

BACKGROUND

July 15, 2009

VIHA 2009/10 COST PRESSURES & BUDGET MANAGEMENT

- Since it was formed in December 2001, the Vancouver Island Health Authority (VIHA) has grown, transformed and improved access to health care throughout its service area.
- Significant program expansion and growth in service levels and volumes have occurred across all sectors of health care, including hospital care, residential and home-based care, primary care and disease prevention and mental health and addictions services (see service levels fact sheet at http://www.viha.ca/about_viha/news/news_releases/financial_update.htm).
- In the eight years since VIHA was formed, spending has grown by 34 per cent. This investment represents a significant amount, and is in excess of spending increases in other public sector areas.
- Despite this investment, and despite an increase of \$95 million (7.4% increase) this year to the government grant component of revenue, VIHA forecasts a budget shortfall of \$45 million, amounting to 3.1 per cent of our budget. This shortfall relates to rising costs associated with demographics, labour, equipment, supplies, pharmaceuticals and technology, which have collectively put increased pressure on the system.
- The global economic slowdown has impacted provincial revenues, which in turn impacts available funding for all provincially funded services, including health care. VIHA recognizes these challenges, and is making adjustments accordingly.

An Aging Population:

- A particular challenge faced by VIHA is the impact of an aging population:
 - VIHA has an older population than the rest of British Columbia, or Canada as a whole. About 2.7% of VIHA's population is over the age of 85, compared to 1.9% for the rest of the province.
 - Each resident between the ages of 85 and 89 consumes an average of nearly \$20,000 per year in health care costs, compared to an average of only \$2,000 per year for a person between the ages of 40 and 44.
 - In VIHA, only 9% of our population is over the age of 75, but this demographic accounts for 42% of inpatient days in hospital.

- VIHA is addressing the challenges of an aging population by creating a network of Primary Health Care Services to deal with patients with chronic conditions. For example, VIHA's Seniors at Risk Integrated Health Network (SARIN) links seniors living with chronic conditions in the Greater Victoria area with VIHA programs, physicians and clinicians. The focus is on falls prevention, early dementia support, medication safety, and pain management to help improve coordination of care and treatment so seniors can enjoy healthier more independent lives.

Investment in Health Care:

- Significant investments to improve health care for island residents continue to be made:
 - Royal Jubilee Hospital: A state-of-the-art 500-bed Patient Care Centre is under construction to improve quality of care. Eighty per cent of patient rooms in the new facility will be single occupancy. (Cost: \$350 million).
 - Victoria General Hospital: The size of the current VGH Emergency Department is being tripled to improve trauma care, provide more privacy, enhance specialty services to children and separate care for patients with infectious diseases. (Cost: \$18.6 million).
 - Nanaimo Regional General Hospital: The size of the current NRGH Emergency Department is being doubled and renovations /construction is underway for a full Renal program. (Cost: \$46 million). In addition, in the past few years, a new Perinatal unit has been built and new operating rooms opened at NRGH. (Cost: \$39 million.)
 - North Island Hospitals: VIHA has made significant progress on this project. VIHA and the Comox-Strathcona Regional Hospital District have reached an agreement on services and regional financial contribution. Currently, VIHA is creating a business case to present to government for two new hospitals in the Comox Valley and Campbell River to meet the care needs of area residents for generations to come.
 - Residential Care Facilities: VIHA has increased the number of residential care beds and assisted living units for seniors by more than 30 per cent since 2001.

Health Care Innovation:

- Innovation continues to be a key way to make the most of available resources:
 - VIHA uses Lean Design strategies to increase efficiency in the use of MRI and CT scans, allowing more scans to be done without increasing the associated resources. VIHA also applies this strategy to cataract surgeries, which has increased the number of surgeries by one-third since 2003.
 - VIHA introduced a patient streaming project in the Emergency Departments at NRGH, VGH, and RJH. Patient streaming has reduced door-to-doctor wait times for patients by up to 50%.
 - VIHA created Integrated Health Networks and a Geriatric Outpatient Clinic to improve coordination of care provided to seniors.

Budget Measures:

- To protect priority health care programs, VIHA identified areas where savings can be achieved and revenues maximized to ensure available resources are focused in the areas of greatest need.
- VIHA recognizes pending changes in services may be challenging. VIHA is committed to working with staff, physicians, the community, and contracted service providers to mitigate the impact on clients, residents and patients.
- In total, the measures listed below are expected to generate savings of approximately \$45 million if successfully implemented.
- The following service changes will be implemented in the coming weeks and months:
 - Continue to reduce discretionary, administration and support costs:
 - Eliminate non-essential travel, conferences and external consulting services
 - Implement a hiring freeze with exception for essential clinical positions
 - Review positions and reduce where appropriate
 - Reduce and manage overtime
 - Work with other health authorities to reduce duplication and gain efficiencies through economies of scale and shared services
 - Promote voluntary unpaid days off for non-contract staff
 - Place a moratorium on non-essential maintenance (e.g. painting, gardening) until the end of the fiscal year
 - Examine IM/IT budget to ensure new programs and hardware are being implemented appropriately
 - Continue to increase revenues:
 - Sell non-essential property assets – details will be provided as decisions are finalized in the coming weeks
 - Increase parking fees for staff – these fees remain below market rates, particularly in Victoria
 - Maximize revenue from 3rd party payers such as ICBC, WorkSafe BC, Veteran's Affairs
 - Implement a fee charge for repeat follow up inspections required (e.g. restaurants that require a re-inspection because of deficiencies identified in a routine inspection)
 - Implement program reviews and consolidate services:
 - Review community agency contracts to ensure they are delivering clear, efficient and measurable health benefits to clients in keeping with VIHA strategic priorities and identify areas for administrative savings and consolidation
 - Review outpatient rehab services to identify core programs, and focus limited fiscal and human resources on higher priority therapy services

- Cap or reduce services to protect priority programs:
 - Reduce elective surgery to stay within 2008/09 budgeted levels
 - VIHA will consider utilization rates, wait times, wait lists, benchmarks, outcome measures and best use of resources as factors in deciding which types of surgeries to reduce
 - Manage programs at last year's budgeted activity levels (not year end actuals)
 - Maintain MRI scans at 08/09 budgeted levels (since 2003/04, the number of MRI scans has increased by 66%)
 - Streamline diagnostic testing
 - Transfer acute care services to the community and/or consolidate bed capacity in residential care or other community settings
 - Review possibility of converting facilities to primary care centres, or other function.
- VIHA expects the total cost savings to be achieved through these measures will address the \$45 million cost pressure, assuming these measures are all successful and occur in a timely manner.

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