

CAPITAL REGIONAL DISTRICT

STAFF REPORT TO THE HEALTH FACILITIES PLANNING COMMITTEE MEETING OF WEDNESDAY, JULY 20, 2005

TITLE:

Major and minor equipment funding allocation for 2005.

SUBJECT:

Approval to expend \$2,430,050 from the Section 20(3) budget as the Capital Regional Hospital District's annual contribution for health facility equipment.

BACKGROUND:

Each year the District issues grants for equipment to the Vancouver Island Health Authority (VIHA) and the Mount St. Mary facility¹ (complex care) for equipment.

Historically the Board has provided \$948,000 annually to the Health Authority for equipment. In response to a request from the Health Authority in 1995, the Board increased its equipment funding to \$2.4M. During the past 10 years, the demand for replacement and new equipment has continued to outpace available funding and there is no indication that demand will abate in the immediate future.

In July 2004, the Board agreed to renew its commitment to a three-year plan for equipment funding at \$2,430,050 per annum. This is the first year (2005) that the entire amount is funded from the Section 20(3) grant fund without resorting to borrowing.

The amounts requested and proposed for allocation are outlined in Table 1 below:

Table 1: Grant Items	Amount
VIHA - Major Equipment (> \$100,000)	\$1,218,000
VIHA - Minor Equipment (< \$100,000)	\$1,182,000
Sub-Total	\$2,400,000
Mount St. Mary Hospital	\$30,000
Total	\$2,430,050*

** The unrequested balance of \$50.00 will be allocated to VIHA*

VIHA undertakes an annual process to identify and prioritize capital equipment needs. Their process is outlined in Appendix 1. The information emerging from this exercise represents VIHA's highest priorities for equipment and as such, the information forms the request to the District for our annual equipment contribution.

¹ Mount St. Mary is the last affiliated facility in the District licensed under the Hospital Act. All other similar facilities have since been amalgamated into the Vancouver Island Health Authority.

VIHA's request for major equipment funding of \$1,218,000 represents 9% of the total VIHA (South) funding for major equipment (\$12,425,000) for 2005. Funds are to be applied to the purchase of equipment itemized in Appendix 2. The balance of major equipment funding is coming from the Ministry of Health Services (\$10,688,000 – 79%) and the Foundations/Auxiliaries (\$1,602,000 – 12%).

VIHA's request for minor equipment (\$1,182,000) represents 18% of the total funding for minor equipment (\$6,524,000) covering a broad range of 160 items (e.g. ultrasounds, monitors, scopes, etc).

The District also grants \$30,000 to the Mount St. Mary facility for minor equipment acquisition.

On an average annual basis, the level of equipment funding has not changed over the last ten years. Though the District has been anticipating a request from VIHA to increase the District's annual contribution, to date no request has been forthcoming.

COMMENTS:

VIHA's funding sources for equipment are the B.C. Ministry of Health (MOH), local hospital foundations (HF)² and the Capital Regional Hospital District (CRHD). The graph in Appendix 3 details the contributions from these funding sources from 1997 to the present.

This graph portrays three events:

- 1) the substantial increase in equipment funding from the Ministry of Health, largely due to the flow-through of Federal equipment funding and;
- 2) the result of the *Together We Care* campaign by local hospital foundations and;
- 3) the level of District funding has steadied in recent years but the District's share of the total funding has declined.

Federal equipment funding is expected to cease after 2005 which will likely see the Federal/Provincial contribution drop closer to the \$6M level. The hospital foundation contribution has dropped for 2005 and is expected to remain in the \$3M to \$4M range for 2006.

Since 2002, VIHA's equipment funding submission has represented an "affordability plan" outlining the amounts available for expenditure and applying those funds to the highest priorities. VIHA's submission does not outline the magnitude of equipment need and compare that need against what can be afforded. Nor does VIHA's submission outline the risks of relying on older equipment and delaying acquisition of new technology. Staff is expecting this information to be presented in VIHA's next capital plan submission by the end of September, 2005. That plan will be VIHA's first integrated capital plan including equipment needs and will span over a 10 year planning horizon.

Notwithstanding VIHA's upcoming capital plan, staff expects that a substantial amount of funding is still required to compensate for historic under funding and for annual funding more closely related to the equipment needs. Such a "catch-up" could be in the \$20m to \$40M range and an ongoing equipment need in the range of \$20M annually. This could present funding challenges to VIHA if the combined annual equipment funding drops to the \$11M to \$12M range as anticipated for 2006.³

² Primary local hospital foundations: Greater Victoria Hospitals Foundation; Saanich Peninsula Hospital Foundation; Greater Victoria Eldercare Foundation; Lady Minto Hospital Foundation.

³ Annual funding: MOH \$6M + HF \$3M to 4M + CRHD \$2.4M = \$11.4M to 12.4M

With the drop-off of Federal equipment funding, staff expects VIHA will approach the District for increased equipment funding for 2006. In the meantime, the District's funding level remains at \$2,430,050.

