Information Piece: January 2013

HEALTH FUNDING EXPLAINED

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OFFICE OF THE
Auditor General
of British Columbia

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AUDITOR GENERAL'S COMMENTS

British Columbians paid over $19 billion in taxes to the provincial government for the 2011/12 fiscal year. That money, combined with funds from the federal government, fees, licences, investments and other sources (such as income from Crown corporations and natural resources), enabled the B.C. government to allocate $41 billion dollars to finance the work of its 20 ministries and government offices.

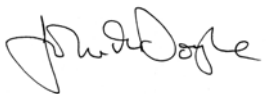
The Ministry of Health accounted for almost 40 per cent of the Province's total allocations. *Health Funding Explained* is designed to help readers understand how this significant amount of public money was spent.

Notable areas of expenditure include:

- Acute care (hospital services for short-term illnesses and injuries) accounted for almost 50 per cent of health dollars spent during 2011/12.
- Physicians and supplementary health care professionals (such as physiotherapists) consumed 25 per cent of all health dollars spent.
- The ministry's PharmaCare program that funds prescription drugs and designated medical supplies consumed more than 7 per cent of the ministry's budget.
- Population Health and Wellness, the area most closely associated with disease and poor health prevention, incurred less than 5 per cent of total health care expenditures. Prevention has been a major theme in recent Throne Speeches.

Given the financial and social importance of provision of health services, my Office will continue to focus on health in future work we plan.

I would like to thank the staff at the Ministry of Health and health authorities for their assistance in helping us complete this project.



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Auditor General
January 2013

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HEALTH FUNDING EXPLAINED: PROJECT OVERVIEW

The Ministry of Health is the steward of British Columbia's health care system. It sets the direction, funds aspects of the system and monitors results. However, many other parties are also involved in ensuring British Columbians receive high-quality health care.

With so many players contributing to provincial health care, getting a clear picture of how the system works can be challenging.

In this information piece, we respond to that challenge by presenting each component of the system – represented in terms of funding – in a series of graphs, charts and summary explanations. We call this project *Health Funding Explained*.

The scope of this work

This project is not a traditional audit, but rather is an information piece that compiles information from the Ministry of Health, the province's six health authorities, and other relevant publicly available information. Our involvement with respect to the information provided was limited to enquiry, analytical procedures and discussions. **We have not performed an audit or review of the information and, accordingly, express no assurance thereon.**

We conducted the project under Section 13 of the *Auditor General Act.* The scope of the work was limited to including only significant programs and services (i.e., program services that are significant in terms of the amount of funding they receive). It is also important to note that many of the numbers included in the report are approximate.

Health spending overview in British Columbia, 2011/12

Exhibit 1 on page 6 provides a detailed overview of the flow of revenue and expenditures in the province's health sector in 2011/12.

This is a comprehensive snapshot of health funding in British Columbia and is the stepping-off point for the rest of the background presented in this information piece.

Revenue earned by the Ministry of Health and six health authorities are depicted on the left in *Exhibit 1* with the expenditures incurred on the right.

The Government of British Columbia is responsible for determining how much of the provincial government's revenue will go to the health sector.

In 2011/12, the provincial government received about $41 billion from a mix of provincial tax, fees and licences (e.g. marriage licences, driver's licence renewals), the federal government (e.g. infrastructure funding) and from Crown corporations.

Of the $41 billion revenue earned by the provincial government in 2011/12, $15.5 billion went to the Ministry of Health.

TOTAL PROVINCIAL REVENUE IN 2011/12

In 2011/12, the provincial government received approximately $41 billion in revenue, from the following sources:

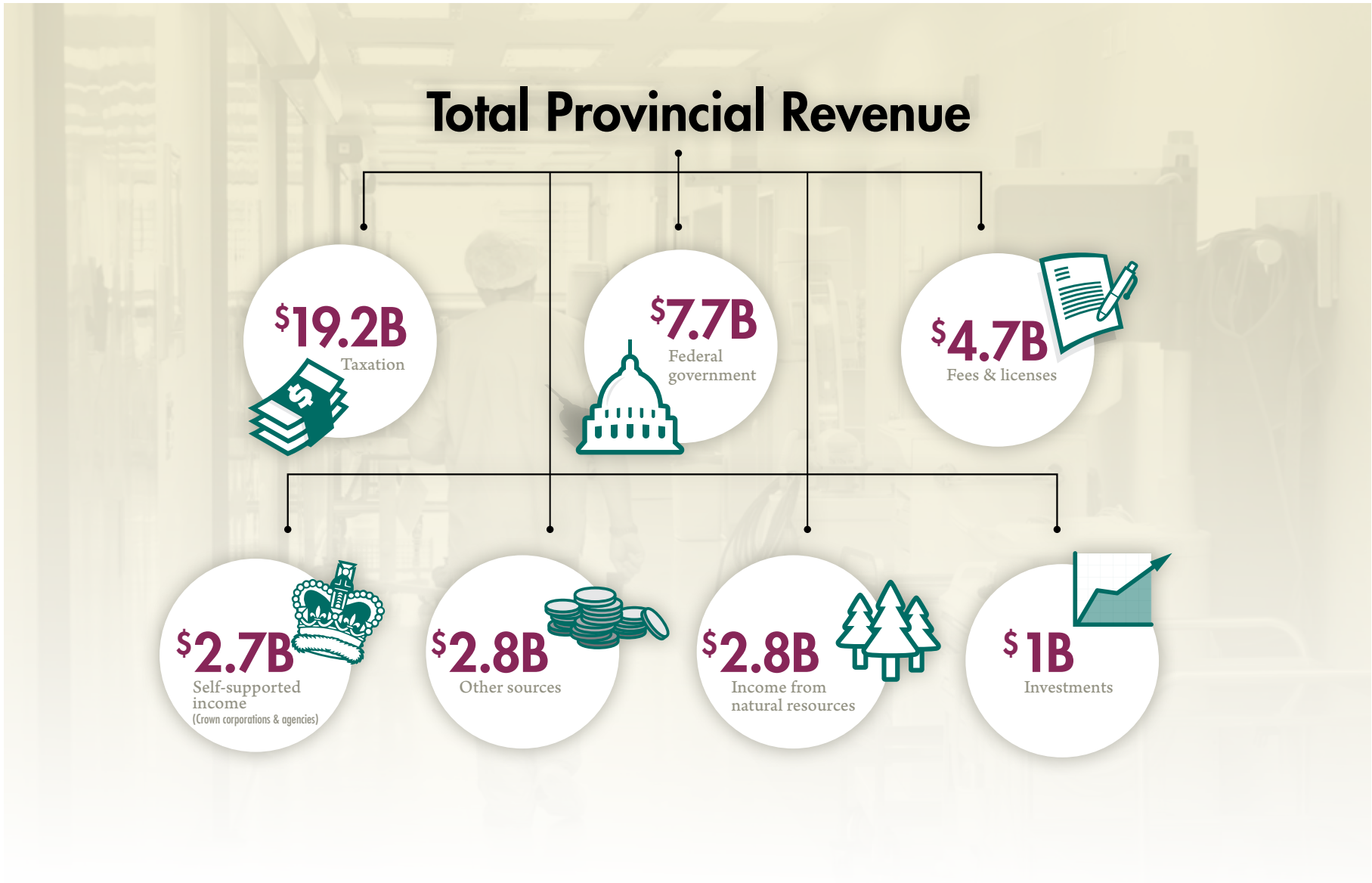
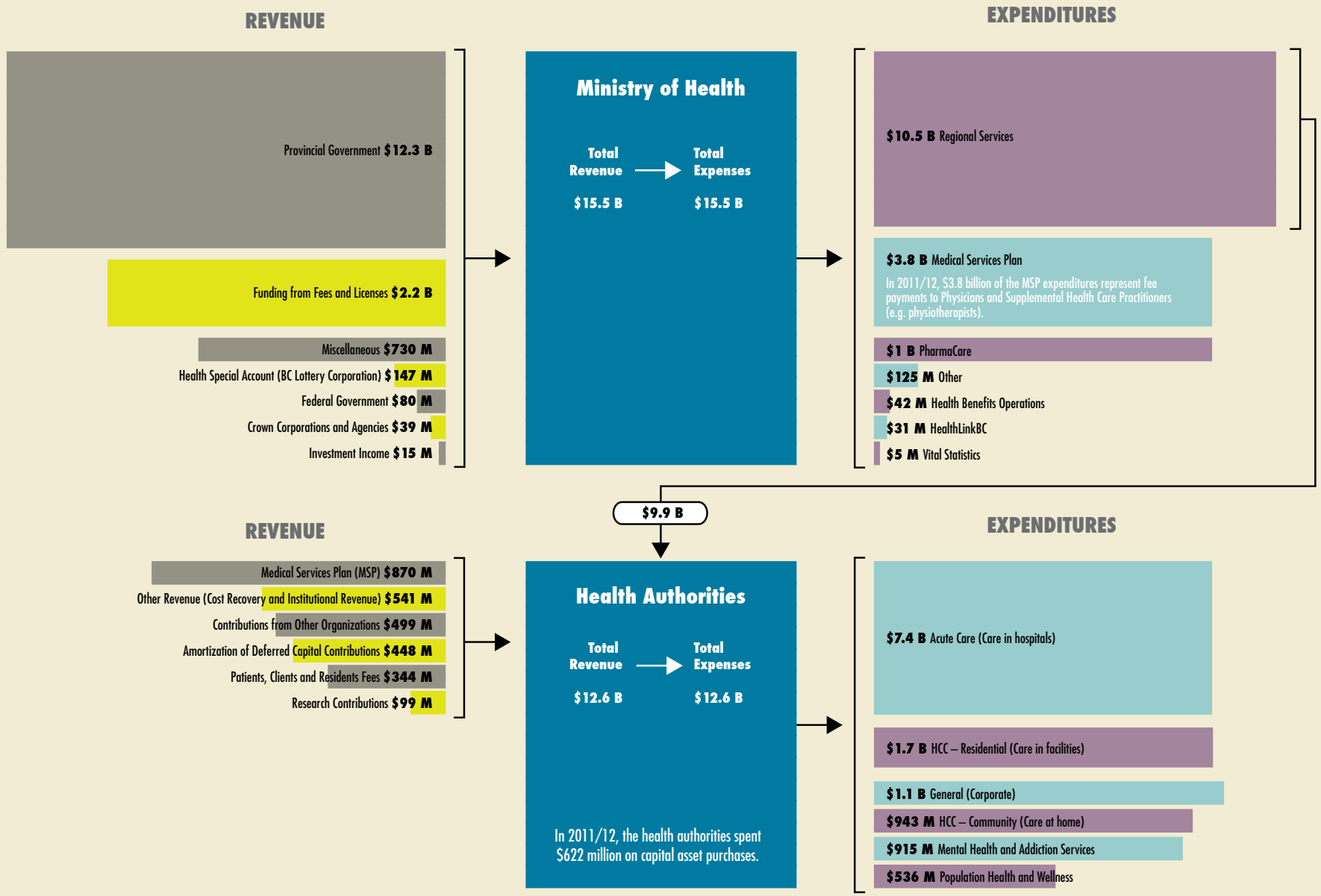
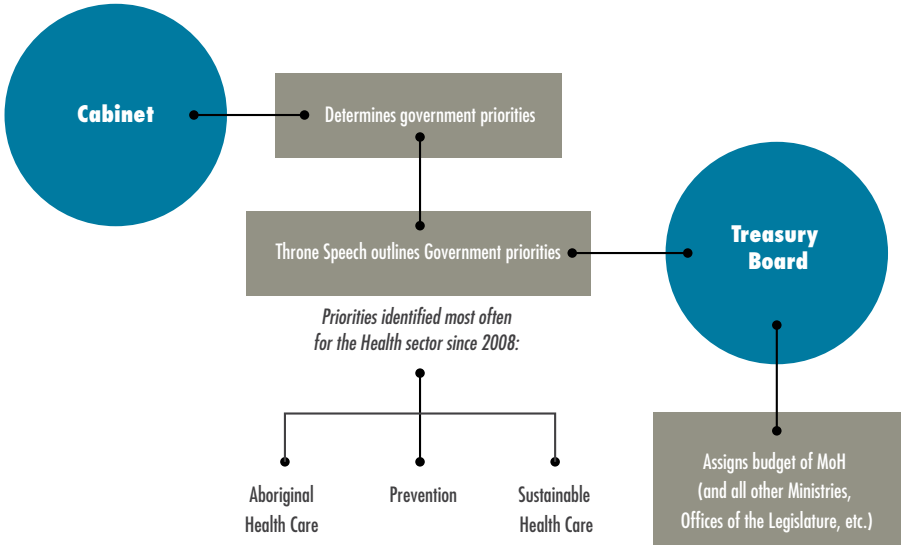


