

Expenditure Estimates 2019-20

Ministry of Health and Long-Term Care



Financial
Accountability
Office of Ontario

May 2019

Selections for 2019-20

The Standing Committee on Estimates (SCE) has selected the following ministries' Estimates for review:

- **Health and Long-Term Care (MOHLTC)**
- Education
- Transportation
- Infrastructure
- Children, Community and Social Services
- Environment, Conservation and Parks
- Agriculture, Food and Rural Affairs

Purpose and Structure of FAO's Report

Purpose: to support the SCE's review of MOHLTC's 2019-20 Expenditure Estimates

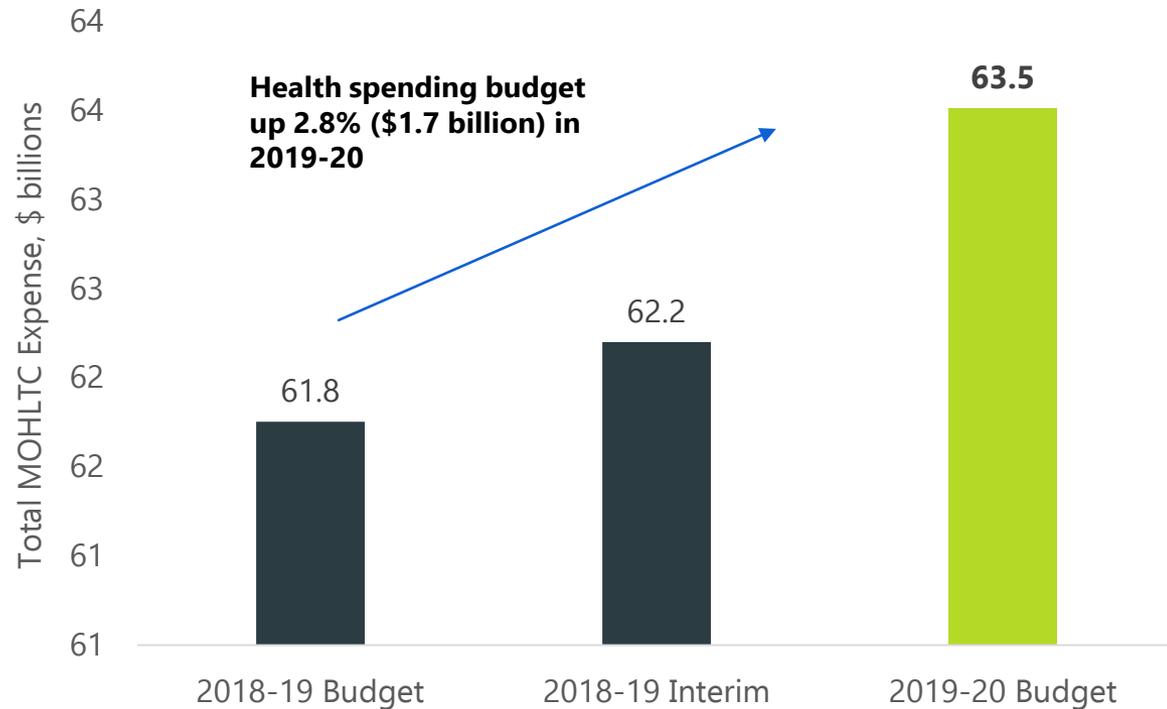
The report has three major sections :

- 1. Financial overview** of the ministry, focusing on different types of health spending and how spending is allocated by major program area
- 2. Identifies key financial issues** for the ministry. MOHLTC is embarking on a new period of spending restraint and health system transformation, including implementing a new health care delivery model and a focus on eliminating "hallway health care"
- 3. Reviews requested spending by voted program** and identifies spending trends and program changes