RECOMMENDATION:

That the Committee recommends to the Capital Regional Hospital District Board approval to fund:

- 1) the Vancouver Island Health Authority an amount of \$2,400,050 from the Section 20(3) grant fund representing the District's contribution for equipment for 2005 and;
- 2) the Mount St. Mary Hospital facility an amount of \$30,000 from the Section 20(3) grant fund representing the District's contribution for equipment for 2005.


Kevin Brewster, Senior Planner
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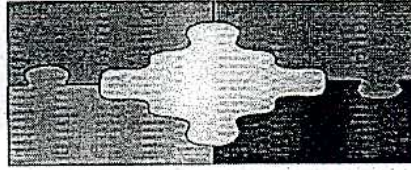
Comments of the Director of Finance:



Comments of the Acting Chief Administrative Officer:



THE VIHA (South Island) CAPITAL PROCESS



MONTH BY MONTH THE CAPITAL YEAR BEGINS IN JULY

JULY/AUGUST - DEPARTMENTS/PROGRAMS PREPARE THEIR REQUESTS

Departments/Programs are sent lists of their equipment and projects not approved in the previous capital process and are requested for their capital requirements for the next 5 years. The capital process includes:

- Equipment >\$5,000
- Capital Improvement Projects \$5,000-\$100,000
- CIP's & Program Related Projects >\$100,000

SEPTEMBER - COMPLETED REQUESTS TO FINANCE

Departments submit their list of not approved capital requests to be brought forward from last fiscal year and complete their requests for any additional capital requirements for the 5-year plan. The requests are forwarded to Finance and are compiled by Finance into the following categories:

- Equipment >\$100,000
- Patient Care Equipment \$5,000 - \$100,000
- Patient Support Equipment \$5,000 - \$100,000
- Capital Improvement Projects \$5,000 - \$100,000
- Capital Projects >\$100,000
- Vehicles

Finance completes the capital request lists by program/service director into these categories. The program/service directors are sent their list to provide a priority ranking for each request in these categories using the evaluation criteria supplied.

OCTOBER - NOVEMBER - CAPITAL REQUEST LISTS PRIORITIZED AND PRICED

- Prioritized lists by program/service directors are submitted to Finance.
- The lists are priced in priority order by Purchasing (equipment) and Plant (projects).
- Biomedical Engineering/Plant/TAC reviews the lists and any additional costs (operating and installation) are identified.

DECEMBER - CAPITAL SUBCOMMITTEE PRIORITIZATION

- Finance projects anticipated capital funding for the fiscal year and establishes funding targets for each capital category.
- Preliminary budgets are then assigned to each category of equipment.
- Capital Subcommittees of PPC (one for each category of request) prioritize the categorized lists to this preliminary funding level. Committee representation includes Program Directors, Medical Directors, Biomedical Engineering and Purchasing.
- Foundations are invited to attend these meetings to gain an understanding of regional priorities. When the Foundations agree to fund a specific item (donor specified item) on these lists, the item becomes approved.

THE VIHA (South Island) CAPITAL PROCESS



MONTH BY MONTH

JANUARY - MARCH – FINAL APPROVALS

- Regional Capital Committee approval of subcommittee recommendations.
- Submission of prioritized >\$100,000 equipment through HCAPS for funding approval.
- Capital funding finalized from all funding sources (Includes MHS, CRD, Foundations, Auxiliaries, Internal)
- Final approved capital lists are distributed.
- Auxiliaries commit to fund items from approved lists.

APRIL TO MARCH – ACQUISITION

- Requisitions for approved items are sent by departments to purchasing.
- Contingency process.
- Fundraising by Foundations and Auxiliaries for approved items
- Once purchases are complete and vendor invoices are received and approved, the Foundations and Auxiliaries are billed for their commitments.

Glossary of Terms:

Standard evaluation criteria: Evaluation criteria standards from CCHSA Dimensions of Quality Framework. (Descriptions in capital request packages).

Patient Care Equipment: Equipment used specifically to treat patients.

Patient Support Equipment: Equipment used to support the care of patients - the hotel stock.

TAC: Technology Assessment Committee that reviews new technology proposals.

Regional Capital Committee: VIHA Executive Committee comprised of Vice-Presidents, Area Directors and relevant management staff.

Contingency Process: Evaluation by capital committee of requests to purchase equipment that breaks subsequent to the approvals for the year.

Prepared by: Finance – Capital
June 16, 2005

APPENDIX 2

MAJOR EQUIPMENT (VALUED OVER \$100,000)

MONITORING SYSTEMS

Total Cost:	CRHD Requested Share:
\$1,545,000	\$618,000 (40% of cost)

There are two monitoring systems being replaced in VIHA-South in 2005/06.

The first is a replacement of 28 monitors in the Special Care Nursery and the Pediatric Intensive Care Unit at Victoria General Hospital. This system replaces aging systems, which are 12 and 13 years old and will provide additional capabilities, which have become standard care in monitoring with arrhythmia analysis, and reporting that can be assessed by physicians through the VIHA IS network or the Internet.