Exhibit 1: Overview of health spending in British Columbia, 2011/12



GOVERNMENT'S BUDGET ALLOCATION PROCESS

Each year, Cabinet – headed by the Premier and elected officials appointed by the current governing party – determines the broad goals for the government of the day. These goals are formally outlined during the reading of the Speech from the Throne. In our review of the health goals addressed in the throne speeches since 2008, we found that the three health priority themes most often discussed were: prevention, aboriginal health care and ensuring a sustainable health care system.

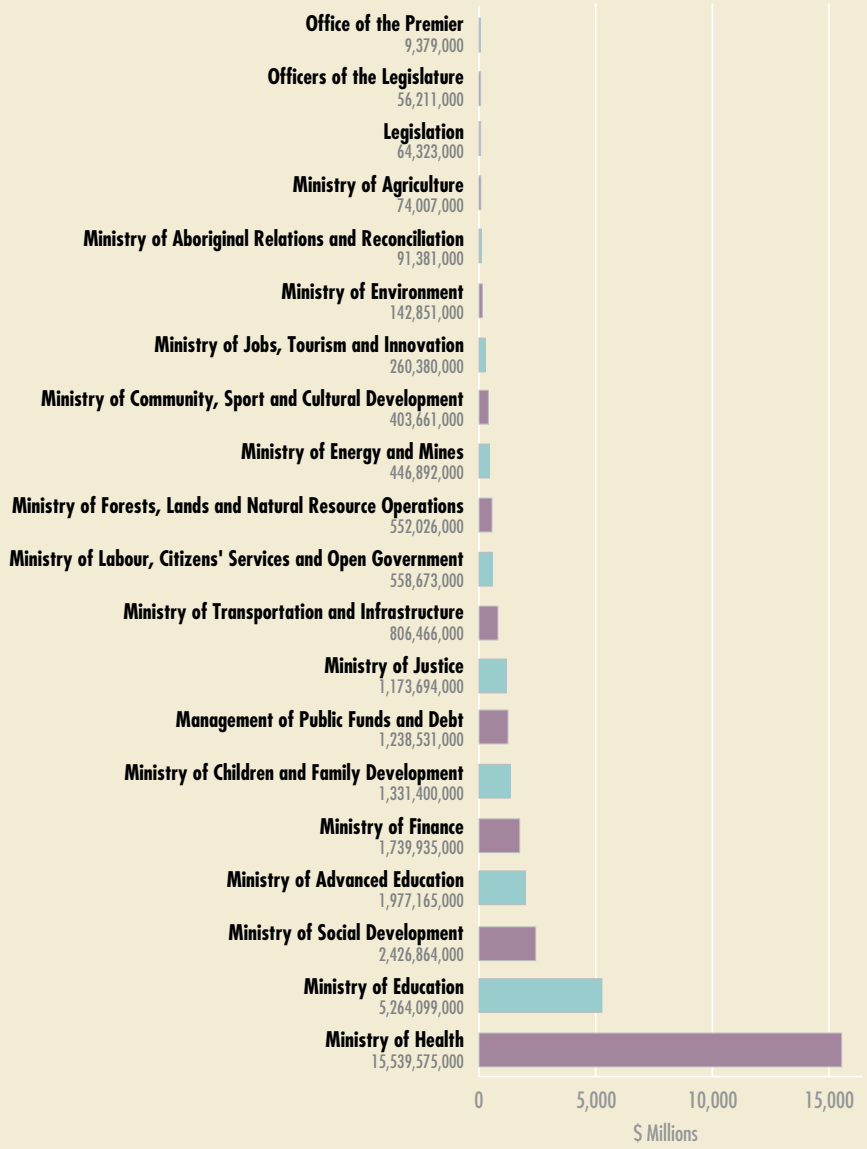


Treasury Board Staff within the Ministry of Finance are responsible for preparing the Budget, which is the government's financial plan for the upcoming fiscal year (April 1 through to the following March 31). Treasury Board Staff issue budget instructions to ministries and special offices and Treasury Board determines the budget envelopes and sets ministry budget targets.

Exhibit 2 shows the Province's expenditures in 2011/12.

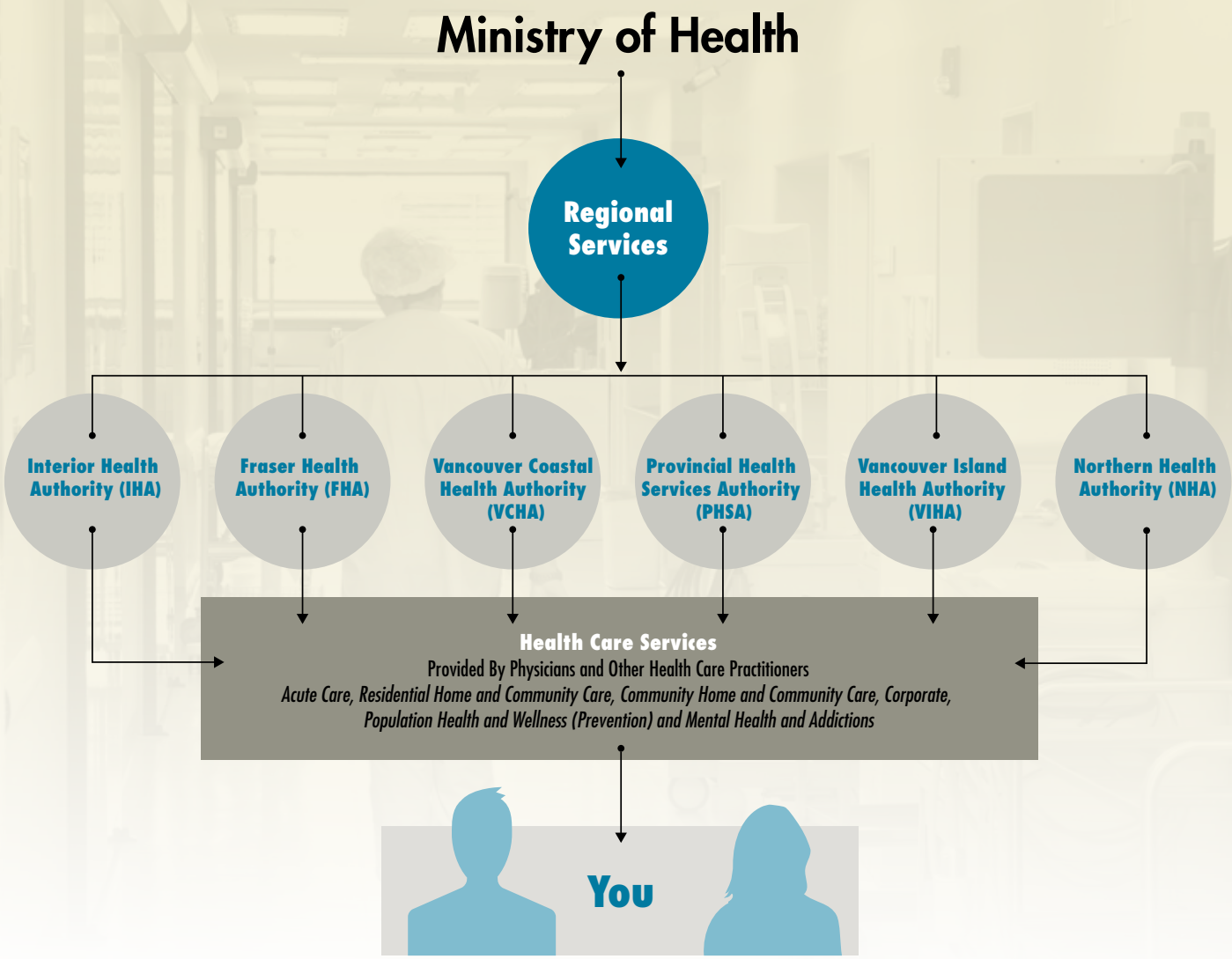
It is clear that the Ministry of Health's expenditures are significantly higher than those of other entities. According to the provincial Budget and Fiscal plan for 2012/13 - 2014/15, the ministry's budget is projected to increase by a further $1.6 billion by 2014/15.

Exhibit 2: 2011/12 Government Special Offices and Ministry Expenses



Source: Public Accounts 2011/12: Consolidated Revenue Fund Supplementary Schedules for the Fiscal Year Ended March 31, 2012

HOW HEALTH CARE SERVICES ARE PROVIDED



MINISTRY OF HEALTH REVENUE

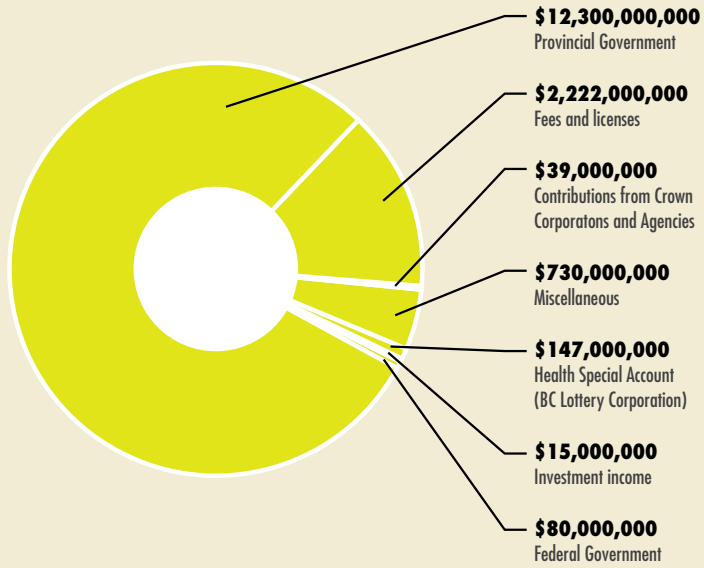
Although the provincial government is the largest source of revenue for the Ministry of Health, the Ministry earns revenue from a number of different sources, including fees and licences, the federal government as well as from investments (see *Exhibit 3*).