1. Ministry Overview

MOHLTC Spending for 2019-20

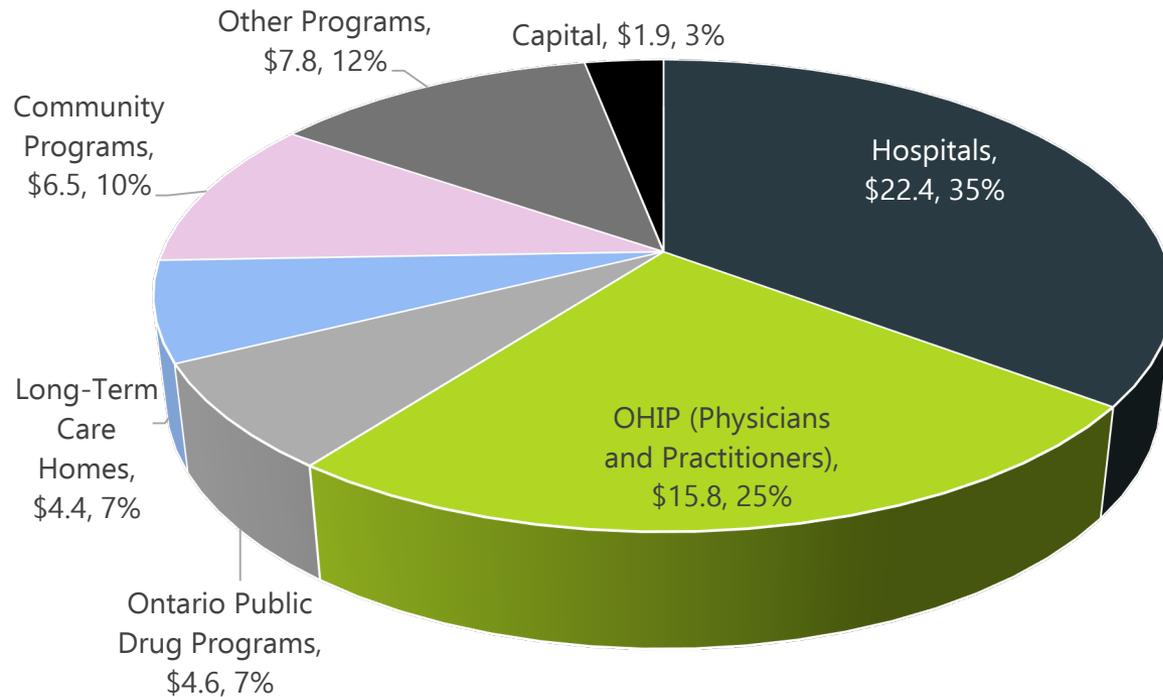
Projected spending of \$63.5 billion in 2019-20



Note: MOHLTC 2018 budget projected spending for 2018-19 has been restated to include the transfer of the Child and Youth Mental Health program from the Ministry of Children and Youth Services to MOHLTC.
Source: FAO analysis of 2018 and 2019 Ontario Budgets.

Spending by Program Area (\$ billions)

Hospitals and OHIP account for 60% of ministry spending



Source: FAO analysis of information provided by the Province.

Budget by Estimates Spending Category

80% of spending in two program votes – 1411 and 1405

Vote	Program Name	2019-20 Estimates (\$ millions)	Share of Total Spending (%)
1411	Local Health Integration Networks and Related Health Service Providers	29,471	46
1405	Ontario Health Insurance Program	21,513	34
1412	Provincial Programs and Stewardship	4,374	7
1407	Health Capital Program	1,809	3
1406	Population and Public Health Program	1,289	2
1402	Health Policy and Research Program	793	1
1403	eHealth and Information Management Program	448	1
1413	Information Systems	143	0
1401	Ministry Administration Program	117	0
	Total Supply Bill (Voted) Expense	59,958	94
	Standalone legislation (Statutory) Expense	16	0
	Other spending – Hospitals	3,450	5
	Other spending – Capital	47	0
	Other spending – Other health agencies and consolidations	40	0
	Total MOHLTC Expense	63,510	100

Source: 2019-20 Expenditure Estimates.

2. Key Issues

Key Issues Overview

Spending Analysis

- New period of spending restraint
- Significant change from the 2018 budget plan
- OHIP to receive over 40 per cent of new health funding

