



**STAFF REPORT TO THE PLANNING & PROTECTIVE SERVICES COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 22, 2006**

SUBJECT: SECTION 20(3) CAPITAL REGIONAL HOSPITAL DISTRICT (CRHD) BUDGET FOR 2007

PURPOSE:

To request approval of the 2007 Section 20(3) grant budget as part of the 2007 Provisional Budget.

BACKGROUND:

Section 20(3) of the *Hospital District Act* enables the Regional Hospital District to grant aid to hospitals and designated health care facilities. Section 20(3) grant funds are mainly applied to diagnostic and medical equipment purchases for the Vancouver Island Health Authority (VIHA). The District also retains a small amount for the Health Facilities Planning Division activities. These activities include research and studies, recoverable project development funds for non-profit societies, off-site service contributions to major capital projects, etc.

In 2006, the Section 20(3) budget was increased from \$2,430,000 to \$3,030,000. Of the \$3,030,000 budget, \$2,930,000 went to VIHA and the Mount St. Mary residential care facility and \$100,000 to Health Facilities Planning (see Attachment A – for a list of Section 20(3) expenditures in 2006).

The 2006 increase was the first increase in 11 years. It was justified by inflation, continuing pressing demands for new and replacement equipment, and the fact that the District's share of total equipment expenditures had been declining in relation to the increasing provincial/federal, foundation and auxiliary shares. In 2006, the District's share had declined to 16% of total expenditures compared to 59% for the Ministry of Health and 25% from Foundations and Auxiliaries.

Typically, the Section 20(3) budget is approved as a Three Year Allocation. The 2006 increase came in the last year of a Three Year Plan when funding pressures on VIHA had become serious. Given that the approval for the increase came after the 2006 Regional Hospital District budget had been approved, the additional \$600,000 had to be borrowed rather than the customary approach of being expensed and charged directly to the requisition. Board policy stipulates that equipment purchases be expensed not borrowed.

The 2007 Section 20(3) budget is therefore the first year of a new Three Year Fund (2007-2009). The context is not dissimilar to previous years in which the demand for capital equipment continues to outpace available funding with no signs of abatement. VIHA's 2006-2017 Capital Infrastructure Plan provides some references to the problem. Although the Plan has no detail beyond 2006/07, total forecast equipment expenditures over ten years for the entire Island are \$446,267,000. The South Island (Capital Region) share has been previously estimated at 60% which converts to approximately \$267,800,000 or \$26,800,000 per annum. At the District's current share of 16%, this translates to \$4,300,000 per annum which compares to the 2006 budget of \$2,930,000 (\$3,030,000 less the \$100,000 retained for Health Facilities Planning functions). This disparity would normally generate a request for additional funds. However, recent discussions with VIHA staff indicate that additional funding will not be requested but that an annual inflation adjustment is.

ALTERNATIVES:

1. Approve the 2007 Section 20(3) Budget at \$3,030,000, identical to 2006.
2. Approve the 2007 Section 20(3) Budget at \$3,130,000, inclusive of an inflation adjustment.

Of the \$100,000 increase, \$75,750 would go to the equipment budget and \$24,250 to the Health Facilities Planning Division.

The Three Year Funding Approval would be dealt with in mid-2007 when VIHA submits its detailed equipment request. The 2007-2016 Ten Year Capital Plan proposes \$9,630,000 including the 2007 allocation of \$3,130,000 and 2.5% inflation adjustments for 2008 (\$3,210,000) and 2009 (\$3,290,000).

CONCLUSION:

VIHA's Ten Year Capital Plan, although lacking detail, shows significant expenditures for medical and diagnostic equipment. Previous reports have shown that the legitimate demand for equipment outpaces available funding and that most of the major equipment being acquired increases capacity and throughput which helps to reduce wait times.

Estimated costs for the South Island (Capital Region) are \$267,800,000 over ten years. At the current District share of 16% this equates to an annual contribution of \$4.3 M. With other funding sources and a declining District share of total equipment expenditures, VIHA is not requesting additional District funding beyond an annual inflation adjustment. The 2007 Section 20(3) budget would be increased from \$3,030,000 to \$3,130,000. Consistent with Board policy this fund would be expensed in 2007.

RECOMMENDATION:

That Committee recommend to the Board:

1. The 2007 Section 20(3) budget is increased from \$3,030,000 to \$3,130,000.

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COMMENTS: