

Issue Background: **Quinte Health Care Financial Situation**

A lot of attention has been paid recently to the challenging financial situation at Quinte Health Care (QHC). The hospital has been told by the South East Local Health Integration Network (SE LHIN) to produce a plan to eliminate its deficit by March 31, 2010.

Background

In April, QHC signed a two-year Hospital – Service Accountability Agreement (H-SAA) with the SE LHIN that stated the hospital would provide defined clinical services within the resources it was being allocated. In recognizing efforts that were underway to improve the hospital's efficiency, the LHIN agreed to waive a requirement for QHC to balance its budget in the first year, but required QHC to balance by March 31, 2010. QHC willingly agreed to sign.

In October, QHC told the LHIN its financial pressures had grown and it would be difficult to balance within two years. The LHIN has met with QHC representatives several times and has stressed no new funds are available and QHC must live within its agreement and balance without new funds. QHC provided the LHIN with formal notification of its anticipated inability to balance as required under the agreement and on October 21, the SE LHIN requested the hospital corporation put together a plan within 60 days to identify the steps it would take to balance its budget.

Building the plan

The LHIN stressed that in developing the plan, it expects to see all non-clinical services addressed first for efficiencies and to improve effectiveness for less cost. Only then should clinical services be addressed. In addressing clinical services, there is an expectation that restructuring or realignment should be considered before any approach to decrease services.

The LHIN is not convinced decreasing services is required. Furthermore, the LHIN requires evidence of a thorough community engagement strategy which allows for suitable public participation in the process to define how to proceed. The 60 days to prepare the plan is believed to be adequate as QHC was not surprised about the financial pressures -- either because the financial pressures were a short term blip on their trending or a long term trend that they should have been preparing for over the last several years.

Third party review process

On November 13, representatives from the SE LHIN, QHC and area Members of Provincial Parliament met with Health Minister David Caplan to discuss strategies for moving forward to find solutions for the financial situation currently being faced by the hospital corporation. All of the parties involved agreed to a third-party review process wherein go-forward options for the hospital will be examined before being presented to the hospital Board and public.

We want to be clear: the reviewer is not conducting a forensic audit of the hospital corporation. Their role will be to examine restructuring/recovery options being developed by QHC prior to those options being taken forward to the public for dialogue. The reviewer will be appointed jointly by QHC and the SE LHIN before the end of November.

Importance of balanced budgets

It is well known that within health care, annual cost increases and inflation are significant. We also hear about the inability to control the number/acuity of those who come into the hospital for care. While these factors may drive costs, it is for these very same reasons that the province is transforming the delivery of health care in Ontario. Nearly one-half of every provincial tax dollar already goes into health care – we can no longer meet the insatiable demand of growing costs.

Growth in hospital costs can no longer excessively exceed inflation rates. We must find new ways of doing business. Without effective cost management -- both traditional and transformational -- our system is not sustainable. In creating deficits today, we are mortgaging health care for future generations.

What are LHINs?

In 2005, the Ministry of Health and Long-Term Care established 14 LHINs – and enshrined them in legislation, the *Local Health System Integration Act*, in 2006. LHINs are mandated to:

- plan, integrate and fund local health services;
- hold health providers accountable;
- measure system performance; and to
- engage the community.

Similar to agreements that health care organizations such as QHC have with the SE LHIN, each LHIN is held accountable to the Ontario Ministry of Health and Long-Term Care through an accountability agreement of its own called the Ministry-LHIN Accountability Agreement (M-LAA).

LHINs are a model of devolution of health care delivery. In the 1980s and 1990s, all other provinces in Canada devolved health care to local bodies, typically called Regional Health Authorities. LHINs are different than RHAs in that local health provider Boards continue to exist in the LHIN model (there are 126 providers in the South East), whereas only one Board exists in the RHA model -- that being the Board of the RHA.

With one Board, one chief executive officer and one level of decision making, the RHA is not required to negotiate within the system. There is also the potential for the RHA to act as a mini-Ministry of Health. LHINs on the other hand, negotiate agreements with each provider Board to achieve agreements which determine performance and resources. The LHINs also negotiate their own agreements with the Ministry within a provincial context. In Ontario, the LHIN model supports the development of a provincial system of care, as well as local systems of care.

LHIN boundaries are based on service referral patterns. Ninety-two per cent of the care provided to residents who live within the SE LHIN is delivered by providers within the LHIN. The South East is the most self sufficient in Ontario by this measure.

Providing a local voice

Some may wonder if LHINs are another level of bureaucracy. The reality is there are over 2,000 health care provider organizations in Ontario. A central bureaucracy has difficulty responding to the needs of 2,000 separate, independent groups in a timely fashion. Whether in private or public systems, when large bureaucracies have difficulty in connecting to their customers' needs, they often devolve certain responsibilities to sub groups. These sub groups follow a central policy or standards, but do so within the context of the local system's unique needs. When a system devolves to local groups, it does so by decreasing the size of the central body to grow the local bodies.

LHINs were established at no extra cost to the province other than the one-time start up. In Ontario, District Health Councils and Regional Ministry Offices, neither devolved models of health care, were closed thus freeing up funds for LHINs.

Role of LHINs

The province retains responsibility for management of the health care system but has devolved certain responsibilities for funding most health providers to the LHINs. The LHINs, being accountable to the Ministry for approximately \$21 billion, allocate these funds to health services providers and to hold them accountable for their proportion. Therefore service accountability agreements (called hospital-service accountability agreements for hospitals, and multi-sectoral – service accountability agreements for other providers) are negotiated as the accountability instrument. Health care providers are required to meet the terms of their agreements.

LHINs are also responsible for planning for and achieving an integrated system of health care. The SE LHIN completed its first health system plan in 2006 after substantial quantitative analyses and 109 community meetings in 22 communities across the region. The South East plan, called the Integrated Health Services Plan (IHSP) identified seven priorities for improving the local system. The plan was presented to the public and all health care providers within the LHIN.

Vision of the SE LHIN

The SE LHIN further demonstrated its commitment to the importance of community engagement through the development of its Vision for health in the South East. The LHIN undertook a Citizen's Assembly approach and involved 100 randomly-selected citizens who gathered together for two days to learn more about health care in the region and deliberate on the vision for the region. Our vision is:

Achieving better health through proactive, integrated and responsive health care in partnership with an informed community.

As the SE LHIN rolls out this vision to the public and providers, it expects all health care providers to incorporate this vision in their planning. Each health service provider is accountable for

undertaking corporate planning. LHINs manage the system, not individual organizations. Providers are expected to plan within the context of the South East system plan.

Working together for a healthy future

LHINs work with health providers to improve the system. Our system must improve because we cannot continue to provide care the way we do today -- or we will need much more of than the current 46 per cent of provincial program expenditures, or we would need to raise more revenues. New money for the health care system must be found from the \$40.4 billion (yes, 9 zeros) currently allocated to health care. Everyone must ask if we are maximizing the value of these resources to meet the needs of the 13 million Ontarians. To do things the same way tomorrow as we do today, will surely decrease the amount of care we are able to deliver tomorrow.

Supporting our front-line providers and our patients

We need to act. We need to change. The great people who deliver our care know we can do things better, but we have a system that too often gets complacent and too often prefers to seek additional funding than to be a progressive innovator.

Improving any system of care requires all of us to get out of our comfort zone. We need to seek advice from those delivering service at the front line and those who use our service. We at the SE LHIN are determined to create the environment for such engagement.