

Ministry of Health

2021 Spending Plan Review

Briefing Deck



Purpose and Structure of FAO's Report

Purpose: to support the Standing Committee on Estimates' review of the Ministry of Health's 2021-22 Expenditure Estimates

The report has three major sections:

1. Financial overview of the ministry
2. Identifies key financial issues for the ministry, including:
 - an analysis of the Province's health sector base spending plan and time-limited COVID-19 spending,
 - a forecast of the elective surgery and diagnostic procedures backlog,
 - a discussion of hospital capacity through 2029-30, and
 - a review of federal health transfers
3. Reviews requested spending by program and identifies spending trends and program changes

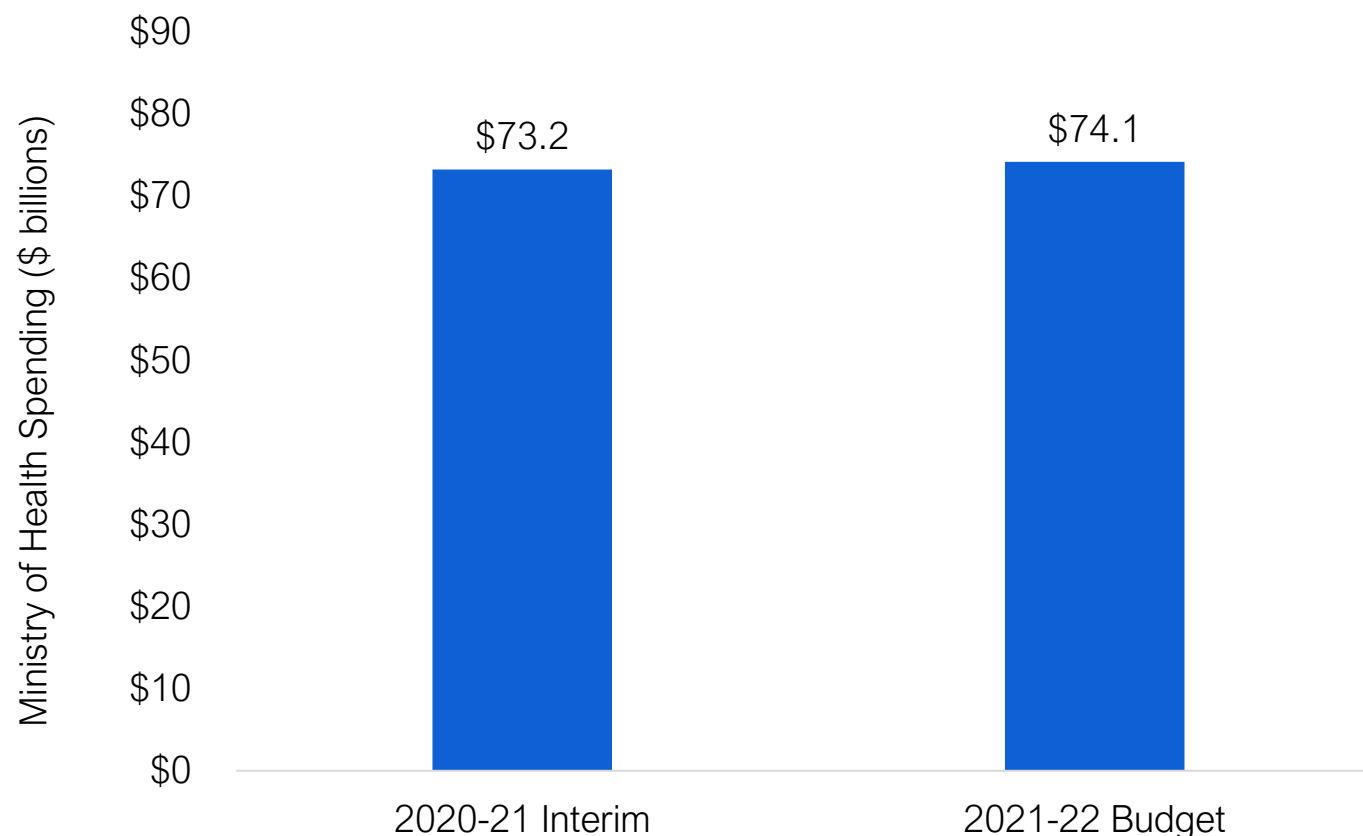


Ministry Overview



Ministry of Health Spending for 2021-22

MOH is projected to spend \$74.1 billion in 2021-22, up \$0.9 billion (1.3%) from 2020-21.



Source: 2021-22 Expenditure Estimates, 2021 Ontario Budget and FAO analysis of information provided by the Ministry of Health.



Ministry Budget by Estimates Categories

73% of planned spending is in two program votes – 1416 and 1405

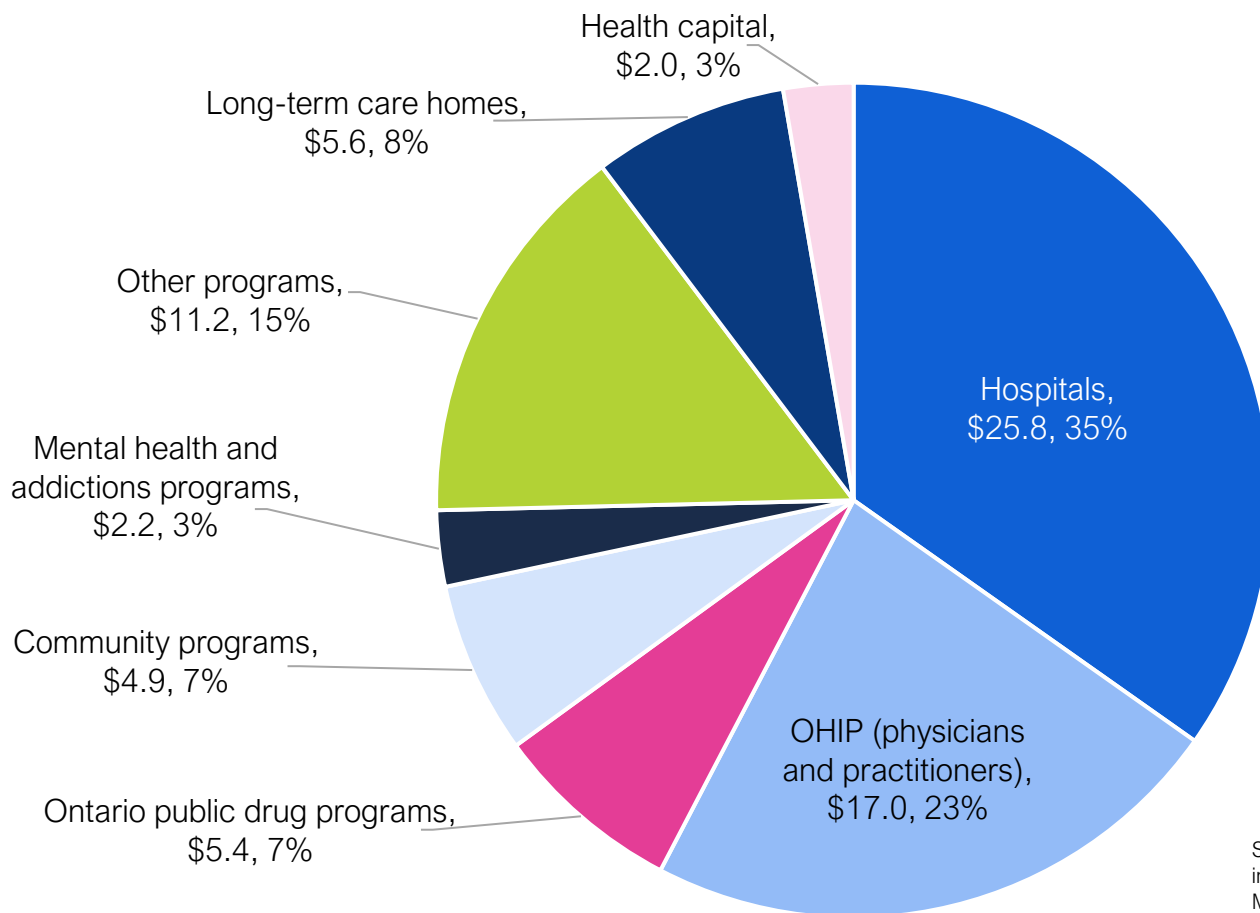
Vote	Program Name	2021-22 Estimates (\$ millions)	Share of Total (%)
1401	Ministry Administration Program	99	< 1
1402	Health Policy and Research Program	797	1
1403	Digital Health and Information Management Program	324	< 1
1405	Ontario Health Insurance Program	23,465	32
1406	Population and Public Health Program	4,548	6
1407	Health Capital Program	1,604	2
1412	Provincial Programs and Stewardship	2,579	3
1413	Information Systems	174	< 1
1416	Health Services and Programs	30,644	41
Total Supply Bill (Voted) Spending		64,233	87
Other spending – Ontario Health		5,304	7
Other spending – hospitals (operating)		4,236	6
Other spending – hospitals (capital)		357	< 1
Other spending – agencies and other adjustments		-9	< -1
Total Other Spending		9,887	13
Standalone Legislation (Statutory) Spending		16	< 1
Total Ministry of Health Spending Plan		74,136	100

Source: 2021-22 Expenditure Estimates.



Spending by Program Area (\$ billions)

Hospitals and OHIP account for 58% of planned MOH spending in 2021-22.



Source: FAO analysis of information provided by the Ministry of Health.



Key Issues



Key Issues Overview

- Spending analysis
- Elective surgery and diagnostic procedures backlog
- Hospital capacity outlook
- Federal funding for provincial health spending



