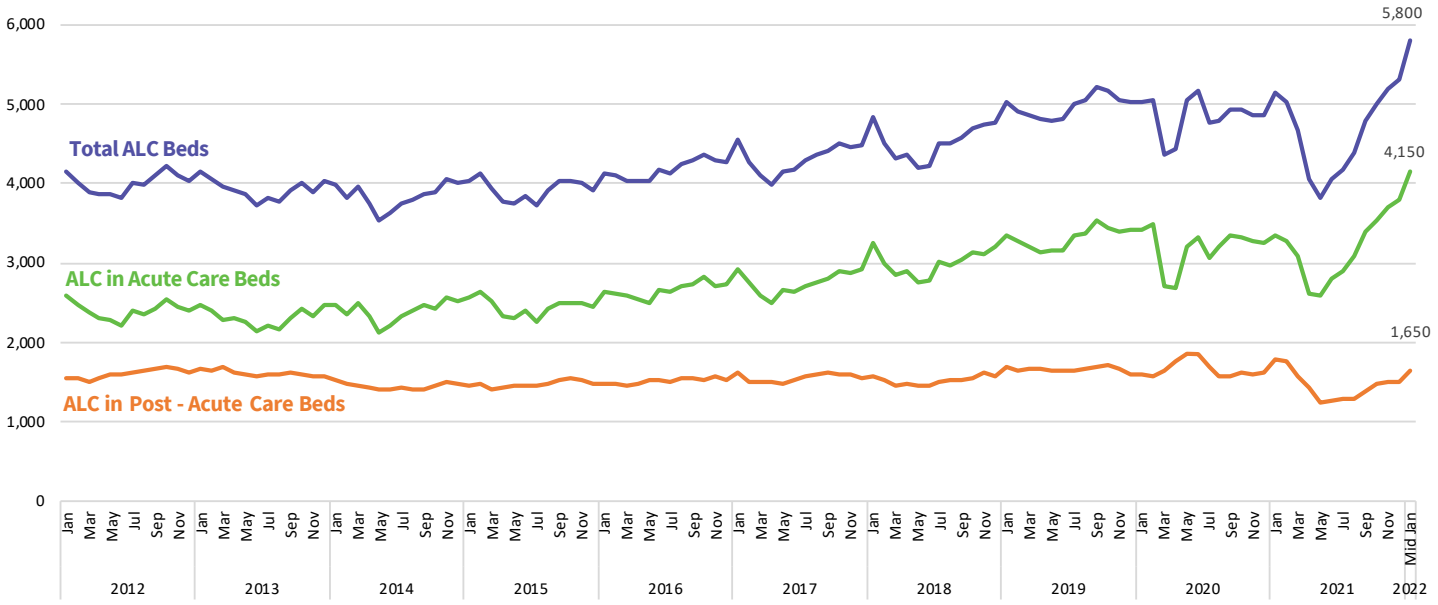
- **Length of Stay in Emergency Departments** - In November 2021, the 90th percentile Emergency Department Length of Stay for Admitted Patients was 36.1 hours.
- **Ambulance Offload Time** - In November, the 90th percentile Ambulance Offload Time was 71 minutes.
- **Time to Physician Initial Assessment in the Emergency Department** - There has been an increase in the 90th percentile Time to Physician Initial Assessment to 4.0 hours.

On their own, these are concerning trends. Of additional concern is that historically, these rising ED pressures have forecasted higher levels of ALC in the weeks and months ahead.

ALC continues to be a clear and present danger having already risen sharply to approximately 5,800. Of note is the steep rise of ALC in acute care which is at a historic high of approximately 4,150 as of mid-January 2022.

This situation reflects reduced and insufficient capacity in long-term care as well as for home and community services. While new long-term care beds have been announced, there has been delay in bringing them onstream.

