

To:	Warden Hicks and Members of Grey County Council
Committee Date:	May 23, 2019
Subject / Report No:	FR-CW-12-19
Title:	Health Care Funding
Prepared by:	Kevin Weppler, Director of Corporate Services
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	
Status:	Recommendation adopted as amended by Committee of the Whole as per Resolution CW119-19; Endorsed by County Council on June 13, 2019 as per Resolution CC43-19.

Recommendation

1. **That Report FR-CW-12-19 regarding Health Care Funding be received; and**
2. **That Council provide direction to staff on the development of a healthcare capital policy and the appropriate level of funding to help guide future healthcare capital funding requests; and**
3. **That Council provide staff with direction on the funding requests for the Collingwood General and Marine Hospital and the Grey Bruce Health Services MRI replacement.**

Executive Summary

The County first examined the idea of an annual contribution to support hospital redevelopment in 2005 and resolved that the annual budget include ½ of 1% of own purpose levy as a contribution to capital construction of hospitals. As available resources allowed, contributions were made to the Health Care Initiatives reserve. The County's 2019 budget includes a transfer to reserves in the amount of \$277,300 for Health Care Initiatives.

Council received delegations in 2018 from the Grey Bruce Health Services seeking a donation of \$400,000 over two years for the replacement of its magnetic resonance imaging (MRI) machine and from the Collingwood General and Marine Hospital seeking

a \$3M pledge payable over ten years towards its facility replacement project. Grey County does not have a policy to guide health care funding decisions where the request exceeds the contribution to the Health Care Initiatives reserve.

A notice of motion was endorsed by Council on April 25th directing staff to bring a report on health care funding, including spending over the past ten years, current reserve funds, projected health care expenses and a comparison of health care levy with neighbouring counties by May 23, 2019.

History of Health Care Funding

The County of Grey, since 1946, has provided health care funding to various hospitals in Grey, Bruce, and Simcoe Counties. The largest capital grant provided by the County of Grey was in 1982 when County Council endorsed By-law 2930 to make a capital grant of \$2,400,000 to the Grey Bruce Regional Health Centre to be used for the construction of the new Hospital.

Other significant grants that have been approved by Council for Health Care Funding are as follows:

- 1988 - \$506,560 to local hospitals in Meaford, Markdale, and Wiarton.
- 1993 – \$1,000,000 to the Grey Bruce Regional Health Care Foundation for the acquisition of MRI Equipment.
- 2005 – Grant of land and money to the Centre Grey Health Services Foundation for the Centre Grey Hospital Campaign in the total amount of \$1,000,000.
- 2014 – \$1,000,000 to the Grey Bruce Health Services in Support of Regional Expenditures of “The Hospital Campaign”.

As part of the discussion of funding the Centre Grey Hospital Campaign, it was endorsed by County Council that a Health Funding Roles and Responsibility Review Committee be created to consider the question of “*what should the County’s role be in funding health care requests*”. The Finance and Personnel Committee on June 8, 2005 received the Health Care Task Force report and recommended (in part) the following:

“THAT ½ of 1% of own purpose levy maximum per year for contribution to capital construction of projects of hospitals be approved;...”

With the final \$200,000 grant payment being made in 2008 for the acquisition of the MRI equipment, and with the commencement in 2009 of the first of ten \$100,000 payments being set aside in a County Reserve for the Markdale Hospital construction, County Council as part of the 2019 budget, endorsed the following recommendation:

“THAT Report CAOR-FP-01-09 regarding the 2009 Budget and Funding of Contributions towards Capital Construction Project of Hospitals be received;

AND THAT subject to County Council approving the 2009 Budget, an amount of \$220,084, this being the maximum amount available through the application of Resolution FP146-05, being ½ of 1% of own tax levy;

AND THAT from this budgeted amount, the first of ten \$100,000 payments to be made towards the Markdale Hospital construction be set aside in a County reserve and drawn only after preconditions of the County's \$1,000,000 donation to capital project have been met."

As approved, the first \$100,000 contribution for the Markdale Hospital and an additional \$120,084 in a transfer to reserve was approved in the 2009 budget. However, in the budget years of 2010 to 2013, in order to achieve a budget increase that was deemed appropriate to Council, no additional funding was allocated from taxation to the Health Care Initiatives Reserve. However in 2013, along with the \$100,000 commitment to the Markdale Hospital, a year-end transfer of \$100,000 was approved to the Health Care Reserve. Since 2014, the annual budget has been approved with ½ of 1% own tax levy, with the 2019 budget containing an approved transfer to reserve in the amount of \$277,300.