Included in the Miscellaneous category is revenue earned from the sale of goods and services and the receipt of grants and contributions.

The Health Special Account represents money received from BC Lottery Corporation, which is paid to the provincial government in accordance with the Gaming Control Act .

Information about the 2011/12 revenues of the ministry was taken from the Office of the Comptroller General Public Accounts for the fiscal year ended March 31, 2012. For more information, go to the Public Accounts website.

Exhibit 3: 2011/12 Ministry of Health Revenues



Source: Public Accounts 2011/12: Consolidated Revenue Fund Supplementary Schedule for the Fiscal Year Ended March 31, 2012

MINISTRY OF HEALTH FUNDING ALLOCATION PROCESS FOR HEALTH AUTHORITIES

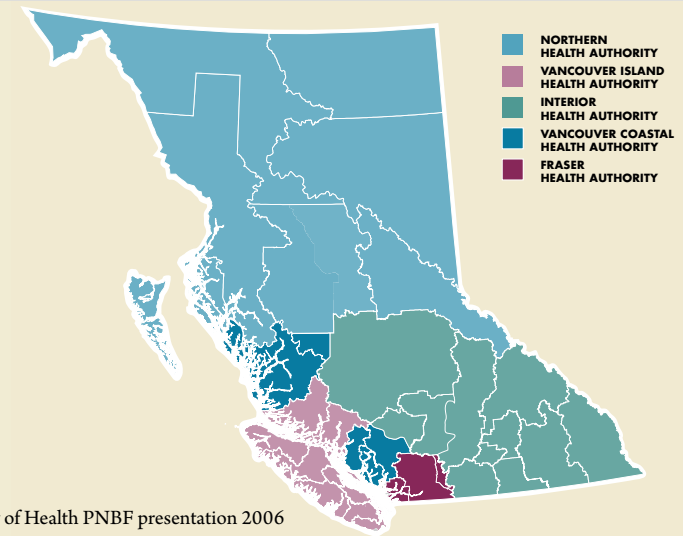
To disperse funds to the health authorities, ministry staff:

- identify the government commitments that affect each health authority,
- determine the amount of funding that remains after making allocations to its core program area commitments, and
- use the Population Needs-Based Funding model (PNBF) tool to help allocate the remaining funding.

The ministry also allocates funding to the health authorities through a Patient-Focused Funding (PFF) model. The model provides financial incentives to the health authorities to encourage delivery of acute care services for a competitive set price. The objective of the PFF model is to reduce wait times and increase same-day surgical procedures.

Of note, because of balanced budget legislation, Health Authorities are not allowed to spend more than their allotted amount and are therefore required to keep spending within their budget limits.

Exhibit 4: Health Authority Regions



Source: Ministry of Health PNBF presentation 2006

PNBF is a method of allocating a pool of health funds among regions, based on their population's relative need for health care.

When using the PNBF tool, ministry staff consider the following factors:

- **Population demographics** – The size and demographic composition of regional populations by age, gender and socio-economic status determine the need for health care services.
- **Utilization** – The use of health care services by the provincial population varies significantly by age, gender and socio-economic status.
- **Inter-regional flows** – Because residents can receive services in other health authority regions than the one they reside in, the model re-allocates funds to the health authorities providing the services.
- **Regional costs** – Adjustments are made for differences in the cost of delivering health care in different regions due to remoteness or to the higher costs inherent in large, specialized acute care facilities.

In January 2010, the ministry developed an additional tool that divides the population of B.C. into 13 population segments (e.g. end of life, cancer, maternity, frail in long term care, etc.). These segments are used as a more precise measure and predictor of health care utilization. Age distribution is overlaid over these segments to show the percentage of health services used by a particular age group, segment, or age group within a particular population segment.

It is important to highlight that PNBF is simply a tool to help inform Ministry of Health staff in allocating health authority funding. It is not the sole tool used to allocate health authority dollars. Health Authority budgets are typically based on the previous year, with adjustments made for a variety of reasons, including targeted initiatives, capital projects, P3 operations and operating pressures.

REGIONAL SERVICES

Regional Services is the regional funding of management and delivery of health care services. The program area enables funding to flow to the health authorities, which in turn are responsible for the delivery of health care services.

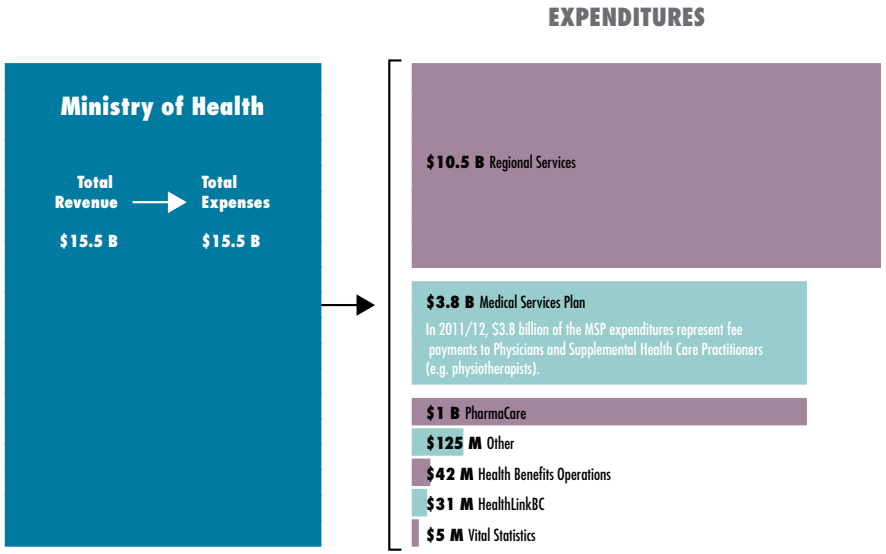
Exhibit 5 shows the breakdown of Regional Services expenditures incurred in 2011/12.

Exhibit 5: 2011/12 Regional Services Expenditures

Regional Health Services	$8,158,000,000
Provincial Health Services	$1,728,500,000
Canadian Blood Services	$158,200,000
Post Graduate Medical Education Plan	$106,300,000
Out-of-Province claims – resident inpatient/outpatient	$98,900,000
Grants	$98,800,000
BCAS Asset Transfer to PHSA	$40,100,000
Other	$24,900,000
Risk Management	$19,600,000
Family Practice Agreements	$13,600,000
Travel Assistance Program	$9,900,000
Out-of-Country claims	$5,600,000
Total 2011/12 expenditures – Regional Services	**$10,462,400,000**

Source: 2011/12 Regional Services information supplied by the Ministry of Health

This extract from Exhibit 1 shows Regional Services within the context of the Ministry of Health's expenditures.



MEDICAL SERVICES PLAN

The Medical Services Plan (MSP) is a publicly funded program of the Ministry of Health that pays for medical and supplementary health care services on behalf of British Columbia's residents. The program area pays physicians and supplementary health care practitioners in chiropractic, physical therapy, massage therapy, podiatry, dentistry, naturopathy and optometry. In most respects, MSP is a fee-for-service funding model where physicans and supplementary health care practitioners are paid per service provided.

All British Columbia residents contribute payments (called premiums) to the plan according to their income level.

During 2011/12, $3.8 billion was spent on MSP. Since 2008/09, this amount has steadily increased year over year (see *Exhibit 6*).

Each year, the MSP program area prepares a budget based on historical spending trends, and any known upcoming changes (e.g. new agreements with physicians). The budget is reviewed by the ministry's finance area in making budget allocation decisions. This review occurs before the health authority budgets are considered, although the MSP allocation for a given year will be revisited if the health authority amount is found to be insufficient.

This extract from Exhibit 1 shows expenditures incurred on the Medical Services Plan within the context of the Ministry of Health's expenditures.

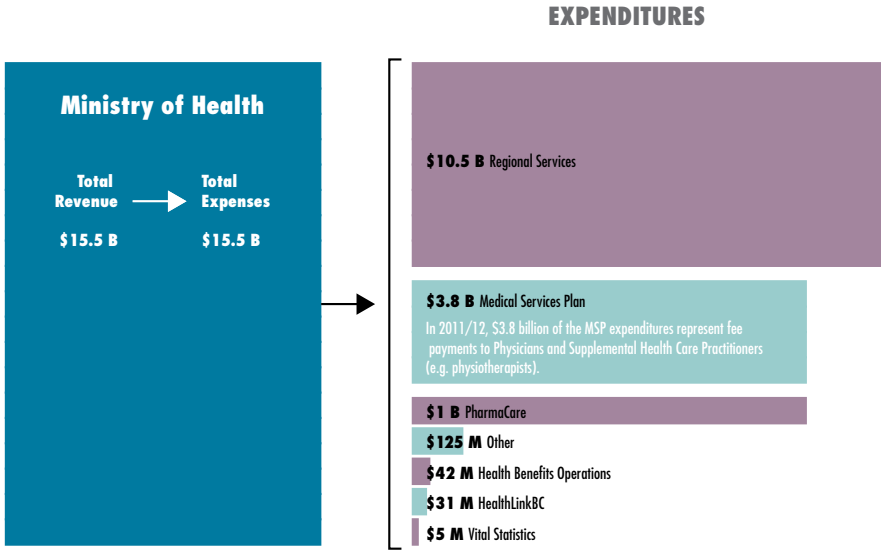
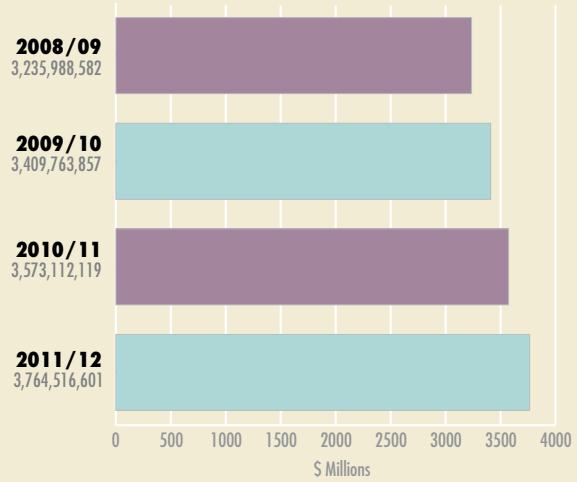