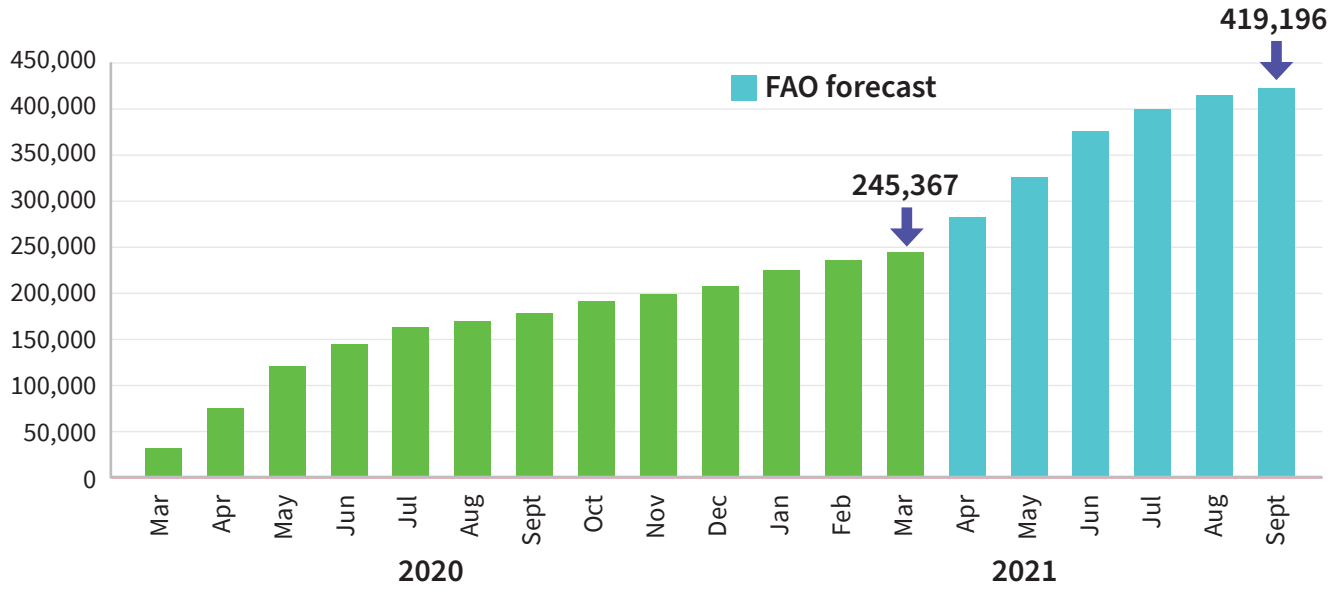
Ontario ALC Cases (Total, Acute and Post-Acute Jan 2012 to Mid-Jan 2022)



Patients recovering from COVID-19 and other pandemic-related health issues are increasingly in need of a range of care, including acute care, rehabilitation, complex continuing care, LTC, home care and mental health services.

When the pandemic arrived, as most are aware, hospitals were forced to reschedule and postpone many surgeries and other non-urgent services to create a buffer of excess capacity and physical space to be able to treat waves of COVID-19 patients and to reduce spread of the disease. Unfortunately, hospitals have recently been required to reschedule procedures once again, due to the current surge. The massive backlog of cancellations has caused tremendous difficulty for many people and hospitals have seen a higher level of complexity and acuity due to delayed treatment. The true impact of this backlog may yet be fully seen. For example, some oncologists have suggested many patients are not yet on surgical waitlists due to a decline in visits to primary care and a reduction in cancer screening or general surgery consults.

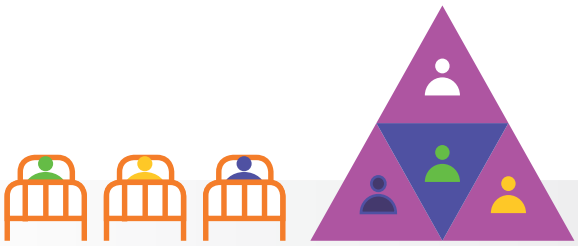
Estimated Cumulative Backlog of Elective Surgical Procedures



Source: Financial Accountability Office of Ontario, Ontario COVID-19 Science Advisory Table and Ontario Ministry of Health

Given the immediate capacity situation, the need to maintain surge capacity for the present as well as for any future crises, plus the steady year-over-year demographic pressures that occur, hospitals are therefore **recommending that the additional beds and related funding allocations that were made over the past two years be designated as permanent.**

It is imperative that these beds remain in place throughout 2022/23, with the requisite complement of staffing, in order to avoid another bed crisis and to ensure a resolution to long-standing conditions of over-crowding and long waits which impact patients and staff.



Hospital Finances

Thanks to the Government of Ontario fulfilling its promise to keep hospitals financially whole, at the 2020/21 fiscal year end, hospitals' collective financial position was on solid ground. Hospital financial stability was created through government funding for COVID-19 expenses, reimbursement for lost revenue and $697 million in working funds. Hospitals greatly appreciate these government efforts which underpin their ability to provide the necessary care and services to their communities.

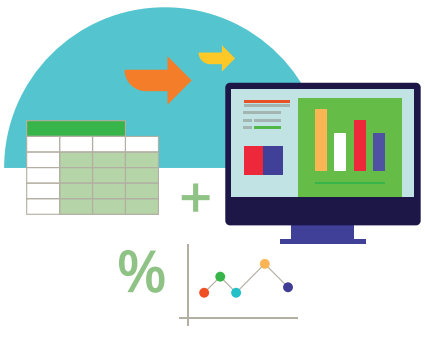
However, as hospitals continue to be the backstop of the health system, they are experiencing sustained, legitimate COVID-19 expenses and significant revenue losses. The added expenses for PPE, screening, testing, security and staffing are an ongoing reality. Budgets are also impacted by the higher costs of purchasing Canadian manufactured supplies and equipment. Rising prices for items such as energy, food, drugs and repairs due to the general impact of COVID-19 are also affecting hospital expenses.

