

CAPITAL REGIONAL DISTRICT
STAFF REPORT TO THE HEALTH FACILITIES PLANNING COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 16, 2005

SUBJECT:

The Section 20(3) Capital Regional Hospital District (CRHD) requisition for 2006.

PURPOSE/PROBLEM:

To identify the annual grant allocated by the CRHD to the Vancouver Island Health Authority (VIHA) and Mount St. Mary for hospital equipment.

HISTORY/BACKGROUND:

Section 20 of the *Hospital District Act* enables the CRHD to grant aid to hospitals and designated health care facilities. Funds are raised annually by tax requisition. While the main purpose is to fund medical equipment, a small sum is reserved for departmental studies and special projects.

The CRHD has historically provided annual funding through Section 20 for medical equipment to local health facilities. The annual Section 20(3) funding in 1995 was \$1,030,050. In answer to a request from the health authority in 1995, the CRHD increased its annual grant by \$1.5M for a total of \$2,530,050 through a combination of grant and borrowing.

In 2001 the Board approved a plan for gradual annual increases in the Section 20(3) requisition to eliminate borrowing for Section 20(3) grant. As of 2005, the entire Section 20(3) grant is funded through requisition without resorting to borrowing.

ALTERNATIVES:

The CRHD retains the right to reduce or withhold Section 20(3) funding if the Board determines it appropriate. Reducing or withholding funding however, would compound the problem of an insufficient funding supply (from all funding sources) for medical equipment and it would reduce the CRHD's already declining share of total equipment funding.

In addition, the Section 20(3) budget continues to face upward pressure from some of the minor capital and capital improvement projects which are technically classified as operating funding and not capital.

Given the environment, there is not a reasonable alternative to the current level of funding.

FINANCIAL IMPLICATIONS:

The Section 20(3) amount for 2006 remains unchanged at \$2,530,050 funded entirely from requisition.

SUMMARY / CONCLUSIONS:

The adequacy of District funding for hospital and extended care facility equipment funding has been addressed in previous reports.

As outlined in VIHA's 10 Year Capital Plan, the historic cost of capital equipment is \$387M of which 75% is depreciated leaving a net book value of \$98M. For the next 10 years VIHA forecasts an average annual equipment expenditure of \$44M for the entire health authority. The implication from VIHA's plan is that a forecast investment of \$440M over 10 years will not be sufficient to address equipment need and as such, they are exploring other options such as alternative financing to improve the overall condition of equipment.

Though VIHA's plan is not broken down by Regional Hospital District, the current "rule of thumb" is that approximately 50% of the total amount (\$22M per annum) would be expended in the District.¹ Therefore, the District's annual grant of \$2.5M would represent 11% of VIHA's forecast annual expenditure on equipment.²

Unlike the District's 40% capital share for facilities, the District's share of equipment funding varies with a recent high of 38% in 2001 to 12% in 2005. The District's decreasing share is a reflection of increases from other funding sources, particularly the Federal government and local hospital foundations.

The District should expect a request from VIHA in the next two to three years for increased funding for equipment. However, in the absence of any request from VIHA for additional equipment funding, the Section 20(3) requisition remains unchanged from 2005. Staff does not advise that the District's annual grant be decreased.

The Section 20(3) grant for equipment is reviewed in further detail in July of each year once VIHA's annual equipment request is submitted to the District for funding approval.

RECOMMENDATION:

The Committee recommends the Board maintain and approve the 2006 Section 20(3) requisition at \$2,530,050.

Jeremy Tate, Director
Health Facilities Planning

COMMENTS:

C.A.O. Concurrence

¹ Source: Capital Planning Staff - Vancouver Island Health Authority – October, 2005

² 11% of \$22M = \$2.5M