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Ontario hospitals warned to expect funding freeze in 2010

By KAREN HOWLETT
From Thursday's Globe and Mail

The Ontario government is warning the province's 154 hospitals to brace for a possible funding freeze next year, a spectre that would force many to cut services that directly affect patients.

Health Minister Deb Matthews said the government might have no choice but to freeze hospital budgets to help the province weather an extraordinary period of multiyear, multibillion-dollar deficits.

In the worst-case scenario, hospitals will get no increase in their budgets for the fiscal year beginning April 1, 2010, she said in an interview. The best that hospitals can hope for, she said, is an increase of less than the 2.1 per cent they received this year. But even then, hospitals would be forced to make some cuts because the extra money would not keep pace with rising costs for drugs, medical equipment and supplies.

"I know that hospitals are really being challenged by it, but our fiscal reality is that we've got to really take a hard look at every dollar we spend," Ms. Matthews said.

The last time hospitals had their budgets frozen was in the mid-1990s, when the former Progressive Conservative government made deep cuts to health-care spending. They are now facing another era of uncertainty for the first time since the Liberals came to office six years ago.

Hospitals usually know well before this time of year how much funding they will receive for the coming fiscal year. But the government is dealing with enormous uncertainty in its own revenue numbers, which have fallen dramatically during the economic recession.

"I'm certainly aware that they would like that number as soon as possible and I'm just not in a position to give it to them yet," Ms. Matthews said.

This week was the deadline for hospitals to submit operating plans to her office for the next fiscal year under three scenarios - a funding freeze, a 1-per-cent increase, and a 2-per-cent increase. The minister wants to see what impact freezing the budget will have on hospitals.

"All across Ontario, there will be reductions in the scope of services that hospitals provide," said Natalie Mehra, director of the Ontario Health Coalition.

As a result, she said, patients would have to travel farther distances for physiotherapy and other services or wait longer in emergency rooms before seeing a doctor.

Health-care executives said the province's hospitals are already among the leanest in Canada, leaving no room to cut further without compromising patient care. Even with a 2.1-per-cent funding increase, to just over \$14.5-billion in fiscal 2009-2010, dozens of hospitals have been forced to close beds, cut patient services and lay off staff in an effort to balance their books. The budgets have not kept pace with the rising costs of drugs, medical equipment and supplies.

The Niagara Health System, which operates seven hospitals, will close 39 beds next year as part of a four-year plan to find \$28-million in savings and eliminate its deficit.

Chief financial officer Angela Zangeri said the Niagara hospitals' plans are based on the assumption they will receive a 2-per-cent funding increase in fiscal 2010-2011.

"Anything less than that would require significant service reductions," she said.

If funding is frozen for next year, the Niagara hospitals would be forced to find another \$9-million in savings, she said.

Nearly one in every three hospitals in Ontario ended fiscal 2008-09 with a deficit. Of the 61 hospitals in the red, those of the Niagara Health System were among the hardest hit, with a deficit of \$18.3-million.


The gap between funding and expenses is forcing more and more hospitals to borrow money to repay cash advances needed to replenish dwindling working capital.

Tom Closson, president of the Ontario Hospital Association, said this is becoming a growing problem for the sector.

He said he hopes the government will continue to invest in hospitals at a reasonable level. The sooner hospitals know how much funding they will receive, the better, he said.

"Regardless of what the number is, they need a target, they need to know."

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