Exhibit 6: 2008/09 to 2011/12 MSP Expenditures



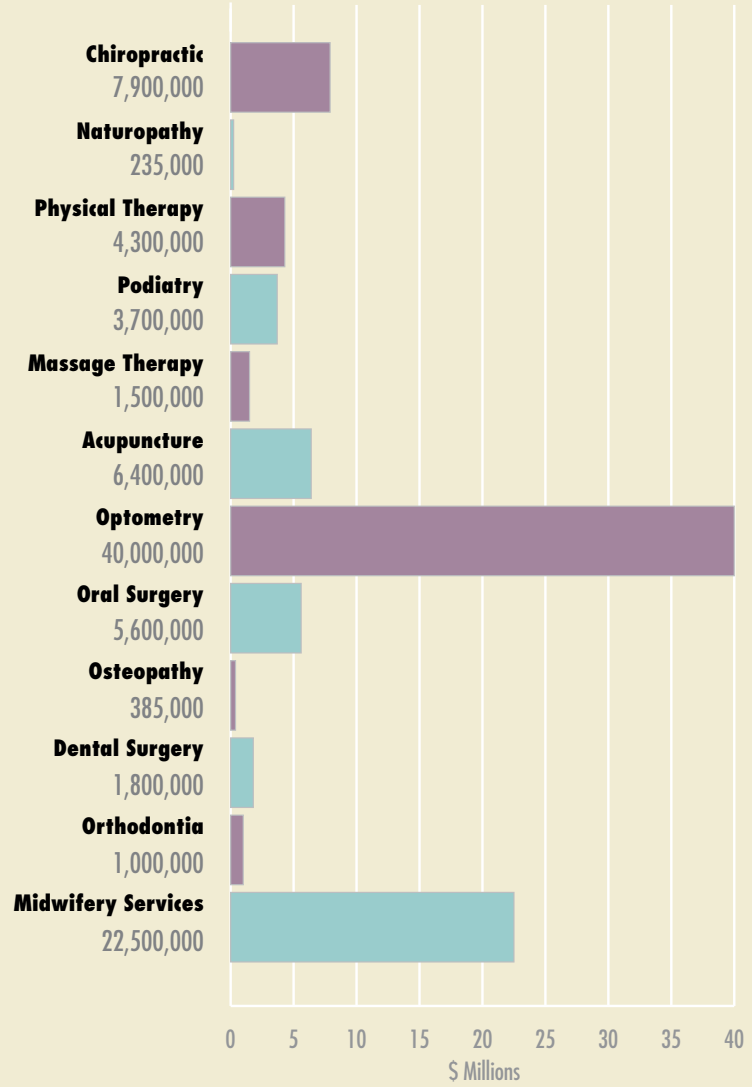
Source: Public Accounts 2008/09 to 2011/12: Consolidated Revenue Fund Supplementary Schedules for the Fiscal Year Ended March 31

FUNDING OF PHYSICIANS AND SUPPLEMENTARY HEALTH CARE PRACTITIONERS

In 2011/12, a total of $3.8 billion was paid to physicians and supplementary health care practitioners. This represents nearly 25 per cent of the health care expenditures incurred by the Ministry of Health in the last fiscal year.

Exhibit 7 outlines the categories included under "Supplementary Health Care Practitioners" along with the total amounts paid to each group in 2011/12.

Exhibit 7: 2011/12 Supplementary Health Care Practitioner Expenditures by Type



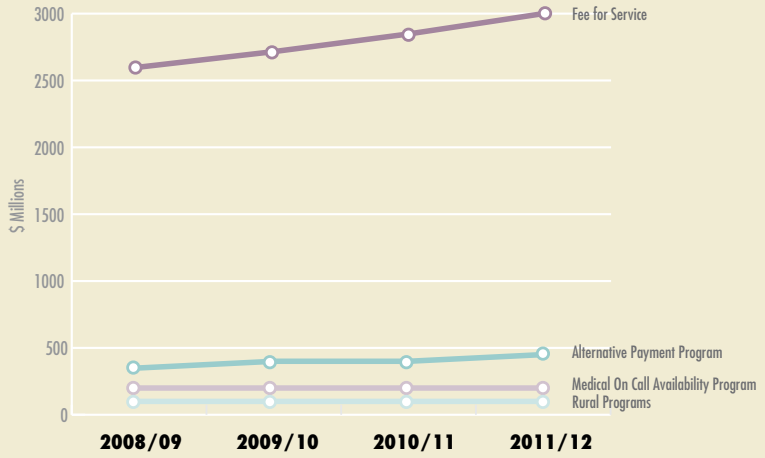
Source: Developed by the Office of the Auditor General of B.C.

MINISTRY OF HEALTH EXPENDITURES

As negotiated with the BC Medical Association and outlined in the Physician Master Agreement, the Ministry of Health uses four funding models to fund physicians: Fee-for-Service, Alternative Payment Program, Medical On-Call Availability Program and Rural Programs. Each model is explained on page 16. Supplementary health care professionals, such as massage therapists, are funded through the Fee-For-Service model, which as mentioned on the previous page is facilitated through MSP.

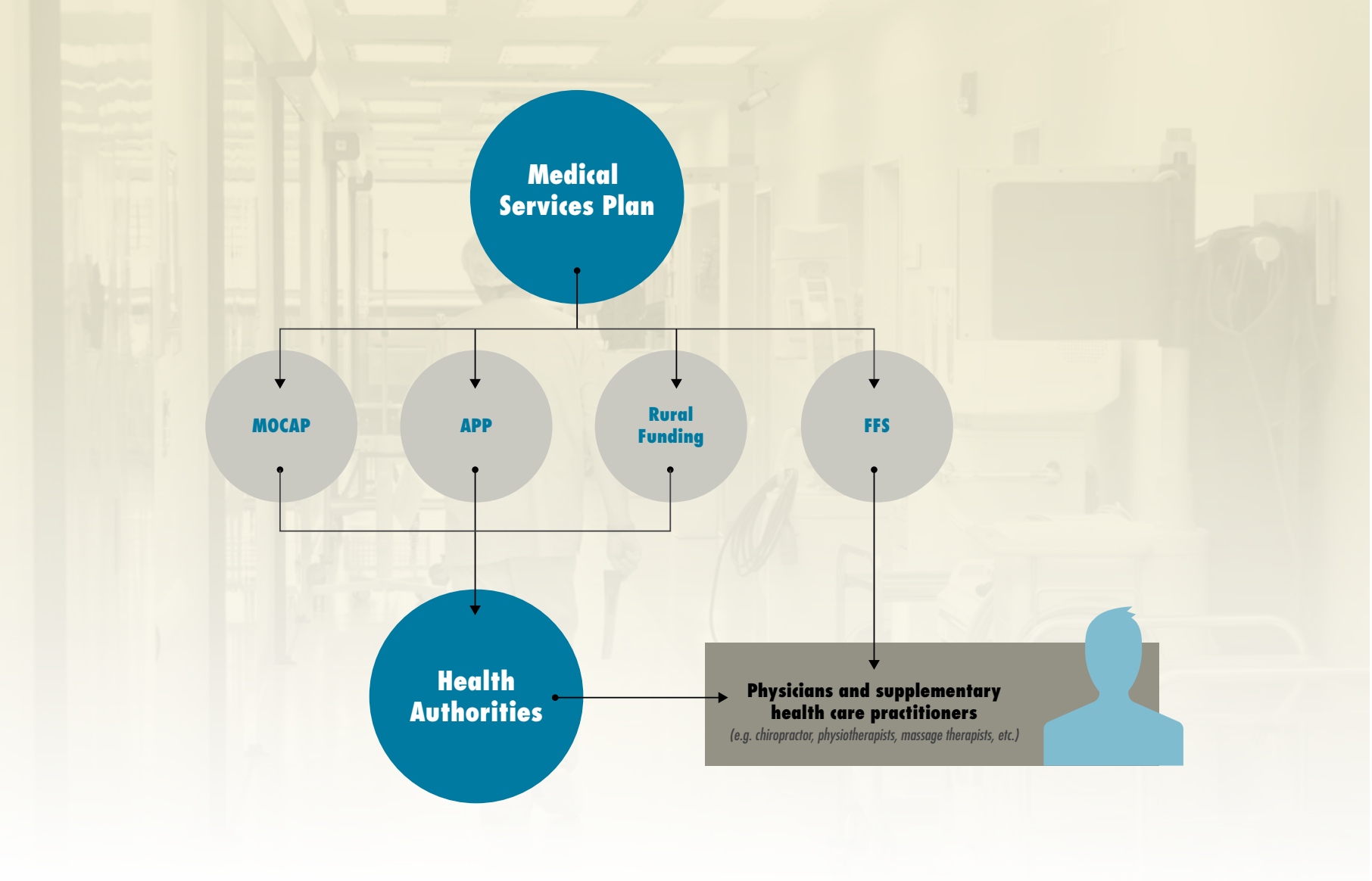
Exhibit 8 illustrates the amount paid to fund each of the models over the past four years.

Exhibit 8: 2008/09 – 2011/12 FFS, APP, MOCAP and Rural Program Expenditures



Source: Developed by the Office of the Auditor General of B.C.

The following chart demonstrates the flow of funding to physicians and other health care practitioners.



FUNDING OF PHYSICIANS

As mentioned, physicians are funded through four funding models.

Fee-For Service (2011/12 - $3B)

Fee-for-service refers to payments provided to physicians per service provided. Each service or fee item has a separate code, which is used by physicians to bill MSP for the service provided.

Alternative Payment Program (APP) (2011/12 - $410M)

The Ministry of Health's Alternative Payment Program (APP) provides funding for the payment of contracted service, sessional and salaried physicians where an alternative to fee-for-service funding is needed to maintain, stabilize or improve patients' access to medically necessary physician services. An APP arrangement can be used to fund:

- part-time physician work,
- practices where the volume of services provided would not provide service stability or dependable physician income, and
- contracted physicians' management of complex or time-consuming patient care by allowing them to bill for the actual amount of time spent with or on behalf of patients, instead of the number and type of services.

Examples of types of clinical programs funded by APP are psychiatry, oncology, addictions treatment, emergency rooms and primary care.

Medical On Call Availability Program (MOCAP) (2011/12 - $130M)

This program was created to meet the medical needs of new and unassigned patients requiring emergency care. By definition, a new or unassigned patient is not a patient of any physician participating in the call group. The health authorities are responsible for managing MOCAP funds and they use the available funding to contract with physicians to provide emergency on-call services. The health authorities have contracts with physician call groups to provide specified coverage, and are provided payment in accordance with the MOCAP policies.

Rural Funding (2011/12 - $50M)

The Ministry currently funds nine rural programs focused on recruiting and/or maintaining physicians in rural practice.

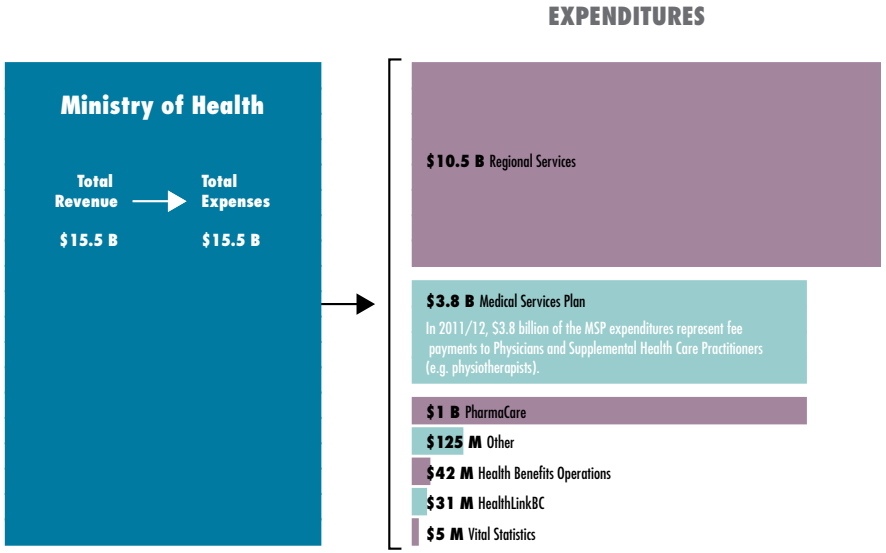
1. **Rural Retention Program** – established to enhance the supply and stability of physician services through payment of annual retention benefits to eligible physicians.
2. **Rural General Practitioner Locum Program** – enables eligible general practitioners to have reasonable periods of leave from their practices for continuing medical education, maternity leave, vacation and health needs.
3. **Rural Specialist Locum Program** – enables specialists in certain rural communities to have periods of leave from their practices for continuing medical education, maternity leave, vacation and health needs.
4. **Rural Continuing Medical Education** – makes funds available to eligible physicians to assist with eligible educational expenses.
5. **Rural Education Action Plan** – provides funds to support and facilitate the training of physicians in rural practice and undergraduate medical students and postgraduate residents with rural practice experience.
6. **Recruitment Incentive Fund** – makes financial benefits available to eligible physicians to fill vacancies identified or pending vacancies.
7. **Recruitment Contingency Fund** – makes payments available to health authorities to assist in the recruitment of physicians to rural communities where failure to do so would have a significant impact on the delivery of medical care.
8. **Northern and Isolation Travel Assistance Outreach Program** – funds approved physicians for approved travel to certain communities for providing medical services.
9. **Isolation Allowance Fund** – makes payments available to physicians providing services in areas where there are fewer than four physicians and no hospital.