Key Issues

Spending Analysis



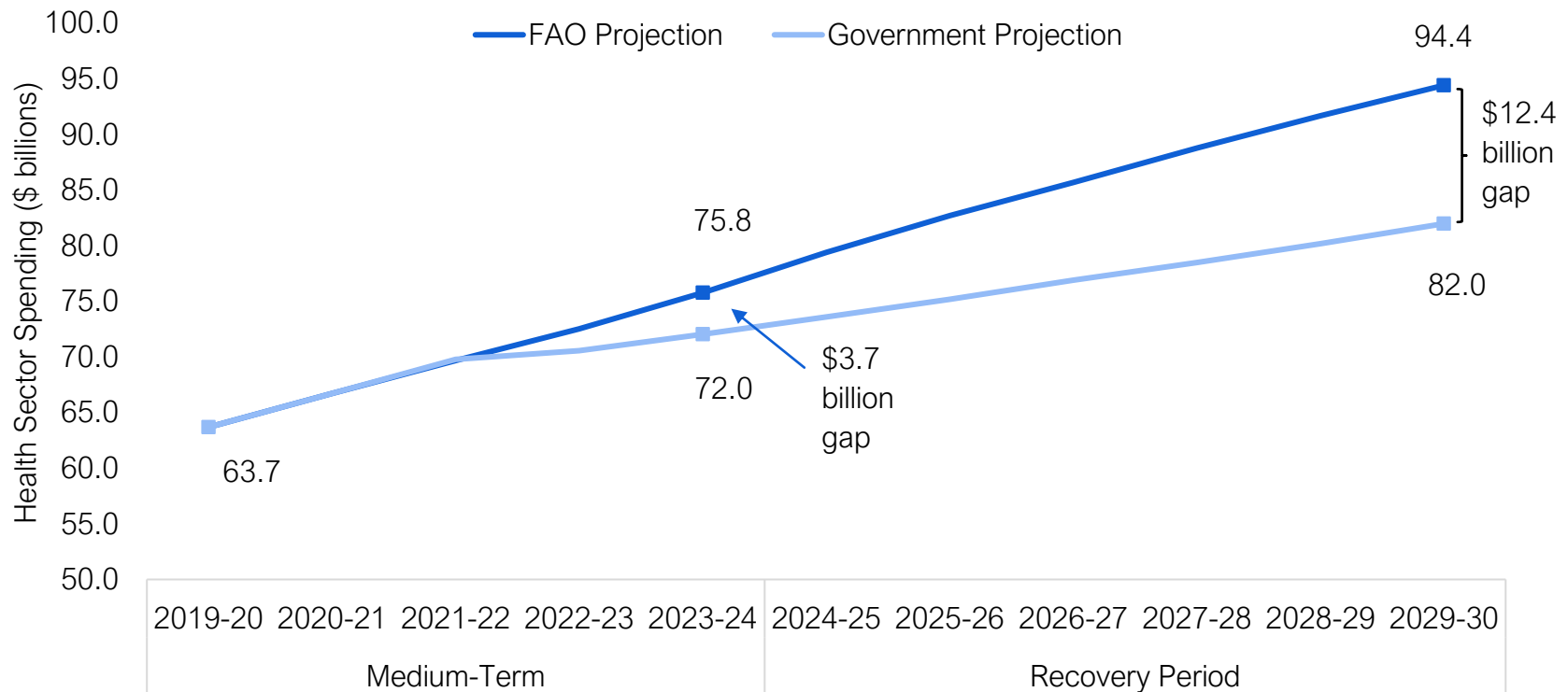
Base Health Sector Spending Outlook

- 2021 budget calls for health sector spending to grow by 2.6% per year to 2029-30
- Well below the previous nine-year period, while implementing several new policies:
 - Creating 30,000 new and redeveloped long-term care beds, and increasing average daily direct care to four hours per day for long-term care residents.
 - Increasing hospital capacity by an estimated 3,069 new beds by 2029-30.
 - Expanded home and community care services, including removing limits to the number of hours of service provided.
 - Providing subsidized or free training for almost 9,000 additional personal support workers for long-term care, home care and community care expansion plans.
 - Investing \$3.8 billion in mental health and addiction services over 10 years.



Base Health Sector Spending Outlook

If the Province is to meet its spending targets, then it will need to make program changes that result in annual savings of \$3.7 billion by 2023-24 and \$12.4 billion by 2029-30.



Note: Base health sector spending excludes time-limited spending related to the COVID-19 pandemic. The 'recovery period' represents the time period in the 2021 Ontario Budget during which the government plans to achieve a balanced budget.

Source: 2019-20 Public Accounts of Ontario, 2021 Ontario Budget and FAO analysis of provincial information.

Medium Term Outlook: Spending Gaps

- Total three-year spending gap of \$5.7 billion from 2021-22 to 2023-24.
- Most of the spending gap is in the hospitals program area, followed by Ontario public drug programs and community programs.

Program Area	Average Annual Growth 2019-20 to 2023-24 (%)		Cumulative Spending Gap from 2021-22 to 2023-24 (\$ millions)*
	FAO	Province*	
Hospitals	3.6		
OHIP	3.2		
Ontario public drug programs	4.6		
Community programs	4.6		
Mental health and addictions programs	5.1		
Other programs	3.0		
Health capital	3.9		
Sub-total	3.6		
Long-term care homes	13.8		
Total health sector	4.4	3.1	5,670

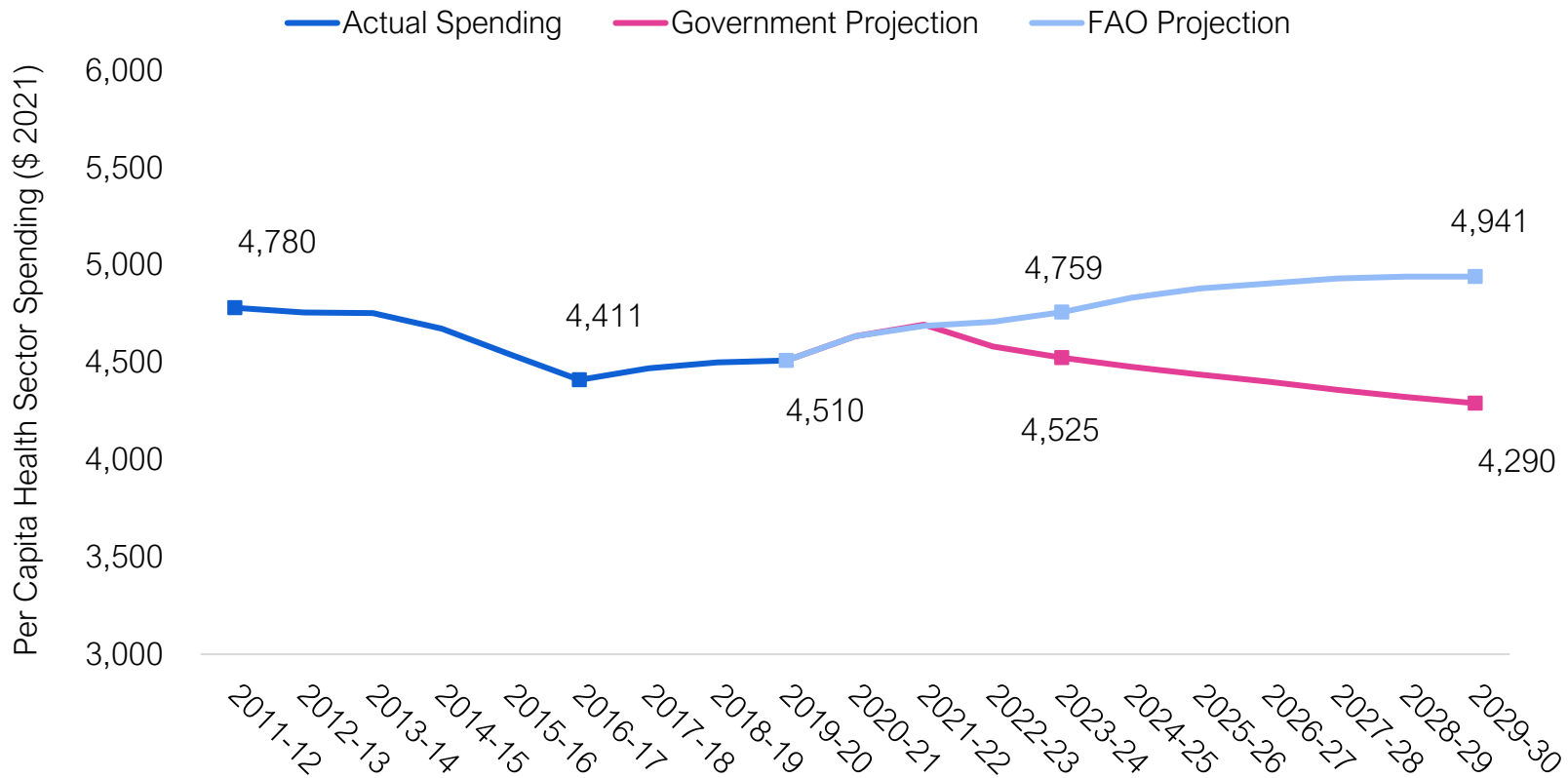
Note: * FAO calculations have been removed from these columns as the Ministry of Health has asserted that disclosure of this information would reveal a Cabinet record. The FAO has agreed not to disclose Cabinet record information as per paragraph 2(f) of Order in Council 1002/2018.

