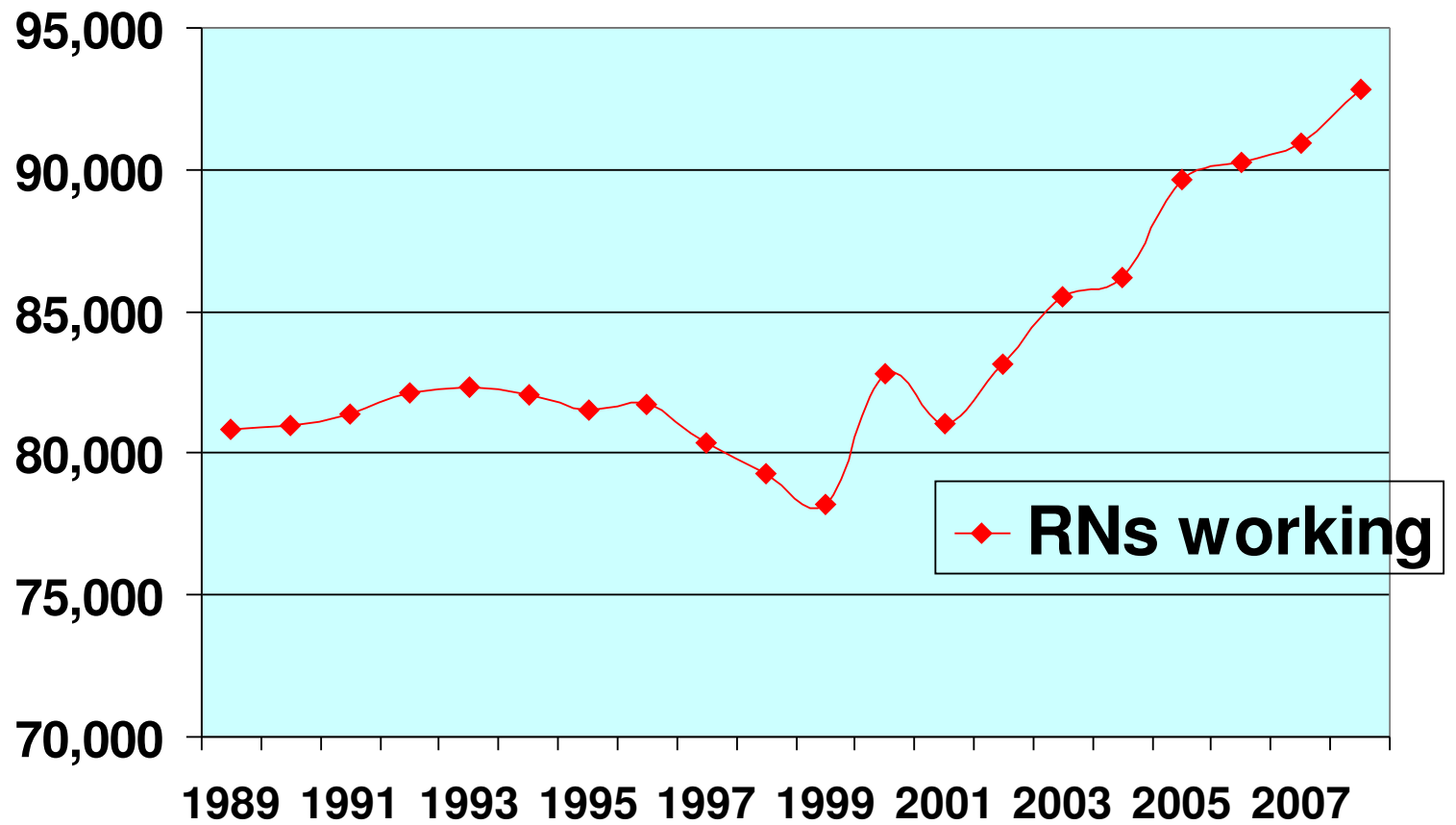


The Costs of Hospital Restructuring in **Context: Lessons from Ontario in the 1990s**