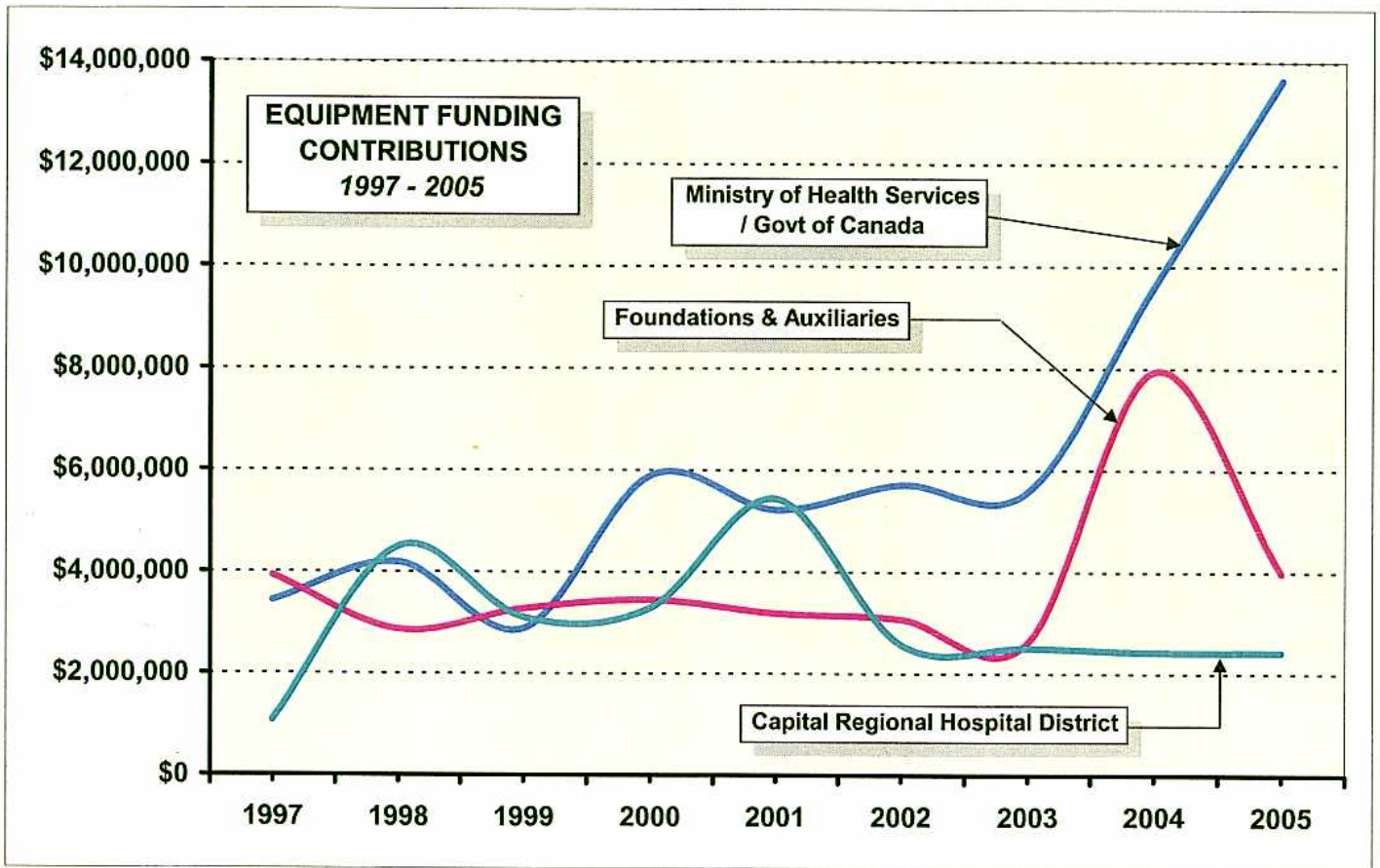
The second system replaces 17 monitors, which are 14 years old, in the Post Anaesthetic Recovery Room at the Royal Jubilee Hospital. This system networks with the current anaesthetic machines, which will provide monitoring continuity through a patient's surgery and recovery. The networking capabilities between the Operating Room and the Post Anaesthetic Recovery Room will benefit the patient and the staff.

ELECTROPHYSIOLOGY LAB

Total Cost:	CRHD Requested Share:
\$1,500,000	\$600,000 (40% of cost)

The Electrophysiology Lab equipment is used to diagnose and treat cardiac arrhythmias. This equipment consists of fluoroscopy as well as physiological monitoring equipment. The Royal Jubilee Hospital currently has one Electrophysiology Lab that performs over 500 procedures a year and is 5 years old. This equipment will be an additional Lab to expand service.

**APPENDIX 3
EQUIPMENT FUNDING CONTRIBUTIONS TO VIHA**



Notes:

Data source: Annual capital funding reports - Capital Health Region & Vancouver Island Health Authority (1997 to 2005)
 Amounts adjusted for inflation to 2005 using Bank of Canada Inflation Adjustment Calculator
<http://www.bankofcanada.ca/en/rates/index.html>