

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 07, 2020**

SUBJECT Capital Regional Hospital District Funding Model History

ISSUE SUMMARY

To provide information on the Capital Regional Hospital District's (CRHD) Capital Funding Model.

BACKGROUND

On September 2, 2020 the Hospitals and Housing Committee requested information on the CRHD's funding model for capital projects. The core business activity of the CRHD is to provide the local share of capital funding for the Region's health facilities and hospital equipment. The Vancouver Island Health Authority (VIHA) is responsible for the delivery of healthcare in the region.

CRHD was established in 1967 through provincial statute to provide the local taxpayer's share of capital funding to expand, improve and maintain acute healthcare facilities in the capital region. The primary legislation includes the *Hospital District Act* and the *Hospital Act*.

The CRHD Board and officers consists of the same directors and executive staff as the Capital Regional District (CRD) Board and executive. The Health and Capital Planning Strategies Division which is part of the Planning and Protective Services Department manages and administers the work of the CRHD function.

Typically hospital districts across BC provide up to 40% of capital funding. Hospital district funding is voluntary and varies across the province. Traditionally, CRHD funding was used for funding major projects, minor capital projects, and equipment. In 2007, the Board directed staff to undertake a comprehensive review of the CRHD's funding model. This review included an analysis of the CRHD contributions towards all capital project categories, and identified alternatives for future health capital funding.

Subsequent to the review a new funding model was implemented. The new model revised capital cost thresholds for all project categories and restricted CRHD contributions in the minor capital and equipment categories to a fixed amount with no changes to the major projects category. The model also established annual \$1 million (M) funding for the Non Traditional Project category (Non Traditional project funding was suspended in 2015).

The CRHD historically provided 40% of capital funding for all major projects across the region up until 2010. The capital cost sharing formula was revised on December 8, 2010 by the following motion passed by the CRHD Board.

"That the CRHD participate in the cost sharing of major health capital projects at 30% unless the CRHD determines that the project has regional significance and value whereupon the CRHD will consider cost sharing at 40%".

The rationale being that given the significant expenditures facing regional district taxpayers and the desire to fill the gap in long term care, it was felt that there should be more emphasis on the 40% cost sharing for only major capital projects with long-term regional significance and value.

CRHD Authority and Funding Model

The CRHD has powers to hold and develop property for healthcare purposes, can fund and develop CRHD-owned properties and external agency projects, and has broad borrowing authority through Board-approved property tax requisitions. The CRHD has direct access to debt financing through the Municipal Finance Authority (MFA), and can also borrow through private institutional investors. CRHD expenditures require that the Minister of Health designate each proposed project as a healthcare facility under the *Hospital District Act*.

The four main categories of funding have been established to provide for the local share of health capital funding:

1. Major Capital Projects: Major capital projects are valued over \$2M and are generally cost shared on a 30% basis. Capital funding for these projects is primarily by debt financing arranged through the MFA.
2. Minor Capital Projects (MCP): MCPs are valued between \$100,000 and \$2M and the CRHD contributes 40% towards the total cost of VIHA minor capital projects to a maximum of \$3.75M annually. VIHA provides the CRHD with a list of capital projects for funding under this category. (Capital funding for minor capital is expensed from the CRHD tax requisition.)
3. Medical Equipment – The *Hospital District Act* Section 20(3) enables regional hospital districts to grant aid to hospitals and designated healthcare facilities for diagnostic and medical equipment purchases. The CRHD also retains an amount under this category for Divisional activities such as healthcare related research and studies. The CRHD annually provides \$2.925M to VIHA and \$30,000 to Mount Saint Mary Hospital (capital funding for medical equipment is expensed from the CRHD tax requisition).
4. Non Traditional Project Category (NTP): The CRHD established CRHD NTP category at an annual requisition of \$1M, to support the provision of community-based healthcare services by not-for-profit agencies (excluding VIHA) for facilities that provide primary healthcare and residential care in compliance with the *Hospital District Act* and other Ministry of Health guidelines. In 2014 the Board made the decision to reduce its CRHD NTP requisition of \$1M and increase the CRD Land Banking and Housing requisition by the same amount. The 2015 CRHD budget decreased the \$1M CRHD NTP requisition in order to accommodate a \$1M increase in the CRD requisition to fund a \$10M acquisition of property from BC Housing for properties managed by the Capital Region Housing Corporation (CRHC). The CRHD Board approved reinstatement of this \$1M NTP requisition once the \$10M debt had been satisfied, expected in 2025.

Strategic Outlook and Partnerships

Prior to 2009 the CRHD simply provided capital grants to VIHA for acute care projects, however as a result of the strategic acquisition of land and the comprehensive review of the funding formula between 2007 and 2011, the CRHD now acquires land and creates partnership opportunities to develop projects that may not otherwise have happened.

The partnership between the VIHA and CRHD has expanded over the last number of years to enable progress on a number of major initiatives:

- Acute care facility expansion and improvement (Royal Jubilee Hospital Patient Care Centre, Victoria General Hospital Expanded Emergency Department, Saanich Peninsula Operating Room and Surgical Upgrade, medication and facility system enhancements),
- Revitalization of the residential care sector (the Heights, the Summit),
- Upgrades to equipment and technology.

Land assembly and development by the CRHD has advanced projects by allowing VIHA to enter into operating leases with CRHD and other partners and commit annualized funding consistent with their health service mandate.

The CRHD in partnership with VIHA develops a 10 year capital plan and the allocation of funding to priority initiatives through effective cash flow and debt management. The annual capital planning process occurs in July and is a collaborative effort between VIHA and CRHD. VIHA communicates regional priorities, estimated total project costs and timing of the anticipated cash flows and CRHD communicates its board priorities. The CRHD assesses the capacity to finance VIHA's regional priorities along with CRHD health and capital planning initiatives. The collaborative 10-year capital plan is presented to Board for approval annually in October.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District Funding Model History report be received for information.

Alternative 2

That the Capital Regional Hospital District Funding Model History report be referred back to staff for additional information based on Committee direction.

CONCLUSION

The CRHD is strategically positioned for other acquisitions and development and continues to expand its asset base. The CRHD Board has provided policy direction to staff to ensure effective management of taxation, debt financing and cash flow. This has created a strong value proposition for taxpayers demonstrating that the CRHD should continue to move forward in this direction.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District Funding Model History report be received for information.

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