The County has also authorized a funding request of \$200,000 from the Residential Hospice of Grey Bruce for its "Build a Home Hospice Campaign" to construct a permanent residential hospice facility. As this funding request of \$200,000 was not a contribution for the capital construction of a hospital, the funding request was not funded from the Health Care Funding Initiatives Reserve, but was approved as part of the 2017 budget to be funded from the One-Time Funding Reserve.

The following tables below provide information on the investments that the County has made in hospital contributions and transfers to/from the Health Care Initiatives Reserve over the period of 2010 to 2019, the Reserves for Health Care Initiatives, along with information on health care spending by neighbouring counties.

History of Health Care Spending 2009-2019

Health Care Initiative	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Centre Grey Health Services Foundation – New Markdale Hospital	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0
Grey Bruce Health Services – The Hospital Campaign	\$0	\$0	\$0	\$0	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$0
Health Care Initiatives Reserve	\$0	\$0	\$0	\$100,000	(\$45,390)	(\$39,959)	(\$42,891)	\$64,500	\$71,700	\$277,300
Total	\$100,000	\$100,000	\$100,000	\$200,000	\$254,610	\$260,041	\$257,109	\$264,500	\$271,700	\$277,300
Percentage of Tax Levy	0.2%	0.2%	0.2%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Levy Amount	\$45,941,033	\$48,284,709	\$50,050,825	\$50,922,179	\$52,008,373	\$51,421,811	\$52,899,620	\$54,340,234	\$55,457,365	\$57,220,894

Reserves

Reserve	Balance as of December 31, 2018
Markdale Hospital Reserve	\$785,160
Health Care Initiatives Funding	\$228,044

Comparison of Health Care Levy – Neighbouring Counties

County	2019 Budget Contribution/Commitment	Funding Source	% Levy Contribution	Policy
Bruce County	\$25,000 – 4 th installment of a 4 year commitment to Wingham Hospital	Reserve	0.00%	No Formal Policy
Dufferin County	No current commitment.	-	0.00%	No Formal Policy
Huron County	\$100,000 – 3 rd installment of a 5 year commitment to Wingham Hospital \$150,000 – 1 st installment of a 5 year commitment to Goderich Hospital	Levy	0.59%	No Formal Policy
Wellington County	Committed a total of \$14.4 million in capital grants to the County's three local hospitals over the past 10 years. The largest project is \$10M to construct a new Groves Memorial Hospital in Fergus. Some of these grants are (or will be) funded by debt. Annual debt charges projected to be \$173,000 in 2019 and will annualize at \$476,600 thereafter.	Levy	0.17% - 2019 0.48% - 2020	No Formal Policy
Simcoe County	An annual payment of \$3 million dollars per year shall continue for a period of 15 years, commencing with the 2018 budget and ending at the 2032 budget, for a total of an additional \$45 million dollars towards local hospital capital infrastructure projects.	Levy	1.77%	Hospital Alliance Funding Policy

Financing Health Care Capital

Capital projects are funded differently than a hospital's operating costs, which are the costs needed to operate the hospital such as providing medical care, medications or operating medical technology. Unlike operating costs, which are almost entirely funded through government payments, capital costs are funded from a mixture of sources, such as parking fees, renting out available space, and through individual and corporate donations.

In Ontario, health care institutions need approval from their LHIN and the Ministry of Health and Long Term Care before any major capital expenditures can be made. Once approved, hospitals are responsible for 10% of the costs of major construction projects, with the provincial government providing the remaining 90%.

In the case of medical equipment, not all medical equipment is funded the same. For example, the cost of radiation therapy equipment for cancer is fully funded by the Provincial Government. However, MRIs, if approved, are provided operating funds to operate the equipment, but the purchase cost of the MRI and any future replacement are the responsibility of the hospital.

Healthcare Capital Funding Policy

The 2019 budget was approved with a transfer to reserve in amount of \$277,300 for Health Care Initiatives. This amount of funding was based on the previously endorsed Council motion that in annual budgets that $\frac{1}{2}$ of 1% of own purpose levy maximum per year for contribution to capital construction of hospitals be approved.

In developing a policy, Council should consider:

- Is the current allocation of $\frac{1}{2}$ of 1% of own source revenue appropriate?
- Should funding be provided to both construction and capital equipment or just construction?
- On what basis should the level of commitment to each of the various hospital organizations be considered, i.e. utilization by Grey County residents?

Development of a healthcare capital policy would provide clarity to stakeholders and help guide future requests. Attached to this report are a couple of policies that other Counties have developed for supporting community healthcare facilities for Council's information.

Current Healthcare Capital Funding

In the past, each funding request has been considered by Council individually. Currently the County has received two delegations seeking funding.

The first delegation request was received on September 27, 2018 from the Collingwood General and Marine Hospital. The Collingwood General and Marine Hospital has requested consideration in investing in the future healthcare in South Georgian Bay through a \$3 million dollar pledge payable over 10 years.