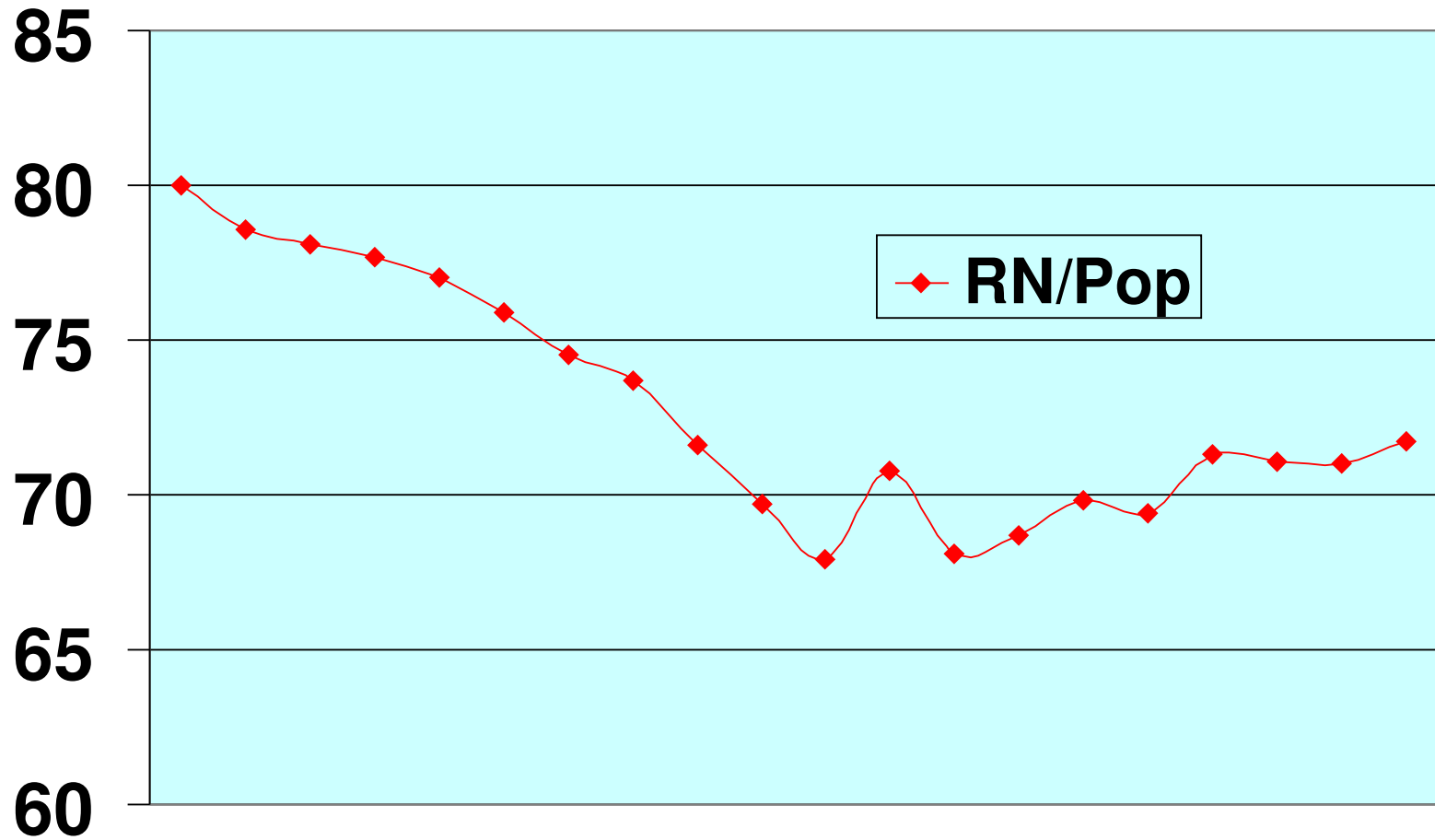
Kim Jarvi, Senior Economist, RNAO
Ontario Health Coalition Summit on Hospital Cuts and Restructuring January 31, 2009