PHARMACARE

PharmaCare helps eligible British Columbia residents with the cost of prescription drugs and designated medical supplies.

All British Columbia residents can register for Fair PharmaCare to receive assistance for the purchase of prescription medicine. Fair PharmaCare is income based. Families with lower incomes will receive more assistance than families with higher incomes. Full prescription costs are covered by the individual until a specific level of payment is reached. Once that level is reached, claims can be submitted to PharmaCare to recover a portion of the costs incurred on the prescription medicine. For more information, please see the PharmaCare website.

This extract from Exhibit 1 shows Pharmacare within the context of the Ministry of Health's expenditures.



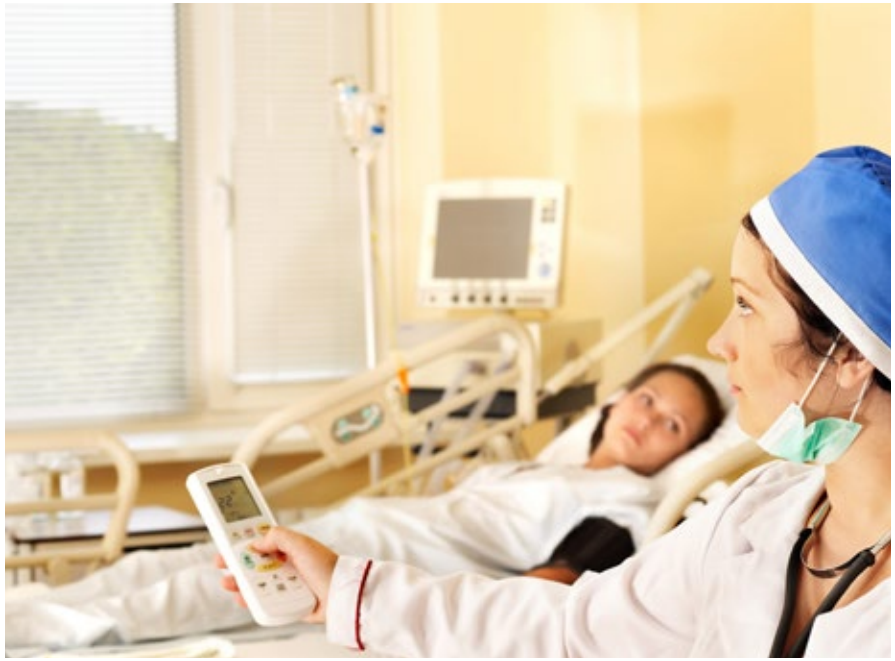
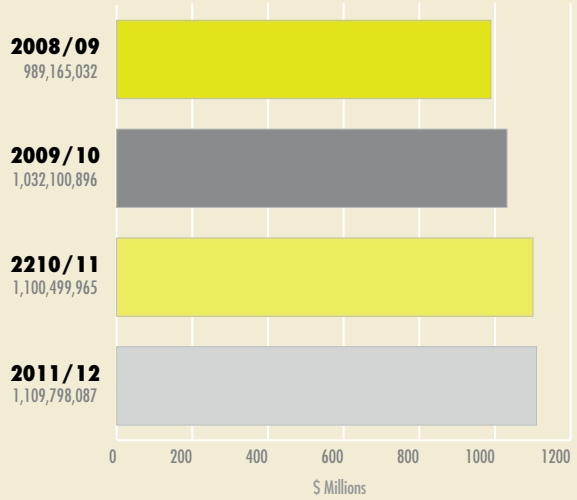


Exhibit 9: 2008/09 – 2011/12 Pharmacare Expenditures



Source: Public Accounts 2008/09 to 2011/12: Consolidated Revenue Fund Supplementary Schedules for the Fiscal Year ended March 31

HEALTH BENEFITS OPERATIONS

Health Insurance BC (HIBC) administers both the Medical Services Plan (MSP) and PharmaCare programs on behalf of the provincial government.

Health Benefits Operations (HBO) was the administrative unit of the Ministry of Health responsible for registration and claims processing for the Medical Services Plan (MSP) and PharmaCare. In 2004, MAXIMUS was selected by the Province to provide program management and administration services for both MSP and PharmaCare. Under this ten-year contract, MAXIMUS provides services including enrolment, account maintenance, claims processing services, document management and associated IT systems maintenance and production support.

Exhibit 10 shows the ministry's expenditures on HBO over the past four years.

For more information, please visit the MAXIMUS website.

This extract from Exhibit 1 shows Health Benefits Operations (HBO) within the context of the Ministry of Health's expenditures.

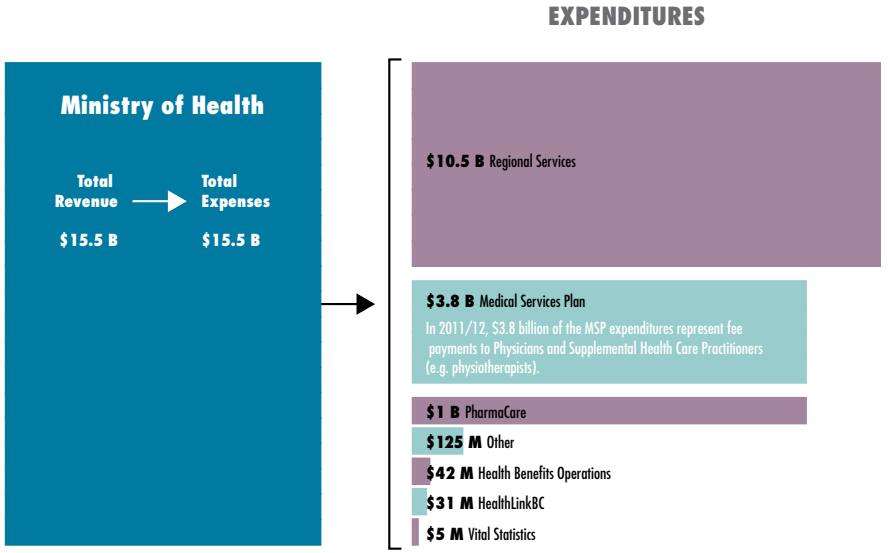
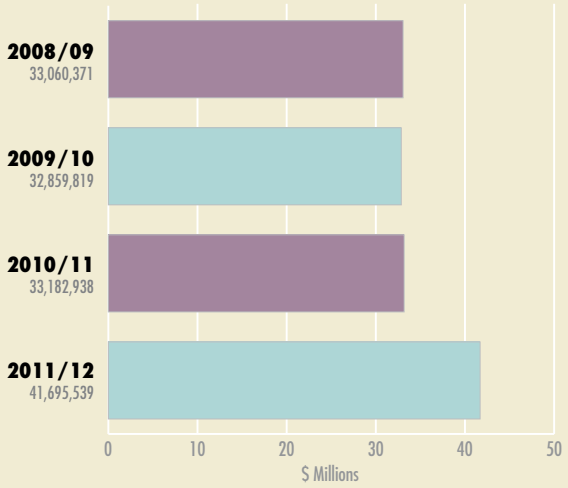


Exhibit 10: 2008/09 – 2011/12 Health Insurance BC Expenditures



Source: Public Accounts 2008/09 to 2011/12: Consolidated Revenue Fund Supplementary Schedules for the Fiscal Year ended March 31

HEALTHLINKBC

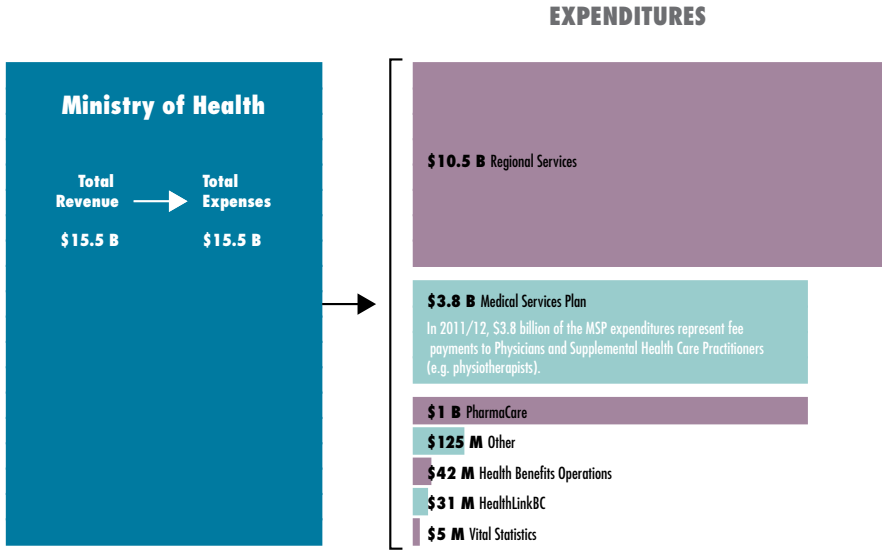
The HealthLinkBC program provides health information to the public by telephone and website. On the website, users can find:

- medically approved information on more than 5,000 health topics, symptoms and medications,
- tips for maintaining a healthy lifestyle,
- an online directory of available health services, and
- a phone number to call from anywhere in British Columbia to speak with a nurse.

On weekdays, a dietitian is also available to talk about nutrition and healthy eating and at night pharmacists are available to answer medication questions.

In 2011/12, the Ministry of Health spent $31 million on HealthLinkBC.

This extract from Exhibit 1 shows HealthLinkBC within the context of the Ministry of Health's expenditures.



VITAL STATISTICS

The BC Vital Statistics Agency provides certificates for birth, marriage and death.

Exhibit 11 shows the agency's expenditures over the past four years from 2008/09 to 2011/12. The expenditures on Vital Statistics show a downward trend over the last four years with the expenditures decreasing from $7.3 million in 2008/09 to $5.4 million in 2011/12. This is a 25 per cent decrease.

Exhibit 12 shows the percentage spent by Vital Statistics in 2011/12 relative to other ministry core business areas in the same year. Vital Statistics is included in the "Other" expenditures category, as are payments to Health Benefits Operations and Emergency and Health Services.