The second delegation request was received by Council on November 8, 2018. The Grey Bruce Health Services is seeking a donation of \$400,000 over 2 years, which would maintain the annual level of funding support to the hospital that was provided by the County of Grey over the years of 2014 to 2018 for GBHS’s “The Hospital Campaign”.

In considering both of these requests, Council will need to provide staff with direction on whether to:

- Maintain the current endorsed funding level of ½ of 1% of own source levy towards capital construction of hospitals
- Extend the eligibility for support beyond capital construction to include equipment (GBHS MRI)?
- Extend the funding to a location outside of the County and LHIN boundaries (and on what basis)?
- If both are to be funded, how to apportion the amount of annual funding commitment?

Hospital Patient Services Statistics

The following Patient Services Statistics have been provided by the Collingwood General and Marine Hospital and Grey Bruce Health Services to illustrate the breakdown of services and residence (postal code):

Collingwood and General Marine Hospital

Patient Services for Fiscal Year 2017/18	Total for All Residence Codes	Grey County	Simcoe County	Other
Inpatient Admissions (not including newborns)	4,620	366	4,019	235
Emergency Visits	37,113	2,160	30,259	4,694
O.R. Procedures – SDC	4,866	498	4,143	225
Newborns	500	102	381	17
Outpatients Visits (not including DI and Lab)	25,935	3,238	21,663	1,034
Diagnostic Imaging Tests	24,808	3,095	21,238	475
Lab Tests (DTLAB)	924	117	791	16
Total	98,766	9,576	82,494	6,696
%	100%	9.70%	83.52%	6.78%

Grey Bruce Health Services (All Sites*)

Patient Services for Fiscal Year 2018-2019	Total for All Residence Codes	Grey County	Bruce County	Simcoe County	Other
Acute Inpatients	9,431	5,865	3,050	63	453
Emergency Visits	94,287	53,997	30,154	841	9,295
Day Surgery Visits	11,459	6,776	3,684	319	680
Newborns	691	444	235	0	12
Diagnostic Imaging (includes MRI volumes)	123,855	73,769	41,352	2,638	6,096
Total	239,723	140,851	78,475	3,861	16,536
%	100%	58.75%	32.74%	1.61%	6.90%

*All sites represent Owen Sound Regional Hospital, Lion's Head Hospital, Markdale Hospital, Meaford Hospital, Southampton Hospital and Wiarton Hospital.

If the GBHS annual funding commitment of \$200,000 is used as the benchmark for determining funding, then Grey County visits of 140,851 would equate to \$1.42 in capital funding per visit. This then would equate to approximately \$13,600 in annual funding to be provided to the Collingwood and General Marine Hospital. Note that these statistics combine all of the GBHS sites and therefore may not be a fair calculation for calculating funding for other single hospital sites.

Using only the Grey County patient services visits to the Collingwood and General Marine Hospital does not consider the economic and tourism impact that the Collingwood and General Marine Hospital provides to Grey County.

Council could consider the proportion of the assessment base that the Town of The Blue Mountains and Grey Highlands provides to the County and then factor a portion of this levy percentage based on a percentage that their residents and visitors would utilize the Collingwood General and Marine Hospital. The table below is an estimate of what this allocation could look like. This table is using a guestimate as to the percentage of residents/visitors who would utilize the Collingwood General and Marine hospital from these municipalities, but was done as an illustration as to how this possibly could be calculated.

Allocation of Health Care Initiatives Levy by Estimate of Residents/Visitors Utilizing Colling Wood General and Marine Hospital

Municipality	2019 County Levy	% of County Levy	Estimate of Residents/Visitors utilizing Collingwood G&M	Percentage of Health Care Initiatives Levy	Proportion of Health Care Initiatives Annual Levy - \$277,300
Grey Highlands	\$6,782,857	11.85%	.25%	2.96%	\$8,200
Town of The Blue Mountains	\$15,019,825	26.25%	.50%	13.13%	\$36,400
Total					\$44,600

Legal and Legislated Requirements

There are no legal or legislated requirements related to this report

Financial and Resource Implications

The 2019 approved budget contains a transfer to reserves from taxation in the amount of \$277,300 for Health Care Initiatives. If Council wishes to support any funding commitments to support local hospital capital projects, the funding commitments will need to align with current reserve and budget levels or future budget increases will be required.

Relevant Consultation

- Internal (list)
- External (list)

Appendices and Attachments

[CGMH Delegation Handout Council September 27, 2018](#)

[GBHS - Grey County MRI Delegation Handout Council November 8, 2018](#)

[GBHS Corporate Visit Breakdown by County Fiscal 2018-2019](#)

[Simcoe County Hospital Alliance Funding Policy](#)

[Oxford County Community Healthcare Capital Funding Policy](#)