Why big changes are needed in our health care "system"

Blog by **Rik Ganderton**, President and CEO, Rouge Valley Health System

THIS BLOG MAY BE CONSIDERED CONTROVERSIAL by some and beyond the purview of a hospital CEO. I am writing it because, as a leader in the system, I need to communicate the valid need for change and what is driving that. The need has been there for years. The difference now is the globally-precipitated financial crisis. I am not taking political sides, but I am saying the system needs to change.

It has been widely reported in the media that the province has a $14-billion annual operating deficit and accumulated debt of $237 billion. The accumulated debt represents approximately $17,770 for every man, woman and child in Ontario. The province's annual revenues were $106 billion in 2010–11. (This is all the money the province collects from taxation and user fees, which are the government's only source of income). So the accumulated debt is 2.25 times the province's annual revenue.

While there are diverse, if not diametric opinions, on the reason for the deficit and the debt, there is considerable consensus that a major causal factor is the global financial crisis of 2008 and the subsequent anemic economic growth globally. By March 31, 2018, the projected date by which the province has publicly said it will balance the annual books, the accumulated debt is expected to be some $275 billion. The Wall Street rating agencies have been to town and have said that if Ontario wants to retain its credit rating it has to get its fiscal house in order. This mandate will apply to any future government, regardless of political stripe.

One of the ways the province is balancing the annual books is by reducing the rate at which health care expenditures are growing. The government is trying to cap that rate to 2.5 per cent a year. That's no small order. In the last 10 years, health care spending increases amounted to more than 6.5 per cent a year.

Currently the province spends $47 billion per year or 42 per cent of its annual revenue on health care (hospitals, doctors, home care, long-term care, community care and drugs). So there really is no need to change very much in the health care system as long as we keep spending more, right? In my opinion—wrong!

Hidden in the numbers are three important facts that have profound implications for how health care is delivered.

1. The population of the province will grow by a little more than one per cent a year over the next few years. Every one of these additional people will be entitled to health care.
2. We are all aging and the impact of this on health care demand will result in yet another increase of a little more than one per cent.
3. We have to deal with inflation factors, such as increasing costs of supplies, drugs and salaries of unionized and non-unionized employees, and billing rates of doctors.

In real terms, that 2.5 per cent will be eaten up by growth in demand through aging and population increases. That means every nickel for increased salaries or supply and drug costs, not offset by improved efficiency, will result in real service reductions unless we quickly restructure how we deliver services.

From a hospital perspective, the impact is likely to be greater. In Ontario's Action Plan for Health Care, the government has also said that it intends to shift certain procedures and care from hospitals to community-based care—increasing investment and shifting resources to the community by four per cent a year. Since hospitals are the largest component of health care expenditures, it is pretty clear that they will be one of the main places from which to take those health care tax dollars. (Physician services are likely to be the other one.) This may not necessarily be a bad thing; hospitals are often not the most cost-efficient delivery model for many services.

In my opinion there is very little financial wiggle room left to avoid the necessary and needed restructuring of the health care system.

The suits from Wall Street are watching, and the debt rating is crucial. If the province's debt rating decreases, then the province's cost of borrowing increases. The government's ability to fund health care is diminished even more by every dollar spent on interest payments. Any future government will have the same problem.

Furthermore, there is ample evidence demonstrating that the current health care system is not really a system. (Ask most patients trying to navigate through it!) It is inefficient, quality is not consistently high, access is confused with geographic proximity and a high-quality patient experience is often lacking.

In my view, there is currently enough funding in the health care system (with the proposed 2.5 per cent annual budget growth) to meet patient need during the provincial budget balancing cycle. However, the status quo is not an option if we are to achieve this. We have to fundamentally change the delivery model and create a real "system" not a bunch of fragmented silos.

Here are a few examples of such fundamental changes that are needed today.

- We need to eliminate the fragmented governance and create real, integrated delivery organizations that are accountable for quality, access and cost across the continuum of care. This means reducing the number and levels of governance/boards;
- Good quality is more important than proximity to mediocre or poor quality service that is available just around the corner. We must consolidate services to drive quality and cost effectiveness;
- We have too many physical hospitals (particularly in the GTA)—many of which are aging and are too expensive to maintain. We need to merge and rationalize our physical plant so that we can deliver more and better care more efficiently. (We can pay for much of the upgrades and new facilities from the savings gained by eliminating old plants.)
- We need to understand and accept the research evidence that shows that aggregating services increases quality and efficiency. This means physicians and other clinicians with specialized expertise need to move and work together in hospitals, which will focus on services and patients they are trained to serve.
- Hospitals cannot be all things to all people. Many procedures can be done outside a hospital more cheaply, safely and with better quality outcomes.
- We have to deliver care using best practices. Medicine is more science than art these days, and using best practices and measuring compliance by all care providers is critical.

In the coming electoral campaigns we will hear much in the way of promises from every political party. The provincial financial numbers paint a serious picture, irrespective of which political party occupies Queen's Park!

There is a danger that we will tax our way out of this need to change. Raising taxes to provide more health care funding would be wrong as we would be wasting more money on an inefficient system and delaying the inevitable—fundamental change that is required.

Health care has to change. The way we are presently organized is a barrier to delivering better quality and better value for our limited tax dollars. We need the political will from every party to support change that is necessary and inevitable. Moreover, we need our citizens, and voters, to fully understand the problem, to contribute to the debate on solutions, and to accept and support the solutions required to create a sustainable health care system.