Source: FAO calculations.



Long-Term Outlook to 2029-30

- The FAO projects that real per capita health sector spending will grow at an average annual rate of 0.9 per cent from 2019-20 to 2029-30, compared to the 2021 budget projection of an average annual decline of 0.5 per cent.

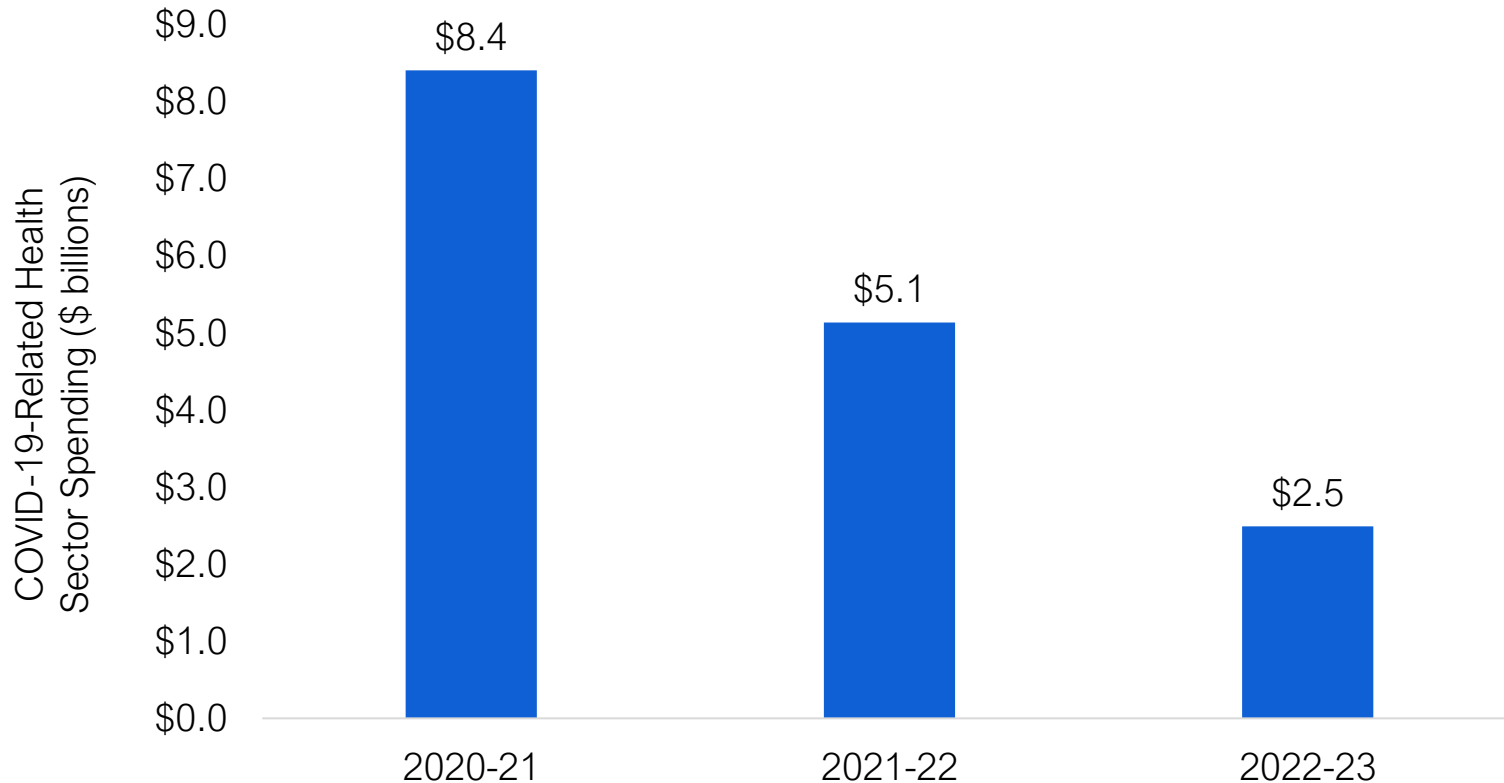


Source: FAO analysis of provincial information.



Time-Limited COVID-19 Spending

- The FAO estimates that the Province's health sector spending plan includes a total of \$16.0 billion for COVID-19 response measures.