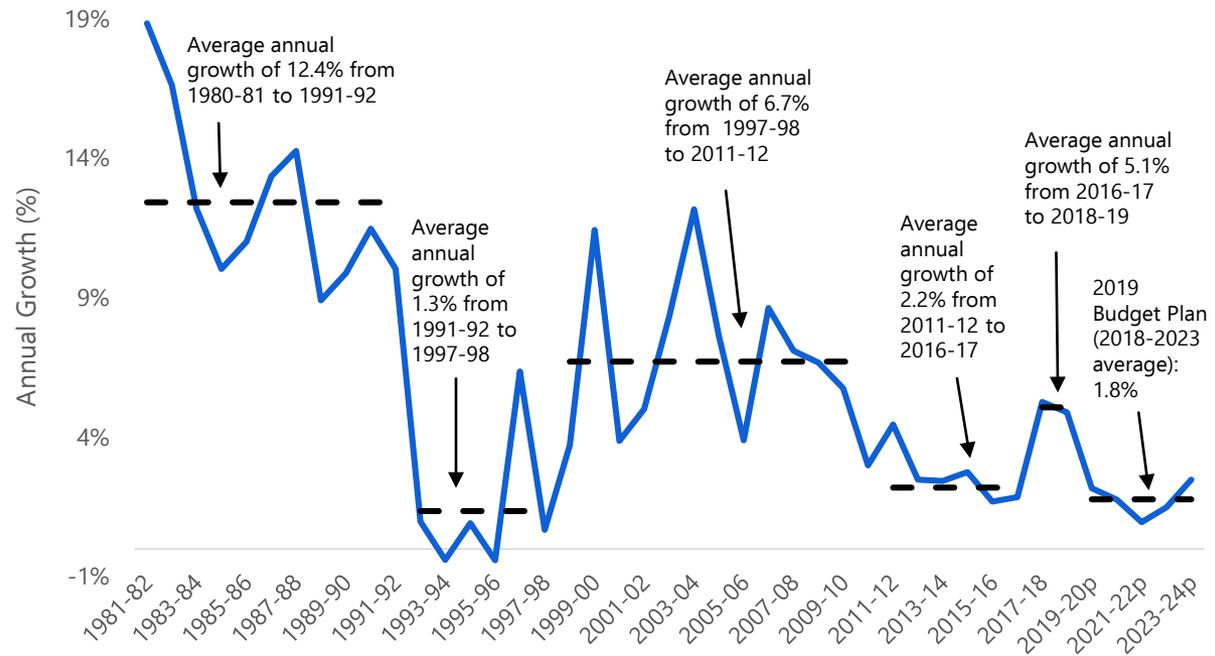
System Transformation

- Integrated health care delivery model
- Commitment to end hallway health care
- Program changes and efficiency measures

Key Issues: Spending Analysis

New Period of Spending Restraint

If the 2019 budget plan is achieved, will be only second time in over 40 years that health ministry spending averaged less than 2% annual growth



Source: FAO analysis of data from MOHLTC, TBS, the 2019 Ontario Budget and Kneebone, Ronald and Margarita Wilkins, "Canadian Provincial Government Budget Data, 1980/81 to 2013/14," Canadian Public Policy, volume 42, Issue 1, March 2016.

Significant Change from the 2018 Budget Plan

Projected health spending in the 2019 budget is **down \$2.7 billion** in 2019-20 and 2020-21 compared to the 2018 budget plan

- OHIP spending is **up \$0.9 billion**, so all other ministry spending is **down \$3.6 billion**

(\$ billions)	2019-20 and 2020-21 Net Spending Change
OHIP	0.9
All Other Ministry Spending	-3.6
Total Ministry Spending Change	-2.7

Source FAO analysis of the 2018 and 2019 Ontario budgets.

OHIP to receive over 40 per cent of new health funding

- Health spending is projected to increase by an annual average of \$1.1 billion from 2018-19 to 2023-24 (or 1.8% each year)
- The FAO estimates that 43% of the annual average increase of \$1.1 billion (or about \$0.5 billion annually) will go to the OHIP program area
- The large relative increase in OHIP spending is **due to increases in physician fees** resulting from the binding arbitration decision and **increased utilization from Ontario's growing and aging population**

Key Issues: System Transformation

Integrated Health Care Delivery Model

- On April 18, 2019 the legislature passed Bill 74, The Peoples Health Care Act, 2019 which included two major restructuring initiatives:
 - **Forming the Ontario Health Agency**
 - Consolidate the 14 LHINs and six Provincial agencies
 - Ministry estimates administration **savings of \$350 million annually** by 2021-22
 - **Establishing Ontario Health Teams**
 - Integrate patient care provided by doctors, hospitals, long-term care, community care and mental health and addictions services
 - **No identified impact on budget**