The Other expenditures account for 1 per cent of the total program area expenditures incurred by the Ministry of Health.

This extract from Exhibit 1 shows Vital Statistics within the context of the Ministry of Health's expenditures.

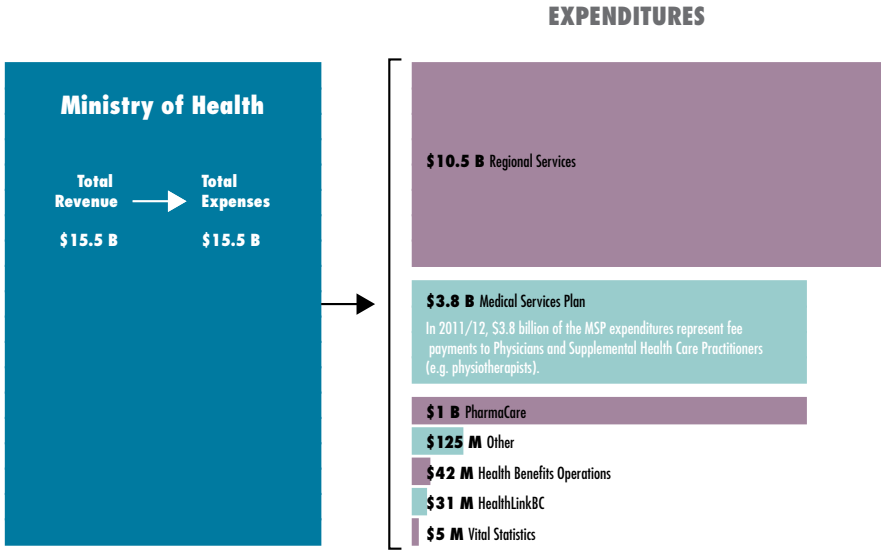
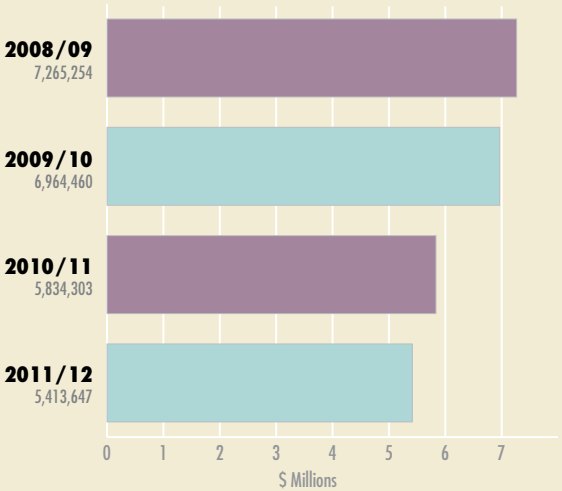
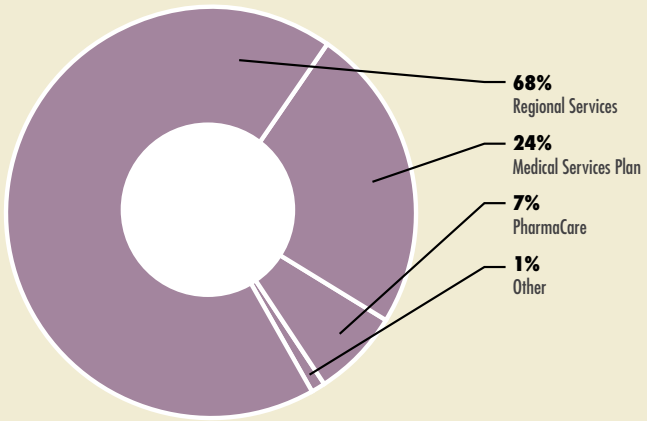


Exhibit 11: 2008/09 – 2011/12 Vital Statistics Expenditures



Source: Public Accounts 2008/09–2011/12: Consolidated Revenue Fund Supplementary Schedules for the Fiscal Year Ended March 31

Exhibit 12: 2011/12 Ministry of Health Program Area Expenditures



Source: Public Accounts 2011/12: Consolidated Statement of Financial Position by Sector as at March 31, 2012

HEALTH AUTHORITY: OVERVIEW

The province's six health authorities are the organizations primarily responsible for health service delivery. Five regional health authorities deliver health services to meet the needs of the population within their respective geographic regions:

- Fraser Health Authority (FHA)
- Interior Health Authority (IHA)
- Northern Health Authority (NHA)
- Vancouver Island Health Authority (VIHA)
- Vancouver Coastal Health Authority (VCHA)

A sixth health authority, the Provincial Health Services Authority (PHSA), is responsible for managing the quality, coordination, accessibility and cost of certain province-wide health care programs and services. Agencies managed by PHSA include the BC Cancer Agency, Cardiac Services BC, BC Centre for Disease Control and BC Transplant.

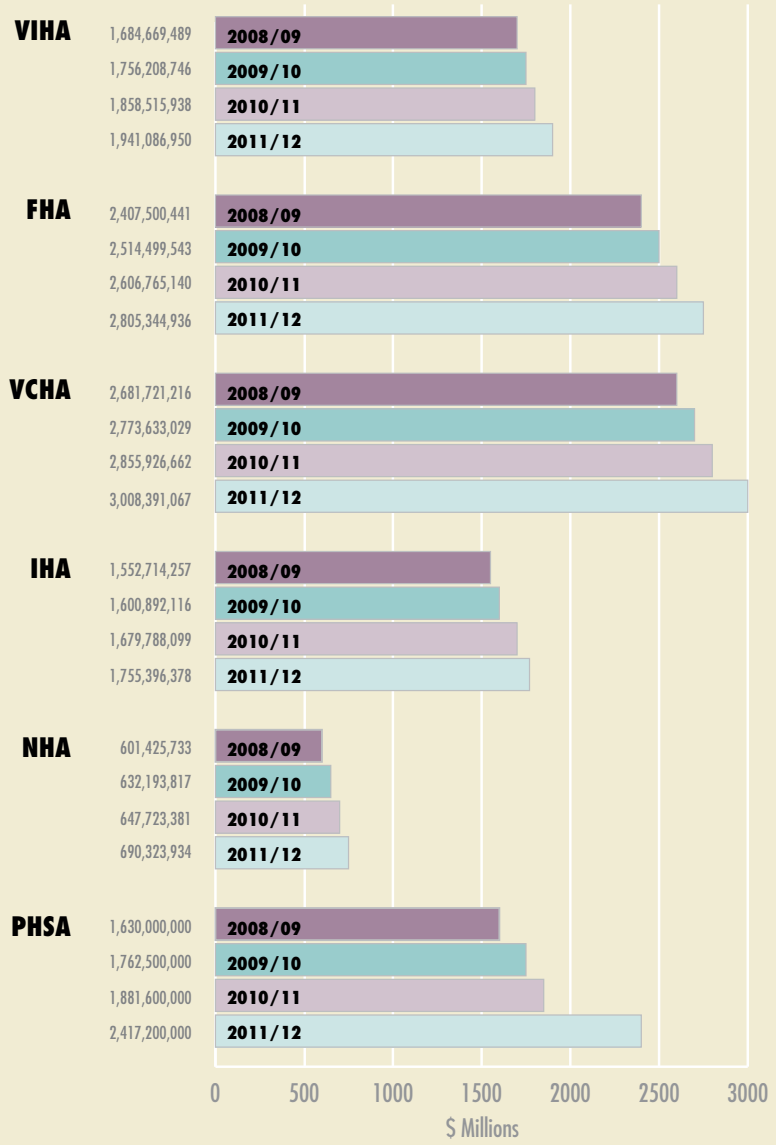
Each health authority must ensure its planning, business operations and service delivery activities are aligned with government direction; and that, in conducting its affairs, it achieves its mandate and performance expectations as well as the goals of government. In 2011/12, the four goals that guided the British Columbia health system were:

1. effective health promotion, prevention and self management to improve health and wellness for British Columbians;
2. British Columbians have the majority of their health needs met by high quality primary and community based health care and support services;
3. British Columbians have access to high quality hospital care services when needed; and
4. improved innovation, productivity and efficiency in the delivery of health services.

Exhibit 13 shows the expenditures incurred by the health authorities over the last four fiscal years.

Health authorities earned revenue of $12.6 billion and incurred expenses of $12.6 billion for the 2011/12 fiscal year.

Exhibit 13: 2008/09 - 2011/12 Annual total Health Authority Expenditure



Source: 2008/09–2011/12 Financial Statements of the health authorities

HEALTH AUTHORITY: OVERVIEW

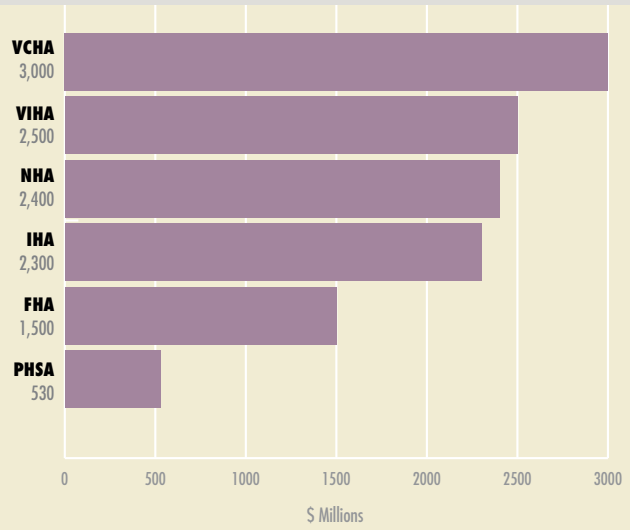
Although the Ministry of Health is the largest source of revenue for the health authorities, health authorities earn revenue from a number of different sources including parking, fees and licenses, the federal government, foundations and research contributions. Please see the following pages for more information.

Exhibit 14 outlines the average expenses incurred on each member of the population that is served by that health authority in 2011/12. In 2011/12, the approximate population served was:

- VIHA 760,000 people
- FHA 1.77 million people
- VCHA 1 million people
- IHA 740,000 people
- NHA 280,000 people

The PHSA provides specialized health care as needed for all 4.5 million British Columbians, and includes BC Transplant and the BC Cancer Agency.

Exhibit 14: Average Expense Incurred in 2011/12 by Health Authority Per Person



*Source: 2011/12 Health Authority Service Plans, Financial Statements and BC Statistics

OTHER REVENUE (COST RECOVERY AND INSTITUTIONAL REVENUE)

In 2011/12, the health authorities earned $541 million in "Other" revenue.

The revenues earned within Other revenue are shown in *Exhibit 15*.

This extract from Exhibit 1 shows Other Revenue within the context of Health Authority revenue.