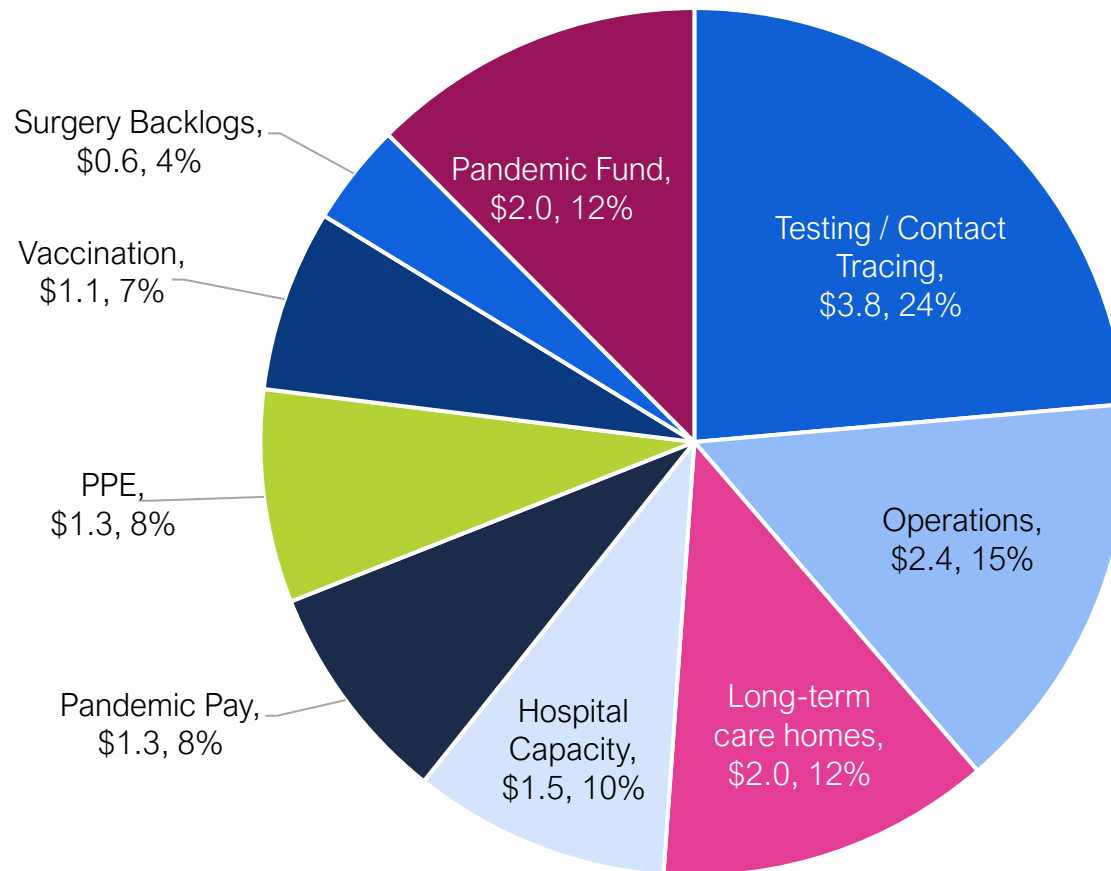


Source: FAO calculations based on information provided by the Ministries of Health, Long-Term Care and Finance, Treasury Board Secretariat, and other publicly available information, including the 2021 Ontario Budget.



Time-Limited COVID-19 Spending

- Most of the \$16.0 billion in COVID-19 spending is for testing and contact tracing (\$3.8 billion), operations support (\$2.4 billion) and long-term care homes (\$2.0 billion).



Source: FAO calculations based on information provided by the Ministries of Health, Long-Term Care and Finance, Treasury Board Secretariat, and other publicly available information, including the 2021 Ontario Budget.



Key Issues

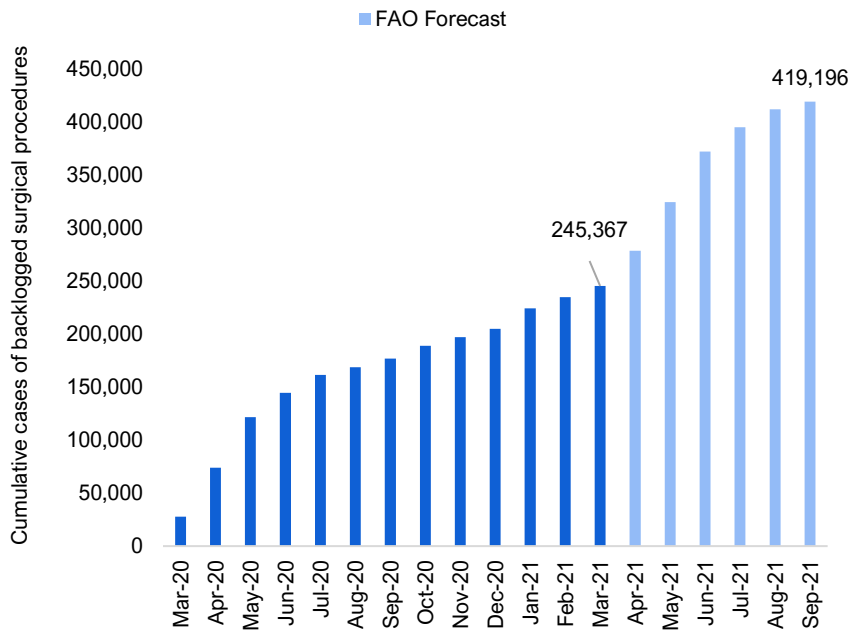
Surgery and Diagnostic Procedure Backlog



Procedure Backlog Estimate

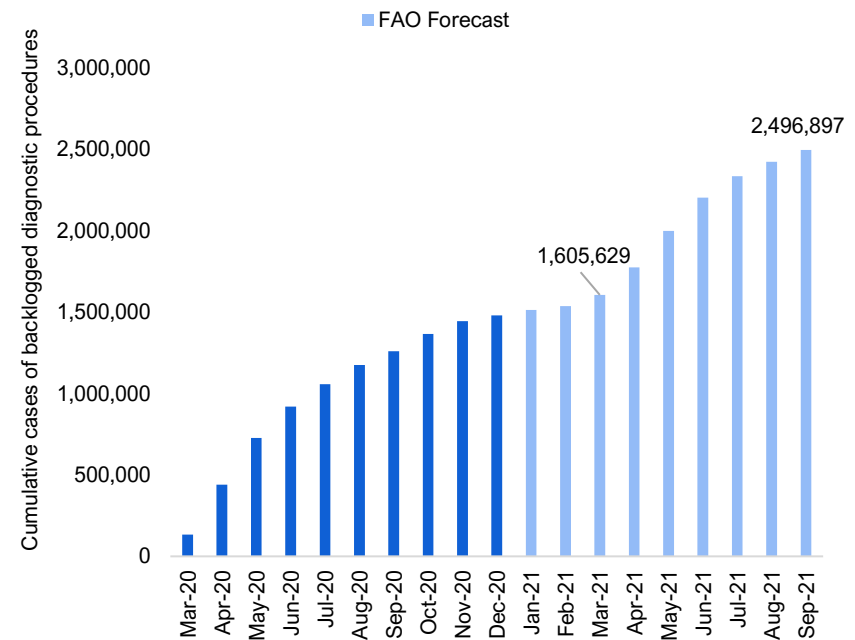
- The FAO projects that the elective surgery backlog will reach 419,200 procedures and the diagnostic backlog will reach nearly 2.5 million procedures by the end of Sept 2021.

Surgical Procedure Backlog



Note: Elective surgeries refer to surgeries that do not involve a medical emergency and therefore do not need to be performed immediately. These include procedures such as cataract, hip replacement, knee replacement, gallbladder and select cancer surgeries.

Diagnostic Procedure Backlog



Note: Diagnostic procedures included in this analysis are adult and pediatric CT scans, MRI scans and cancer screening tests, such as fecal tests, screening mammograms, pap tests and screening MRIs.

Source: Ontario COVID-19 Science Advisory Table, "Update on COVID-19 Projections," April 16, 2021, Ministry of Health, Health Quality Ontario and FAO projection.



Cost to Clear the Procedure Backlog

- The FAO estimates that it will cost the Province \$1.3 billion to clear the procedure backlog.

Type of Procedure	Average Funding Rate per Procedure (\$)	Cumulative Backlog	FAO Estimate of Cost to Clear the Backlog (\$ millions)
Surgery			
Orthopedic Surgery (including Knee and Hip Replacement)	4,528	76,994	349
General Surgery	3,124	46,271	145
Gynecologic Surgery	2,319	38,526	89
Pediatric Surgery	1,856	45,528	85
Eye Surgery (including Cataract)	717	114,490	82
Cancer Surgery	4,228	13,560	57
Plastic and Reconstructive Surgery	2,558	20,484	52
Other Surgeries	3,163	63,344	200
Total Surgery	2,527	419,196	1,059
Diagnostic Procedure			
CT Scan	233	436,822	102
MRI Scan (excluding screening MRI)	197	461,067	91
Cancer Screening (including Fecal Test, Screening Mammogram, Pap Test and Screening MRI)	30	1,599,007	48
Total Diagnostic Procedure	96	2,496,897	241
Total Surgery and Diagnostic Procedure	446	2,916,093	1,300

Source: FAO analysis of information provided by the Ministry of Health.



How Long to Clear the Procedure Backlog?

- The FAO estimates that it will take 3.5 years to clear the surgery backlog and over three years to clear the diagnostic backlog.
- Assumes hospitals operate at 11 per cent above pre-pandemic volumes for all surgeries and 18 per cent above pre-pandemic volumes for non-emergent diagnostic procedures.
- The FAO has not reviewed the ministry's plan to clear the surgical and diagnostic procedure backlog in relation to increased staffing levels, the required physical capacity in hospitals (e.g., operating room space) and other operating constraints.
 - These factors would all impact the estimated cost and time to clear the backlogs.



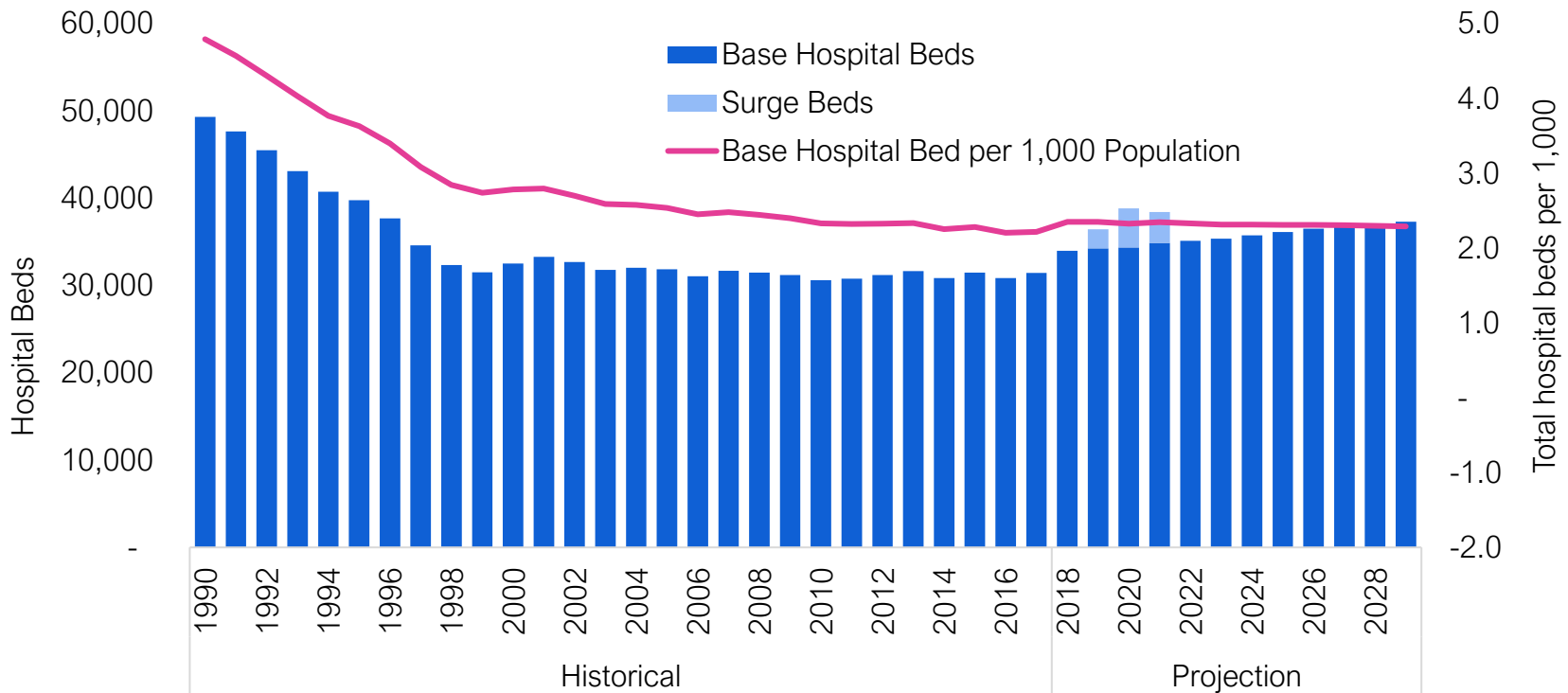
Key Issues

Hospital Capacity Outlook



Hospital Capacity Outlook

- In 1990, Ontario had nearly 50,000 hospital beds, which dropped to a low of 31,500 by 1999 and remained at this level for 19 years before starting to increase in 2018.
- FAO expects surge beds will be withdrawn after 2021-22 and future hospital bed expansion will keep pace with population growth.

