



TO: Chair and Members of the Board of Health

FROM: Christopher Mackie, Medical Officer of Health / CEO

DATE: 2019 April 18

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## IMPACT OF 2019 PROVINCIAL BUDGET

### ***Recommendation***

*It is recommended that the Board of Health:*

- 1) Receive Report No. 031-19 re: Impact of 2019 Provincial Budget for information; and*
- 2) Approve the recommended steps under the section on “Mitigation” below.*

### **Key Points**

- On April 11<sup>th</sup>, the Ontario provincial budget introduced sweeping changes to the public health system.
- Key objectives include reducing the number of health units and Boards of Health from 35 to 10 in a new regional model, and reducing provincial public health funding by approximately \$200 million, or 27%, over two to three years.
- The funding reductions are projected to cause a significant deficit for the Middlesex-London Health Unit. Estimates are that this may be as large as \$3,500,000 for the current fiscal year, and \$7,000,000 in 2020 based on existing funding levels. However, the timing of these reductions is unclear.

### **Background**

Objectives outlined in the provincial budget include replacing Ontario's 35 health units with 10 regional public health entities over the next one to two years. This would include dissolving existing Boards of Health across the province.

The budget also proposes reducing total provincial funding for public health by \$200 million over the next two to three years. The province currently provides \$743 million to local public health and Public Health Ontario; this is a funding reduction of approximately 27% over two years.

The government intends to create efficiencies through streamlining back-office functions, adjusting the provincial-municipal cost sharing model and reducing the number of health units and Boards of Health in a new regional model. In addition, public health units will be expected to offer dental services to low-income seniors.

### **Discussion**

Across Ontario, administrative costs generally amount to approximately 15% in each health unit. Efficiencies introduced by economies of scale and more effective electronic data capture could also contribute to marginal savings. A significant adjustment to the provincial-municipal cost-sharing model may be necessary to accommodate this withdrawal of funding from the province if health units are expected to continue providing comprehensive health services to communities served.

## Mitigation

MLHU faces a number of decisions in the short and medium term to balance maintaining important front-line services and mitigate any deficits. The Board can opt to initiate changes immediately, or continue to execute on the current business plan until MLHU receives greater clarity from the province and Ministry. In the face of the current uncertainty, the Senior Leadership Team recommends taking reasonable but not dramatic steps. These include:

1. Introducing a hiring freeze;
2. Focusing on select projects that enhance back office efficiencies, such as Electronic Client Records (ECR) and Enterprise Resource Planning (ERP) for Human Resources, while scaling back some other planning projects that would be best completed after the proposed restructuring; and
3. Notifying the City of London and Middlesex County of the likelihood that additional funding may be required to address a potential funding shortfall, as outlined in the Health Protection and Promotion Act.

Options that are not recommended at this time include issuing layoff notices to MLHU staff, making a formal request to the municipal funders for additional funding in 2019, and reexamining the relocation project.

## Conclusion

MLHU is facing unprecedented uncertainty in light of sweeping changes proposed in the recent provincial budget, and lack of clarity over next steps to amalgamate health units in the province and cut provincial funding. Staff are currently recommending reasonable steps to ensure that MLHU's mandate to serve the community is fulfilled. Additional steps may be recommended to the Board of Health as new information is provided by the Ministry of Health and Long-Term Care.

This report was prepared by the Healthy Organization Division.



Christopher Mackie, MD, MHSc, CCFP, FRCPC  
Medical Officer of Health / CEO