

Ontario hospitals says service, staff or program cuts may be inevitable

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The regional health authorities that govern Ontario hospital budgets are weighing possible cuts to programs, services and staffing, as well as bed closures, after the province announced health care funding may be frozen, or at best will rise by 2% for fiscal year 2010/11.

As a consequence of the province's multibillion-dollar deficit, Ontario Health Minister Deb Matthews asked hospitals in December 2009 to provide her office with budget plans under three possible scenarios: no increase in their provincial funding in fiscal year 2010/11, a 1% increase and a 2% increase.

"We're quite confident that this will have very little effect on any of the hospitals' operations," says Greg Dennis, a spokesman for the minister.

But individual hospitals and the province's 14 Local Health Integration Networks (LHINs), which oversee funding for the hospitals in their regions, disagree with that assessment.

The networks have been drawing up plans for each of the three funding scenarios and changes to services, staffing and programs are necessarily on the table, says Sandra Hanmer, cochair of the steering committee for the Hospital Service Accountability Agreement and spokeswoman for the networks. "With any one of these scenarios, there could be changes in all of those areas."

"When you're looking at planning scenarios of a zero, 1% or 2% increase, all aspects of the business of health care need to be looked at," she adds.

The government has not yet given the LHINs a budget figure they can work with so that they can make hard decisions, Hanmer says, and it is "premature" to discuss deficit projections or possible cuts.

"It's a struggle, realistically, for everyone," she adds. "The economy is



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Bed closures are a likely outcome if Ontario's hospitals receive anything less than a 2% budget increase, says the chief financial officer for the Niagara Health System.

where it is. We have cost pressures that are exceeding what our potential revenues might be, so it means that we do need to look at what are those things we are providing, where are we providing them, and how we are providing them to ensure that people receive the highest-quality care they can and that we maintain the system in the highest-quality manner that is sustainable."

While many hospitals and LHINs that *CMAJ* queried would not respond to interview requests, the Niagara Health System in southern Ontario was willing to describe the impact of potential provincial funding cuts on its seven hospitals. The system's current budget planned for a 3% increase, while, on average, its expenses are increasing at a rate of 3.5%, says Angela Zangari, the chief finance officer for Niagara Health.

As much as \$9 million may need to be cut as every percentage point in funding is equivalent to about \$3 million for

Niagara, and a budget freeze is one of three options on the table, Zangari says. But if the province moves with a 2% increase, "we found enough operating efficiencies that would not impact our services."

The Niagara hospitals are looking at product standardization, re-examining supply chains and increasing their revenue through its charges for semi-private and private rooms, in addition to administrative and support staff reductions.

Anything less than 2% would likely involve bed closures and staff cuts, Zangari says, adding that Niagara also faces the need to find an additional \$18 million over the next five years to eliminate a deficit. A funding freeze would make it "difficult" to meet the current hospital improvement plan, she says.

Meanwhile, in the South East Local Health Integration Network, the difference between a freeze and a 2% increase would be about \$20 million, says CEO Paul Huras.

Huras's network, which runs seven hospitals, is assuming a funding freeze for budget planning purposes and has asked its hospitals to begin by assessing cuts to support and administrative services. The network is also examining consolidation of services in some hospitals or other community settings, which would obligate more patients to travel.

"After this process, we would still have seven hospitals in the southeast, but their roles might be different," Huras says.

At least two hospitals in the southeast — Quinte and Kingston General Hospital — had deficits in fiscal year 2009/10, although they are working within performance improvement plans to return to the black. Although Ontario hospitals are by law required to balance their budgets, they may obtain waivers from their LHINs if they have a workable plan to pay down their deficit. The two southeastern

Ontario hospitals were among 61 out of 154 in Ontario (approximately 40%) that ended fiscal 2008/09 in a combined \$154-million deficit position, according to the Ontario Hospital Association. Ontario hospitals received a 2.1% funding increase from the province in fiscal 2009/10.

The Ontario Hospital Association refused to speculate on the impact of a budget freeze or a 1% increase and is focused on advocating for a 2% increase, says Chris McPherson, director of public affairs. "We think that 2% will help hospitals maintain the kind of services and staffing that people expect."

Hospitals in Ontario are already the most efficient in the country, McPherson says. Ontario spends \$1231 per patient per year on hospital services, compared to an average of \$1425 per patient per year in other provinces, he adds.

McPherson stresses that the association is not seeking or advocating a wage

freeze, as some hospital administrators have publicly mused might be necessary. The Ontario Hospital Association has signed collective bargaining agreements with all of the major trade unions operating in hospitals. Most of those agreements are in effect until 2013.

"It is certainly not our intention to explore going back and looking at those agreements again," McPherson says.

In Northern Ontario, a spokesman for the Thunder Bay Regional Hospital says its isolation and location will intensify the impact of cuts to services in the North. "Any time there's a cut-back across the board there are a lot of things at stake when we can't offer services here and people have to travel great distances to access (other) services," says Don Edwards. "It could present some challenges." — Laura Eggertson, Ottawa, Ont.

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