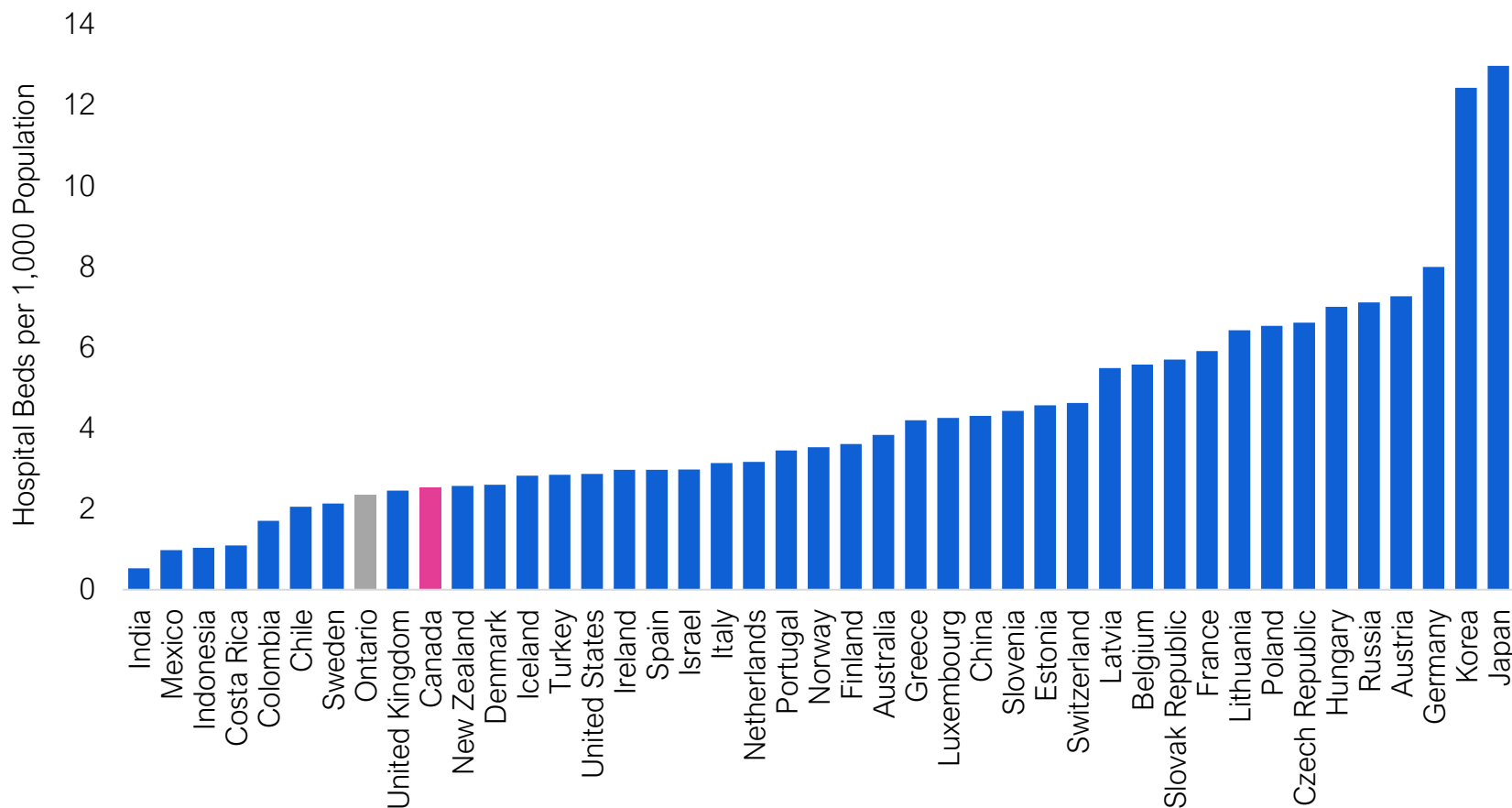


Source: Ontario Hospital Association, Ministry of Health and FAO.



Hospital Beds in OECD Countries

- Compared to other OECD countries, Ontario has one of the lowest number of hospital beds as a share of population and is below the Canadian average.



Source: Organisation for Economic Co-operation and Development (OECD) and FAO.

Note: Ontario values are for 2021-22 and exclude surge hospital beds. Other jurisdictions' data are for 2019 or the latest available data.



