

## Health Link

### Hospital Funding is Changing and So Must We

Changes to the provincial funding formula for health care or the way hospitals are funded are positioning the entire health care system in Ontario for profound transformational change.

Formerly, hospitals received lump-sum funding that they could spend to a large extent as they chose to cover their services. The provincial government has found this to be unsustainable and this funding approach did not match patients treated or population needs to hospital budgets.

Given the provincial deficit situation, and realizing that health care costs cannot continue to grow at the expense of other vital provincial programs like education and social services for example, the Ministry of Health and Long-Term Care introduced Ontario's Action Plan for Health Care and health system funding reform.

Over the next few years, hospitals will be expected to continue to adapt to the changes in funding and the overarching goal to create a system that is sustainable in the long-term and designed to be more patient-centered where funding is based on the services provided and the patients served.

At Muskoka Algonquin Healthcare (MAHC), we support this philosophy and approach to funding. The new funding model uses evidence to inform health spending so that money truly follows the patient and drives quality improvement.

"We feel that funding reform is necessary to ensure that funding is provided where the population needs exist and where the best value is achieved," explains Tim Smith, Chief Financial Officer at MAHC. "It moves us away from receiving a lump-sum amount to a funding system that is quality driven and activity based to ensure that health care dollars follow the patient and are informed by best practice funding rates. Over the next few years, we will be working to meet the challenge of this new funding model."

The new model is being implemented in stages over three years and is made up of two components: one that allocates 40 per cent of annual funding based on

demographics, including population growth, age and the actual health needs of patients; and another that structures funding around selected hospital procedures based on pre-determined best practice rates and the volume of procedures performed.

“In effect, we are given a quota and are paid a flat fee for each procedure,” says Smith. “In the current fiscal year, only three procedures – cataract surgeries, hip and knee replacements and dialysis – have been paid that way. But the province plans to fund more procedures on a per-patient basis with a goal that this will represent 30 per cent of hospital funding in 2014-15.”

So what do the funding changes mean for you, our patients?

Under health system funding reform, the government is investing more in care providers in the community while trying to control hospital operating funding.

This shift of health care dollars into the community setting means hospitals may receive less funding and will need to begin to consider specialities and focus on what they do best – acute care. In other words not all hospitals will do all things.

“This funding reform further challenges MAHC to examine how and where it provides services so we can achieve greater efficiencies and reduce costs,” says Smith, adding MAHC’s 2012-13 budget was reduced by nearly \$500,000.

“Meanwhile, we remain committed to two acute care hospitals and patients will be our first priority every step of the way.”

*Health Link is an awareness column brought to you on behalf of Muskoka Algonquin Healthcare.*