

CAPITAL REGIONAL DISTRICT

STAFF REPORT TO THE HEALTH FACILITIES PLANNING COMMITTEE MEETING OF WEDNESDAY, NOVEMBER 17, 2004

SUBJECT:

The 2005 Section 20(3) Regional Hospital District requisition for hospital equipment and asset refurbishment projects.

BACKGROUND:

Section 20 of the Hospital District Act gives the Regional Hospital District authority to grant aide to hospitals and designated health care facilities. Funds are raised annually. The main purpose is to fund equipment items. Usually a small amount is reserved for internal studies, research and special projects. The recent policy involving the expensing of "asset improvement" projects adds another component to Section 20(3) coverage.

The adequacy of District funding for hospital and extended care facility equipment funding has been discussed and dealt with previously. In 1995 the District approved a five year borrowing provision of \$7,500,000 (average of \$1,500,000 per annum) on evidence of a pressing need for replacement equipment, the low level of per capita funding compared to other Regional Hospital Districts and the limits to increasing private and corporate fundraising. This borrowing was in addition to the District's annual Section 20(3) grant of \$1,030,050 which had remained unchanged since 1992.

Extension of the additional borrowing was debated by Committee in February and March 2001 in conjunction with the Capital Health Region's Three Year Plan funding request. The conditions prevalent in 1995 had not changed. Equipment failures, the use of equipment well beyond its useful life and associated problems of reliability, staff productivity, and effects on patients including increased wait times and longer hospital visits/stays remained. A comparison with other Regional Hospital Districts showed us at the lower end, with our share of total funding dropping from 31% to 18%, largely due to increased Provincial funding. In addition, the Greater Victoria Hospital Foundation was facing a major challenge to raise approximately \$7.5 million for the Diagnostic and Treatment Centre equipment fund.

In its most recent Five Year Capital Plan, VIHA Advises that 74% of its equipment is fully depreciated and faces a major challenge to fund an equipment replacement strategy.

The Board agreed to maintain "additional" funding of \$1,500,000 over the next three years, retaining the District's total annual funding at \$2,530,050 per annum.

The decision to continue with additional funding included a change in the source of funding with the Board instructing that the \$1,500,000 previously borrowed monies be converted over three years to full grant funding. The 2001 Section 20(3) funding was increased by \$483,300 to \$1,513,350.

In 2002 and 2003 the Section 20(3) equipment grant was increased by a total of \$500,000 to \$2,013,350 reducing borrowing to \$516,700 (for equipment only), thereby extending the conversion to grant funding over five years or to 2005.

CONCLUSION:

Consistent with Committees direction (in 2001) to increase the Section 20(3) grant by \$250,000 per annum until all equipment funding had been converted to grant funding, it is proposed the Section 20(3) 2005 grant be increased to \$2,530,050. This \$266,700 increase effectively ends the District's borrowing for capital equipment.

RECOMMENDATION:

The Committee recommends the Board approve the Section 20(3) requisition at \$2,530,050.

Jeremy Tate, Director
Health Facilities Planning

Comments of the Director of Finance:

Comments of the Executive Director: