

## ATTACHMENT 3

### Vancouver Island Health Authority Summary of Capital Asset Management Plan 2004/05 – 2008/09

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#### A. Current Year Budget is \$81,702,000 funded as follows:

<u>Funding Source</u>	<u>Amount (\$)</u>	<u>Amount (%)</u>
Province	37,137,000	45.4
RHDs	23,667,000	29.0
VIHA	14,541,000	17.8
Foundations	6,357,000	7.8
<b>TOTAL</b>	<b>\$81,702,000</b>	<b>100</b>

#### B. Five Year Plan

Four main components:

1. Maintenance and improvement of existing buildings.
2. Specific service program changes (acute, home and community care, mental health and primary care) involving upgrading, expansion/contraction and/or replacement of existing buildings. Referred to as strategic projects, required to support new directions in health service provision.
3. Medical Equipment.
4. Information technology equipment.

##### B.1. Maintenance and Improvement of Existing Buildings

Many existing facilities are fully depreciated (beyond economic life) and require immediate significant capital investment to restore the asset base to current standards.

External review of all VIHA-owned facilities (excludes privately-owned facilities, mostly long term care) recently completed. The VFA analysis is currently being reviewed by VIHA.

Concludes \$194.6 M required to bring existing facilities to standard.

Five priority levels with first priority level projects estimated at \$44.781 M and included in Five Year Capital Plan.

##### B.2. Program (Strategic) Capital Projects

Subdivided into four sectors: acute hospital, home and community care (formerly long term or chronic care), mental health and primary care.

Strategic (service program) capital project element not completed. VIHA attempting to develop both sub-regional (South, Central and North Vancouver Island) strategic plans by May 2005. Some key elements (e.g. Surgical Services and Emergency Services) being undertaken at the provincial level. VIHA reluctant to approve major projects until these program reviews and sub-regional plans completed.

Even if these plans were in place, VIHA appear unable to fund the majority of these projects. Termination of provincial 60% grants for major projects and unavailability of offsetting operating funding is a major factor.

Strategic or program expenditures estimated at \$275.376 M over next five years distributed as follows:

- Acute: \$216.292 M
- Home and Community Care: \$43.484 M (underestimated)
- Mental Health: \$13.100 M
- Primary Care: \$2.500 M

South Vancouver Island (Capital Region) has \$164.495 M or 59.7% of expected strategic project expenditures.

B.3. Medical Equipment

Approximately 74% of equipment is fully depreciated with VIHA facing major challenge to fund equipment replacement strategy.

Five Year Plan includes \$138.610 M for medical equipment.

B.4. Information Technology Projects /Equipment

Five Year Plan includes \$90.359 M.

**C. PROJECTED CAPITAL EXPENDITURES AND CAPITAL FUNDING SOURCES**

Preliminary figures as below:

Classification	Projected 5 Year Costs	Unfunded	
		\$	%
Maintenance/Improvement	44,780,866	8,721,222	19.5
Program:			
Acute	216,292,037	145,676,322	67.3
Home and Community Care	43,484,207	24,417,801	56.1
Mental Health	13,100,000	-	0
Primary Care	2,500,000	2,000,000	80
	<u>275,376,244</u>	<u>172,094,123</u>	<u>62.5</u>
Medical Equipment	138,610,191	43,698,556	31.5
I.T. Projects	90,358,491	31,000,000	34.3
<b>TOTAL</b>	<b>\$549,125,792</b>	<b>\$255,513,901</b>	<b>46.5</b>
<b>(Average Annual)</b>	<b>(\$109,825,158)</b>	<b>(\$51,102,780)</b>	

1. Available funding \$293,611,891 (\$58,722,400 per annum)
2. Compares with 2004/05 funding at \$81,702,000

Five Year total costs amount to \$549,125,792 of which \$255,513,901 (46.5% is unfunded). The majority of the unfunded costs are in the acute care program sector. Fully \$145.676 M or 57% of the funding shortages are in this sector.

## D. CONCLUSIONS

Under-funding of health facilities capital is not a new issue. All recent governments have struggled with it. The current government's abandoning of its 60% capital grants for major projects, without providing sufficient relief in Health Authority global operating budgets, has exacerbated the problem. The consequences of substandard facilities, medical equipment and information systems have been stated before.

The Committee and Board have witnessed effects of capital funding shortages in the questionable decisions to upgrade the Lady Minto Hospital instead of replacing it and unsuccessful efforts to accommodate inpatient services in older occupied buildings at Royal Jubilee Hospital leading to VIHA's acceptance of a major new building project (part of the unfunded acute sector activity).

Under-investing in health facilities will also lead to deferred (and more costly) repairs, buildings not lasting as long as they could, slowness in adapting to changing patients/clients, service practices and technology and compromises to patient safety and well-being, staff safety and staffing levels.

The VIHA Five Year Plan is the first real attempt to define the problem on a Vancouver Island basis and even at this VIHA consider it be incomplete, a work in progress.

As shown in the table below, health facility expenditures in 2004 are less than those in 2003 which in turn are less than 2002. In large part this is due to provincial government fiscal restraint. This declining rate of investment cannot go on forever.

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### **CAPITAL REGIONAL HOSPITAL DISTRICT EXPENDITURES VIHA Health Facilities And Equipment – 2002 To 2004**

<b>Year</b>	<b>Projected</b>	<b>Actual</b>
2002	\$25.4 M	\$26.3 M
2003	\$17.8 M	\$9.3 M
2004	\$13.9 M	\$8.1 M

*Actual expenditure variance in 2003 & 2004 due to delayed major project at Royal Jubilee Hospital*

*Source: CRHD 3/5 Yr Capital Plans – 2002, 2003, 2004*

There is an indication of minor increases in the capital improvement project budget for 2005 (for maintenance and improvement of existing projects) but that is all. The major projects like the new inpatient facility at Royal Jubilee, the VGH emergency department and various up-Island projects appear to be at a financial impasse.

Given the recent experience on sharing the Five Year Plan it would be safe to say that plans are being developed at higher levels for which Staff does not have access. With the significant accumulated back-log of major projects it is expected the province will propose some form of private or alternative financing/service delivery scheme instead of provincially raised debt financing. Projects have been announced in Vancouver and the replacement Fraser Valley Hospital is expected to be announced before the end of this year.

By virtue of the acceptance of the 2003 Regional Hospital District Cost Sharing Review, Regional Hospital Districts are part of the solution. Vancouver Island Regional Hospital Districts are prepared to contribute to alleviating current capital shortages but only if they are fully engaged in the process.

In January this year, staff reported that the Region's 40% share of the then \$117.2 Million in deferred capital projects could be managed within a \$5.50 (6.6%) increase on the projected peak for the average assessed residential value (from \$82.99 in 2007 to \$88.16 in 2013).