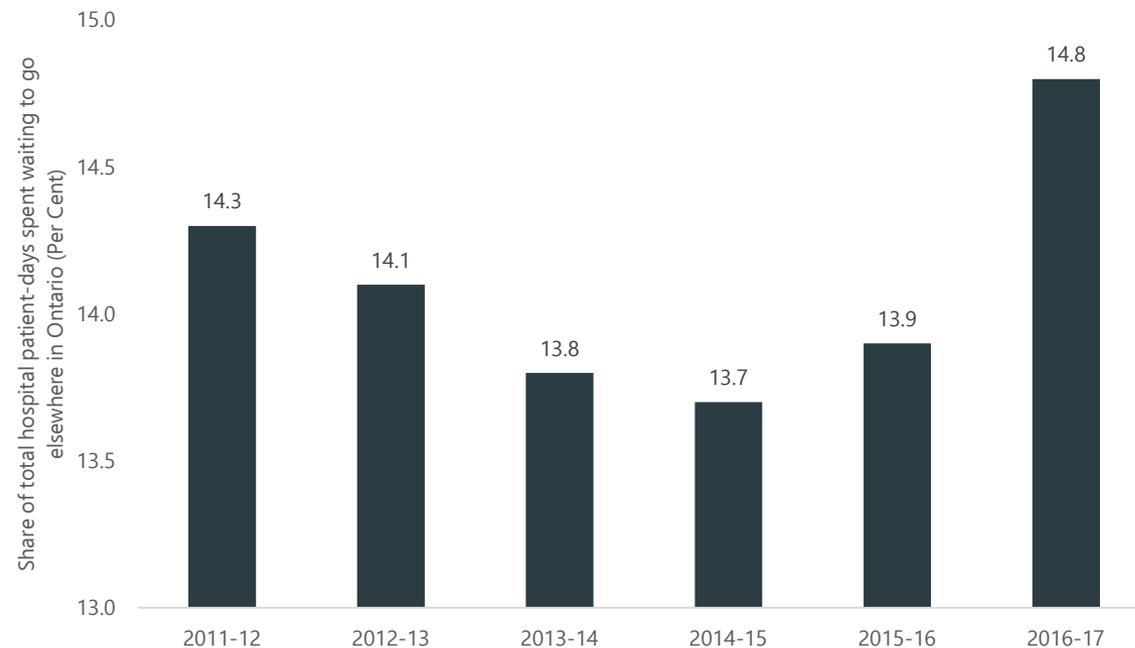
Commitment to End Hallway Health Care

- Premier's Council's findings:
 - Capacity pressures in the Ontario health system have resulted in at least **1,000 patients receiving care in non-traditional spaces** (such as hallways) on a given day
 - The Province does not have the appropriate mix of services, beds or digital tools to be ready for Ontario's health care needs, which is leading to **system capacity pressures**

Commitment to End Hallway Health Care

In 2016-17, on average, 4,000 of the Province's 31,000 hospital beds occupied by patients waiting to go elsewhere

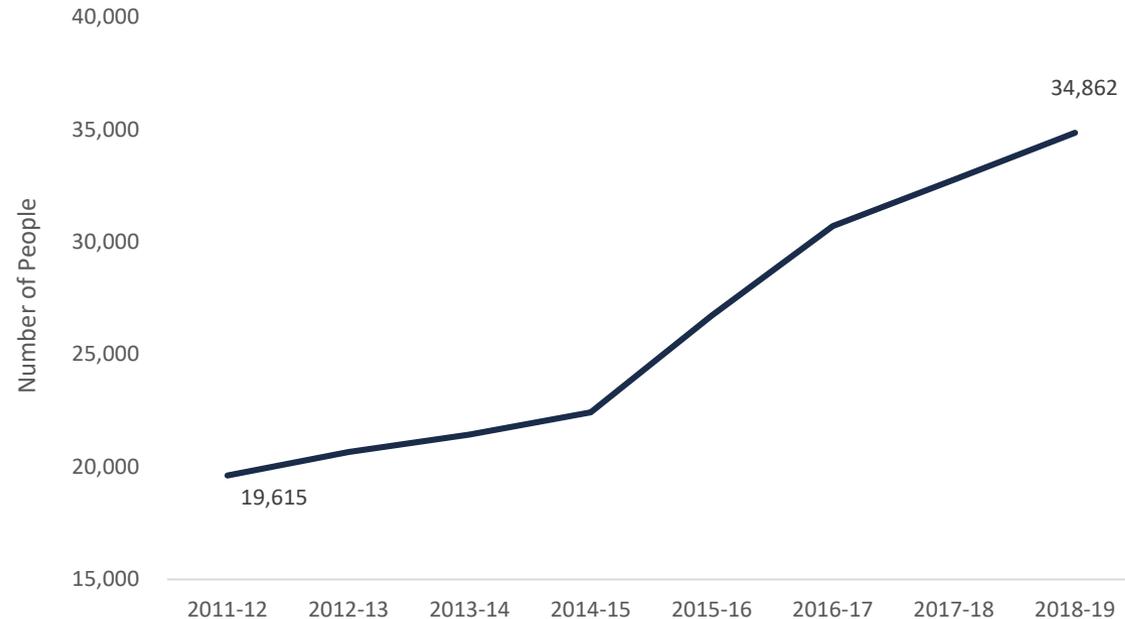
- Half waiting for long-term care placement