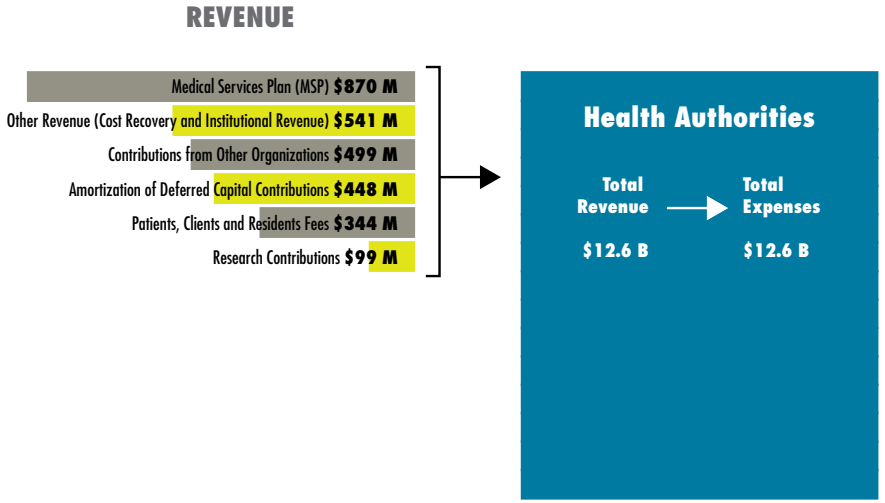
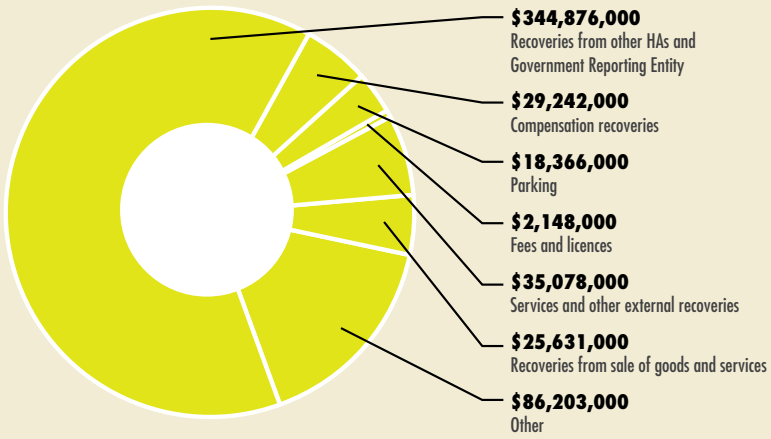


Exhibit 15: 2011/12 Other Health Authority Revenue



*Source: 2011/12 Financial Statements of the health authorities

CONTRIBUTIONS FROM OTHER ORGANIZATIONS

Health authorities receive contributions from several organizations and entities, including the federal government, other ministries and each other (for example, one health authority may pay for services it shares with another health authority).

In 2011/12, the health authorities received revenues of $499 million from other organizations. Revenues earned are shown in *Exhibit 16*.

This extract from Exhibit 1 shows revenue from Contributions from Other Organizations within the context of Health Authority revenue.

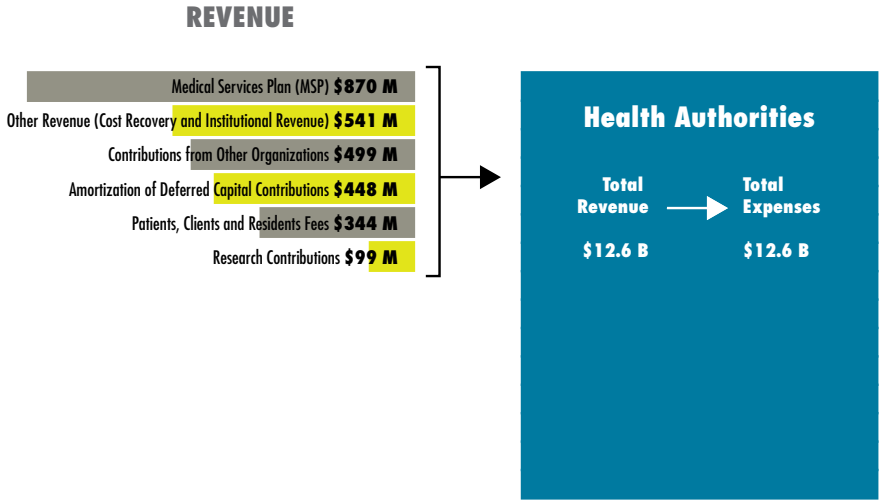
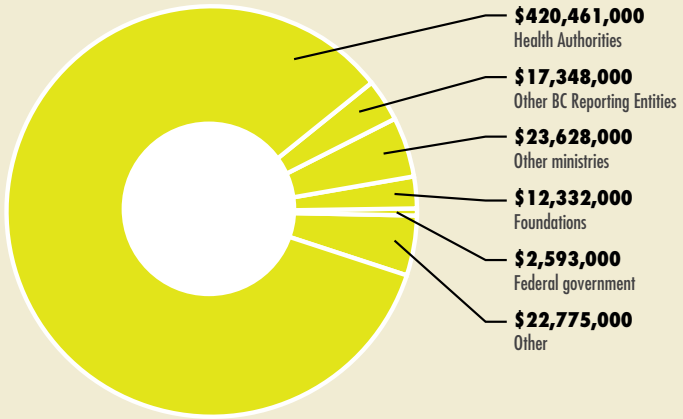


Exhibit 16: 2011/12 Health Authority Revenue from Other Contributions



Source: 2011/12 Financial Statements of the health authorities

AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS

Amortization is the process of decreasing the value of an asset over time as it is used. For example, a building might be amortized over 40 years. Deferred capital contributions are contributions received by an entity for the purchase of capital assets. The deferred capital contributions are brought into revenue over time to match the amortization expense (so the net impact on the bottom line is nil). Therefore the entity will only recognize revenue once capital assets have been purchased and are used by the entity. Capital assets are resources such as buildings, which are used in the operation of a program or service.

In recent years, accounting standards have been changing, with the recommendation that the revenue now be recognized in the year the contribution is used. As a result, if a contribution is received for the purpose of constructing a building, the revenue will be recognized over the one or two years it may take to construct the building, instead of over the 40 year life-span.

Government issued a regulation directing government organizations to continue deferring capital contributions as they had in the past as long as there was a stipulation about the use of the contribution. The Office of the Auditor General does not agree with this accounting treatment, since current public sector accounting standards do not allow deferrals based on such a stipulation. The stipulation must be such that a liability is created (for example, if the contribution is not used to construct a building, it must be returned).

In 2011/12, the health authorities recognized $448 million in "Amortization of Deferred Capital Contributions."

The revenues earned, by health authority, in this category are shown in *Exhibit 17*.

This extract from Exhibit 1 shows revenue from Amortization of Deferred Capital Contributions within the context of Health Authority revenue.

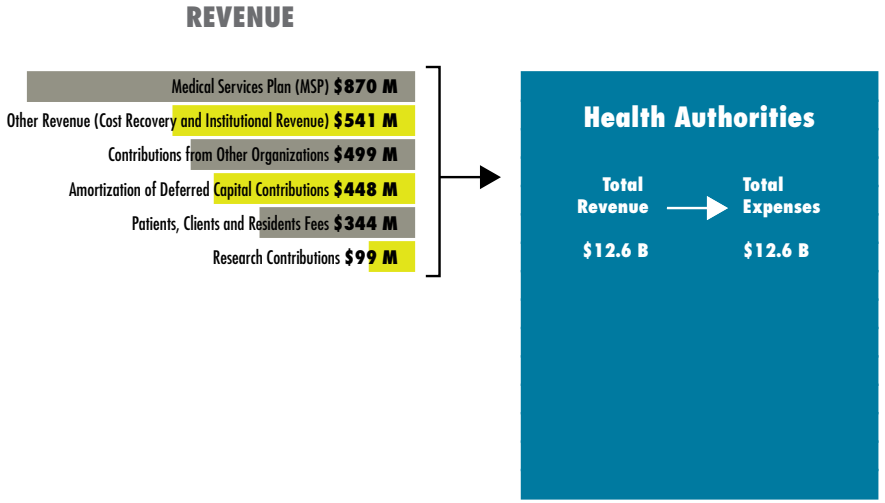
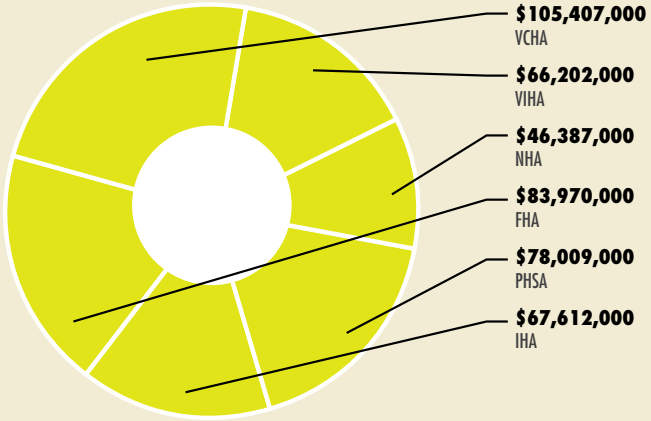


Exhibit 17: 2011/12 Health Authority Revenue from Amortization of Deferred Capital Contributions



Source: 2011/12 Financial Statements of the health authorities

PATIENTS, CLIENTS AND RESIDENTS FEES

In 2011/12, health authorities earned $344 million in revenue from "Patients, Clients and Residents Fees."

These fees include the following categories:

- Residents of B.C. Self-Pay – amounts paid by clients for extra, non-insured services (e.g. access to television during hospital stay),
- Non-Residents of B.C. – amounts paid by Canadians whose main residence is outside the province,
- WorkSafe BC – amounts compensated by the Workers' Compensation Board of BC,
- Non-Residents of Canada – amounts paid by international patients , and
- Long-Term and Extended Care – amounts paid by long-term and extended care patients.

The revenues earned, by category, within Patients, Clients and Residents Fees are shown in *Exhibit 18*.

This extract from Exhibit 1 shows Patients, Clients and Resident Fees revenues within the context of Health Authority revenue.

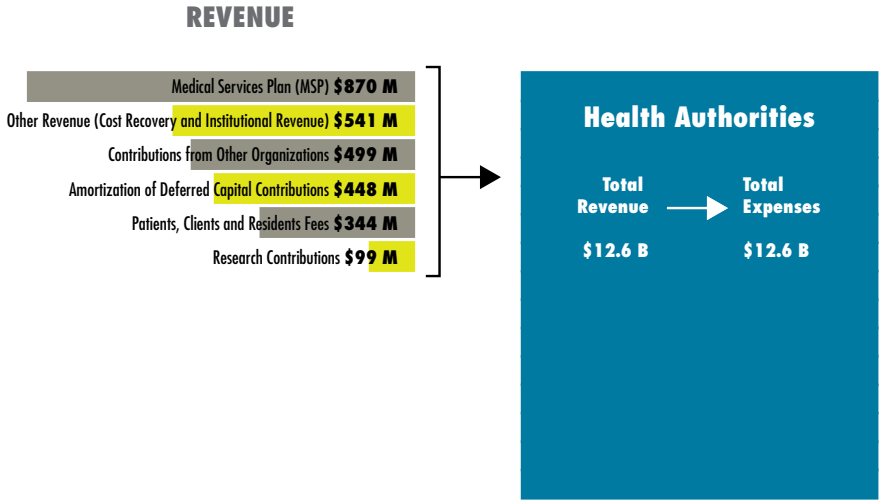
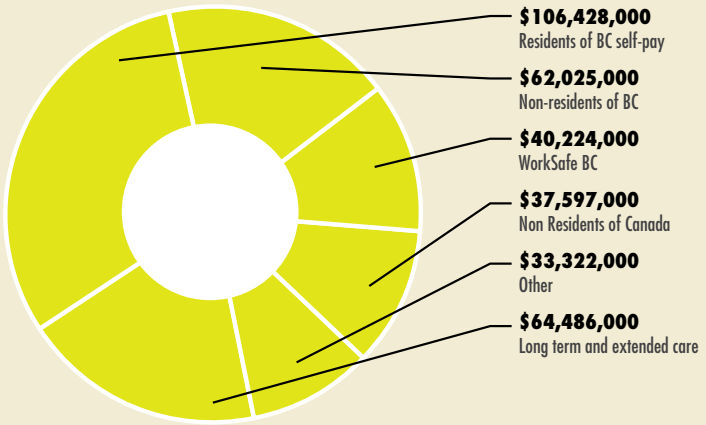


Exhibit 18: 2011/12 Health Authority Revenue from Patients, Clients and Residents Fees



Source: 2011/12 Financial Statements of the health authorities

RESEARCH CONTRIBUTIONS

Two health authorities received research contributions over the past four years: Vancouver Coastal Health Authority and the Provincial Health Services Authority.