Key Issues

Federal Funding for Provincial Health Spending

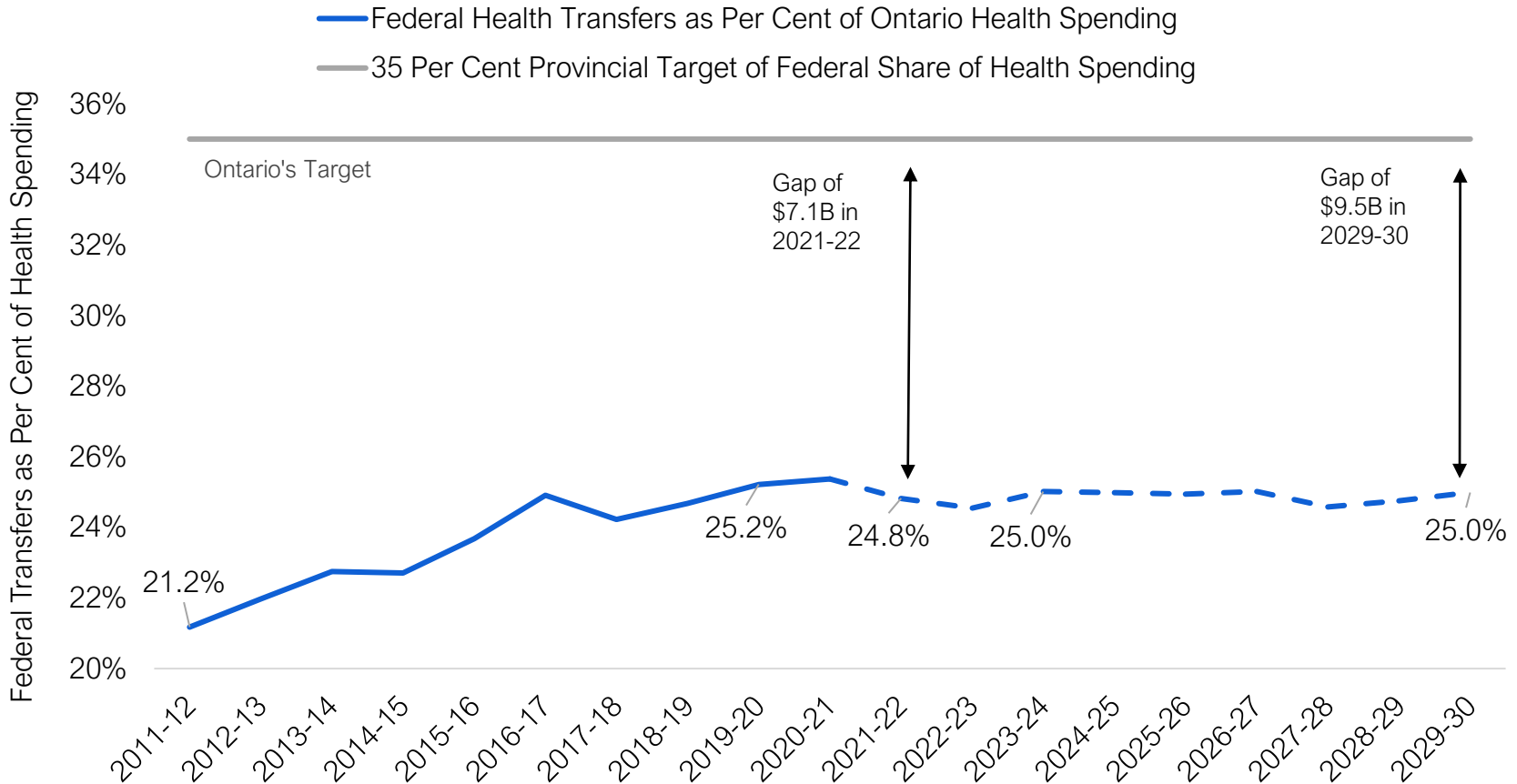


Federal Transfers to Support Base Health Sector Spending

- The federal government supports a portion of provincial health sector spending, largely through the Canada Health Transfer (CHT).
- Assuming no change in the CHT funding formula, the FAO projects that the federal share of Ontario's health sector spending will remain stable at approximately 25 per cent to 2029-30.
- The Province, through the Council of the Federation, has requested that 35 per cent of all annual provincial health spending be supported by federal health transfers.
 - In 2021-22, an additional \$7.1 billion in CHT funding would be required for Ontario, which would grow to \$9.5 billion in 2029-30.



Federal Transfers to Support Base Health Sector Spending

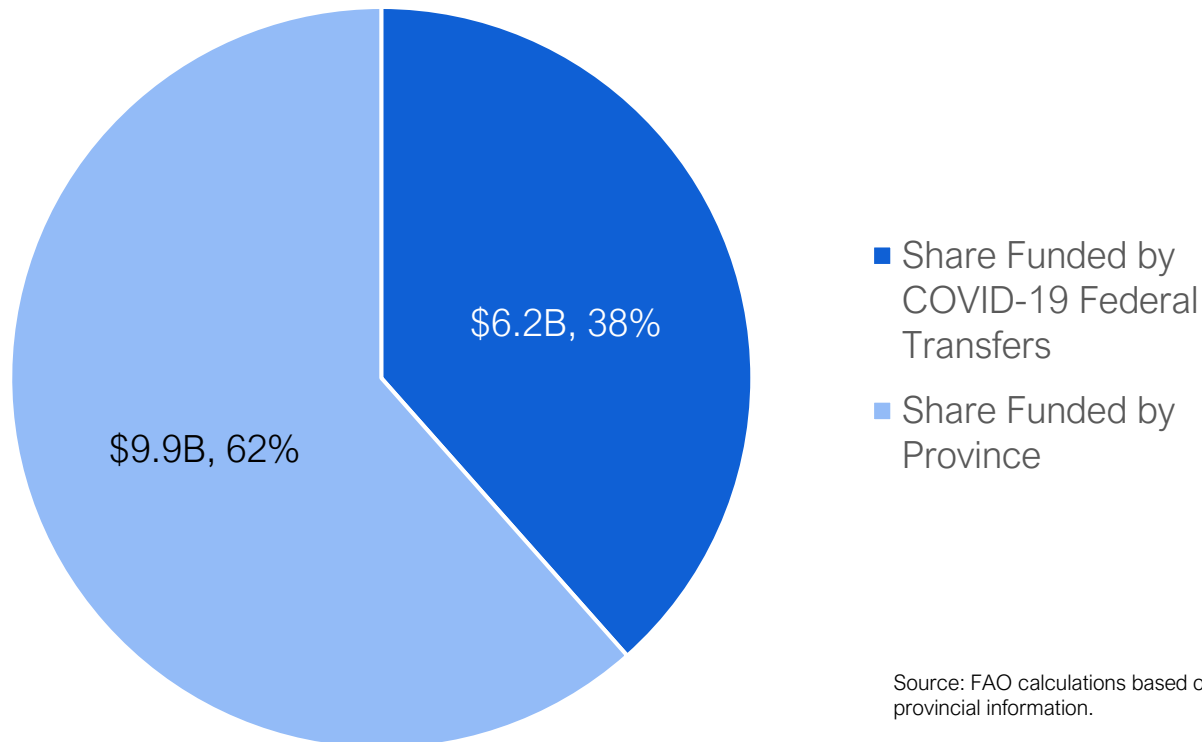


Note: Excludes all COVID-19-related spending and transfers.
Source: FAO calculations.



Federal Transfers to Support COVID-19-Related Health Sector Spending

- The federal government is providing \$6.2 billion in time-limited cash transfers to Ontario to support health sector spending in response to the COVID-19 pandemic.
- Federal transfers will cover 38 per cent of the Province's \$16.0 billion in COVID-19-related health sector spending from 2020-21 to 2022-23.



Source: FAO calculations based on provincial information.



Program Vote Review



Program Changes in 2021-22

Vote-Item	Transfer Payment	Change* (\$ millions)
Cancelled Programs		
1406-7	COVID-19 Health Sector Response Fund	-6,167
1406-4	Infection Control	-20
1406-4	Nutrition/Healthy Eating	-17
New Programs		
1406-4	COVID-19 Response	2,653

Source: FAO analysis of the 2021-22 Expenditure Estimates and information provided by Treasury Board Secretariat.



Programs with the Largest Funding Increases

Vote-Item	Transfer Payment	Increase (\$ millions)	Increase (%)
1405-1	Payments made for services and for care provided by physicians and practitioners	1,313	8.4
1405-2	Ontario Drug Programs	367	7.2
1416-1	Community Mental Health	241	22.8
1407-1	Major Hospital Projects	223	21.3
1405-4	Assistive Devices and Supplies Program	108	25.7
1412-1	Canadian Blood Services	103	17.1
1406-4	Official Local Health Agencies	92	9.2

Source: FAO analysis of the 2021-22 Expenditure Estimates and information provided by Treasury Board Secretariat.



Programs with the Largest Funding Decreases

Vote-Item	Transfer Payment	Decrease (\$ millions)	Decrease (%)
1416-1	Operation of Hospitals	-4,835	-19.1
1416-2	Regional Coordination Operations Support	-676	-69.4
1407-1	Small Hospital Projects	-312	-88.6
1416-2	Digital Health	-142	-41.1
1416-1	Home Care	-102	-3.0
1406-4	Outbreaks of Diseases	-75	-21.6
1416-1	Child and Youth Mental Health	-71	-14.0

Source: FAO analysis of the 2021-22 Expenditure Estimates and information provided by Treasury Board Secretariat.



Thank you!



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