Source: Health Quality Ontario.

Commitment to End Hallway Health Care

Long-term care wait list in Ontario has grown significantly



Source: FAO analysis of information provided by the Province.

Commitment to End Hallway Health Care

- Based on the FAO's review, the most significant 2019 budget initiatives to address hallway health care include:
 - Creating **15,000 new long-term care beds** and upgrading an additional 15,000 at an estimated cost of \$1.8 billion over five-years
 - Providing additional funding of **\$267 million for community care**
 - Investing **\$27 billion in hospital infrastructure** over ten-years

Commitment to End Hallway Health Care

- **Overall**, the FAO estimates that investments to end hallway health care will result in **annual spending growth of 4.2 per cent** over the next five years in the **long-term care homes, community programs and health capital program areas**
- **However**, the FAO estimates that the Province will have to **restrict base hospital operating funding growth to less than 1.0 per cent** annually over the next five years to achieve health ministry spending restraint as outlined in the 2019 budget

Program Changes and Efficiency Measures

- The 2019 budget plan for MOHLTC includes a number of program changes and efficiency measures:

Summary of key program changes and efficiency measures

Program change / efficiency measure	Details	Vote Impact
Funding reduction to public health units	\$200 million budget reduction by 2021-22	1406
Integrated supply chain management	\$1,000 million in annual savings at maturity	Multiple
OHIP+ reform	\$250 million annual savings	1405
Cancellation of new drug and dental plan	\$1,100 million in annual savings by 2020-21	N/A
Cancel OHIP out-of-country coverage	\$10 million annual savings	1405
Workforce optimization	\$250 million annually by 2021-22	Multiple
Change in mental health funding commitment	Change in funding commitment from \$2.1 billion over four years to \$1.9 billion over ten years	1411 / 1412

Source: FAO analysis of information provided by the Province.

Program Changes and Efficiency Measures

- Overall, the FAO estimates that, if achieved, program changes and efficiency targets will result in **total savings of \$4.8 billion** over the next two fiscal years when compared to the 2018 budget plan.
- The FAO estimates that of the \$4.8 billion in planned savings:
 - \$2.1 billion could be re-allocated to front-line services with the remaining \$2.7 billion allocated to deficit reduction

3. Program Vote Review

Cancelled Programs in 2019-20

Vote	Transfer Payment	Program Cost (\$ millions)
1407	Hospital Energy Efficiency Program	-116
1415	Health Benefit Program	-9
1407	Social Housing Apartment Improvement Program	-3
1406	Local Capacity and Coordination	-1
1406	Public Health Associations	0

Source: FAO analysis of the 2019-20 Expenditure Estimates.

Programs with the Largest Funding Increases in 2019-20

Vote	Transfer Payment	Increase (\$ millions)	Increase (%)
1405	Payments made for services and for care provided by physicians and practitioners	1,212	8.3
1411	LHINs - Transfer payments & supplementary investments	565	2.0
1407	Major Hospital Projects	153	11.6
1412	Cancer Care Ontario	127	7.6
1412	Community and Priority Services	92	18.3

Source: FAO analysis of the 2019-20 Expenditure Estimates.

Programs with the Largest Funding Decreases in 2019-20

Vote	Transfer Payment	Decrease (\$ millions)	Decrease (%)
1405	Ontario Drug Programs	-97	-2.0
1411	Child and Youth Mental Health	-69	-14.5
1403	eHealth Ontario	-69	-21.6
1405	Quality Health Initiatives	-41	-60.3
1402	Health System Research Fund	-27	-54.4
1402	Clinical Education	-25	-3.3

Source: FAO analysis of the 2019-20 Expenditure Estimates.

Thank you

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