Ontario RN Workforce



Data Source: College of Nurses of Ontario

Ontario RNs Per 10,000 Population



| | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|----------|----|------|------|------|----|------|------|------|------|------|------|------|------|------|------|------|------|------|----|------|
| ◆ RN/Pop | 80 | 78.6 | 78.1 | 77.7 | 77 | 75.9 | 74.5 | 73.7 | 71.6 | 69.7 | 67.9 | 70.8 | 68.1 | 68.7 | 69.8 | 69.4 | 71.3 | 71.1 | 71 | 71.7 |

Hospital Restructuring: Round 1

- Hospital Services Restructuring Commission
 - 1996-99 issued directions to hospitals to restructure, but restructuring continued years afterward
 - directions to 22 communities affecting 110 hospitals
 - 45 hospitals amalgamated into 13
 - 29 sites closed
 - MOHLTC share of restructuring costs = 70% for capital restructuring and 85% for operating

Direct Costs

- over 1997-98 to 2000-01 alone, about **half** of the increase in government health spending **due to restructuring** expenses (\$1.9 billion of \$3.8 billion) (CCPA)
- **operating costs** = \$834 million committed: (Aud. Gen.)
 - severance, benefits, legal fees, counseling and training for terminated employees, consulting and auditing.
 - Presumably hospitals came up with the other 15%
- **total capital costs** = \$3.9 billion, vs. HSRC's estimated \$2.1 billion (Aud. Gen.)

Problems Identified by Auditor General

anticipated savings often not realized due to:

- delays
 - funding not matched to new requirements
 - failure to integrate operations and services into restructuring
-
- Capital costs >> estimated: final unit costs, space and mechanical requirements
 - significant delays in approval and implementation (2004 completion vs. 2000 planned)
 - no mechanism to monitor and assess impact; no fix

Lessons

- forced restructuring -> **costs** higher than anticipated
- **savings uncertain**, particularly when Ontario hospitals are quite lean (Hay Group 2004).
- considerable **disruption** for hospital workers, patients and affected communities
- **economic losses** to downsized communities (CSE: spillover: up to one extra job lost for every hospital job lost)

- If still go ahead with restructuring:
 - have replacement services ready in community
 - align services and funding with restructuring
 - have programs to assist affected workers and communities

| | | | | |
|---------------------------------|------|------|------|------|
| Ontario | 1981 | 1995 | 2003 | 2008 |
| Hospital Share of Health Budget | 52% | 44% | 39% | 37% |

= an indicator of hospital leanness

| | | | | | |
|---------------|---------|------|------|------|------|
| | | 1981 | 1995 | 2003 | 2007 |
| Health /Govt. | Ontario | 33% | 36% | 44% | 45% |
| | ROC | 27% | 31% | 36% | 36% |

➔ Health consumes large part of govt. budget

| | | | | | |
|-------------|---------|------|------|------|------|
| | | 1981 | 1995 | 2003 | 2008 |
| Health /GDP | Ontario | 4.6% | 5.6% | 6.2% | 7.1% |
| | ROC | 5.5% | 6.3% | 6.8% | 6.8% |

-> Health recently growing faster than GDP in Ontario

| | | 1981 | 1995 | 2003 | 2007 |
|--------|---------|------|------|------|------|
| Govt./ | Ontario | 13% | 16% | 14% | 15% |
| GDP | ROC | 19% | 20% | 18% | 17% |

-> Ontario second lowest, after Alberta

| | | 1981 | 1995 | 2003 | 2007 |
|-----------|---------|---------|---------|---------|---------|
| Govt. per | Ontario | \$2,040 | \$4,270 | \$5,603 | \$6,905 |
| capita | ROC | \$2,834 | \$5,335 | \$6,923 | \$8,692 |

-> Ontario dead last

- Two sets of choices:
 - how to carve up the govt. pie
 - size of pie -- not a choice recently offered to voters

Data Sources:

- College of Nurses of Ontario: *Membership Statistics Reports*
- CCPA: Ontario Alternative Budget 2002: Sheila Block, *Health Spending in Ontario: Bleeding Our Hospitals*
- Aud. Gen.: Office of the Provincial Auditor, *1999 Annual Report, 2001 Annual Report*
- Ontario expenditure data: Canadian Institute for Health Information, *National Health Expenditure Trends 1975-2008*