Hospitals will also be working through the backlog of delayed surgeries and services for some time and need continued funding to be able to keep up the pace and address added patient complexity and acuity due to delayed treatment.

Significantly higher costs are also expected for nursing due to a need to increase the size of the workforce to meet patient demands, increased sick time, potential overtime and surgical/diagnostic backlogs, as well as rising costs to purchase agency staffing as necessary to maintain coverage.

As well, support is needed for the Paying for Quality approach for inpatient schizophrenia care as recommended by the Hospital Advisory Committee (example, $25M).

Additional extraordinary expenses that are occurring at this time include enhancement of cyber security as well as asbestos removal as essential hospital renovations are undertaken.



Further, hospitals face the regular, annual inflationary pressures due to cost increases and the demographic pressures of population growth and aging. The absolute impact of these pressures can be expected to change over time. Therefore, the assumptions underlying these current recommendations may need to be revisited in the event that there is a material change in expenditures due to inflationary pressures.

As a result, heading into the remainder of the 2021/22 fiscal year and in all of 2022/23, **the OHA is recommending that Government continue with the same funding commitments for COVID-19 expenses and revenue losses that were in place last year.** At this point in time, any consideration of "bending the cost curve" by not funding legitimate expenses and revenue losses, will set hospitals back. If this were to happen, it would erode government's achievement of hospital financial stability, which was reached through last year's influx of working funds.

Looking ahead and budgeting for 2022/23, the realities of the new normal will continue to be faced. Here as well, any hopes of bending the cost curve would be wishful thinking. It is also of particular importance to be mindful of the impact of any cost-saving efforts that may or may not be contemplated, on staffing levels, at a time when there is a critical need to support the health care workforce.

Health Human Resources

Long-standing concerns about future health care workforce supply, projections for retirement, and exacerbated issues of mental health and burnout have become significantly magnified by the COVID-19 pandemic. As a result, a stable supply of health human resources has become the biggest issue for hospitals (and other healthcare providers) in the short-term.

Recently, several hospitals have had to manage partial closures of their emergency departments and other core services due to staffing shortages. In addition, hospitals have been forced with the difficult decisions to close neonatal intensive care units, and to increasingly deal with challenging issues of understaffing while striving to maintain service levels. It has become clear that workforce supply shortages are at a critical point.

The November 9th announcement by the Government of Ontario to provide support for existing and expanded mental health and addictions supports for front line health care workers is welcome news. COVID has exacerbated burnout and mental health within the health sector, and additional supports are a positive commitment to ensuring that these individuals get the assistance and access to resources that they need.

Substantial investments were also made to strengthen the nursing and personal support worker workforce through shorter-term and longer term-recruitment initiatives. These investments are a critical first step to begin to enhance our healthcare worker supply for the future.

Medium to Longer-Term Solutions

A centralized strategy and evidence-based capacity plan is necessary to build and sustain the health care workforce for the future. Collaborative engagement between the Government of Ontario, Ontario Health, health care providers and colleges and universities is essential to establish innovative system solutions. This includes ways to enhance supply, remove practice silos, improve training and placement opportunities for new graduates, and identify systemic retention strategies to encourage long-term involvement in the health care system.

For this to be successful, a better understanding is needed of the supply and demand for health care workers and how this will be impacted by future patient demographics. Medium to longer-term solutions require a system-wide focus on health human resources planning that needs to begin now - although these solutions can't come soon enough. These solutions include greater certainty and stability of one-time temporary funding for increased capacity to allow hospitals to make long-term term staffing decisions with guaranteed funds.

Wherever possible, legal and policy barriers such as those surrounding scope of practice, for example, should be reduced and/or eliminated. This would provide health professions the ability to perform a wider range of services for patients and free-up time for health professionals that are in particularly short supply.

The OHA looks forward to engaging with government on short-medium and long-term solutions to addressing these HHR issues, including the need for investment to ensure sufficient and appropriate numbers of health care workers, adequate training opportunities, and strategies for long-term recruitment and retention.

Conclusion

The OHA applauds the commitment of the Government of Ontario to keeping hospitals financially whole throughout the pandemic. The OHA strongly recommends that the Government maintain this support for the remainder of this fiscal year and next. In addition, the OHA recommends allocating additional resources for health human resources, beds, the ongoing costs of the "new normal" and COVID-related price increases — on top of traditional pressures of inflation and growth.

Given the challenges experienced by the health care system over the past two years, and the unpredictable nature of the pandemic, with the recent surge that is once again impacting services, it is clear that we must work together to end hallway health care once and for all. Hospital capacity, in particular ICU capacity, is not something we can take for granted in a pandemic, as case numbers can change with lightning speed. We must ensure that hospitals as well as the broader health care system as a whole, exit the pandemic with the additional capacity needed to support growing demand for health care services while also alleviating some of the additional pressure that's been placed on hospitals, other system providers and its health care workers.

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