Exhibit 19 shows the amounts each received from research contributions over the last four years.

According to the VCH research website, the health authority partners with UBC to engage in research in seven research centres and two research programs. Its research areas include ovarian cancer and diabetes.

The Provincial Health Services Authority website states that their research funding supports the activities of a network of about 1,200 researchers and staff involved in lab-based, clinical and community health research including the BC Cancer Agency's Research Centre and the Child and Family Research Institute.

This extract from Exhibit 1 shows revenue from Research Contributions within the context of Health Authority revenue.

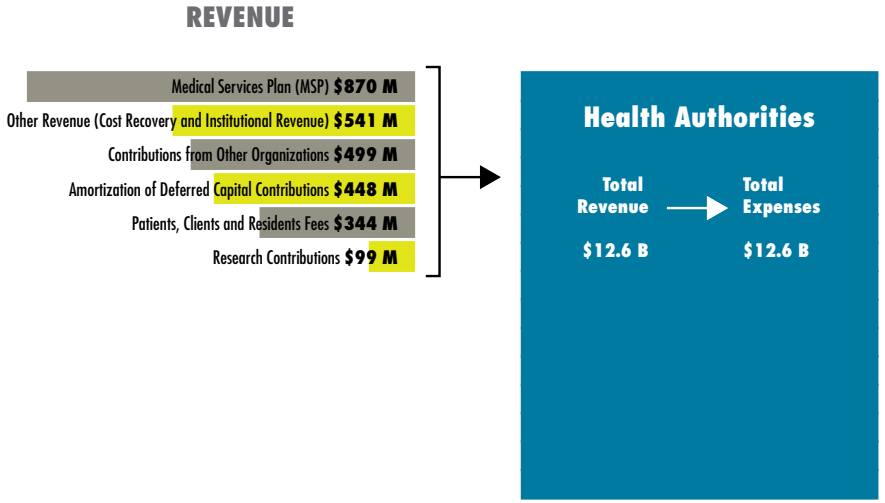
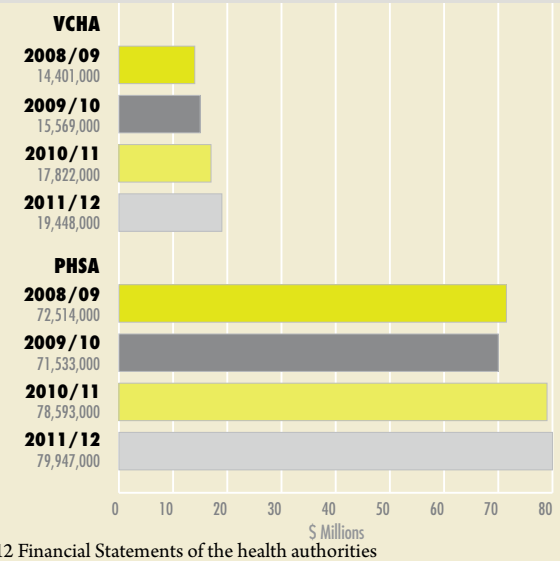


Exhibit 19: 2008/09 - 2011/12 Health Authority Revenue from Research Contributions



Source: 2011/12 Financial Statements of the health authorities

HEALTH AUTHORITY EXPENDITURES

Health authorities are responsible for providing a variety of services to British Columbians. This includes the delivery of prevention, hospital, residential, community-based and primary health care services. Health expenditures are commonly broken down into six sectors:

- Acute Care
- Home and Community Care - Residential
- Home and Community Care - Community
- Mental Health and Addictions
- Population Health and Wellness
- Corporate

More information is provided for each of the sectors in the following pages.

Exhibit 20 shows the percentage breakdown of health authority spending, by health sector, in 2011/12.

In 2011/12, the health authorities reviewed and updated the industry definitions used to assign costs to the different sectors. The sector information reported for 2008/09 to 2010/11 was not restated according to the new mapping structure. Readers are therefore cautioned that this impacts the comparability of 2011/12 information to the prior years. The new definitions will be applied consistently going forward.

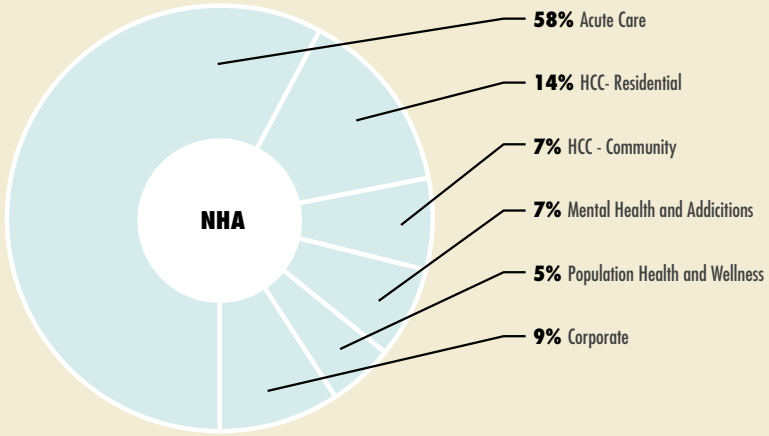
The six Health Authorities:

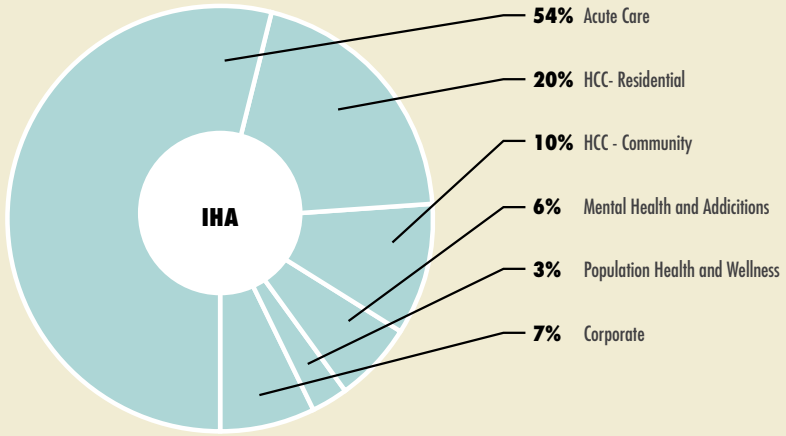
VIHA - Vancouver Island Health Authority
VCHA - Vancouver Coastal Health Authority
NHA - Northern Health Authority
IHA - Interior Health Authority
FHA - Fraser Health Authority
PHSA - Provincial Health Services Authority

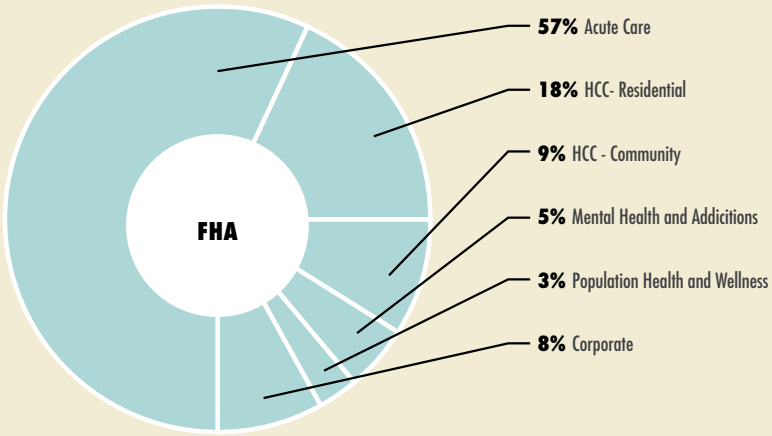
Exhibit 20: 2011/12 Breakdown of Health Authority Sector Expenditures

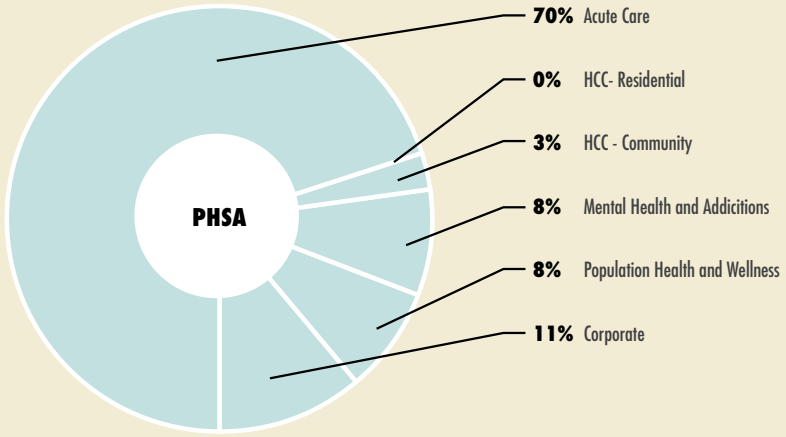
Source: 2008/09 to 2011/12 Unaudited sector information supplied by the health authorities

Exhibit 20: 2011/12 Breakdown of Health Authority Sector Expenditures









Source: 2008/09 to 2011/12 Unaudited sector information supplied by the health authorities

Unlike the other five Health Authorities, the PHSA ensures that all B.C. residents have access to a coordinated network of high-quality specialized health care services, rather than services for a specific region. PHSA operates provincial agencies including BC Children's Hospital, BC Transplant, and BC Cancer Agency. It is also responsible for specialized provincial health services like chest surgery and trauma services, which are delivered in a number of locations in the regional health authorities as well specialized programs that operate across several PHSA agencies.

ACUTE CARE

In 2011/12, health authorities spent $7.4 billion on the "Acute Care" health sector.

Acute Care refers to short-term medical treatment, usually in a hospital, for illness or injury or while recovering from surgery. The expenses incurred to provide Acute Care services include:

- salaries and wages of staff,
- physician fees,
- supplies, and
- contracted services.

It should be noted that the physician fees identified here are rolled up into the fees identified under funding of Physicians and Other Health Care Practitioners discussed above.

Exhibit 21 shows how much each health authority has spent over the past four years on Acute Care.

This extract from Exhibit 1 shows Acute Care expenditures within the context of Health Authority expenditure.

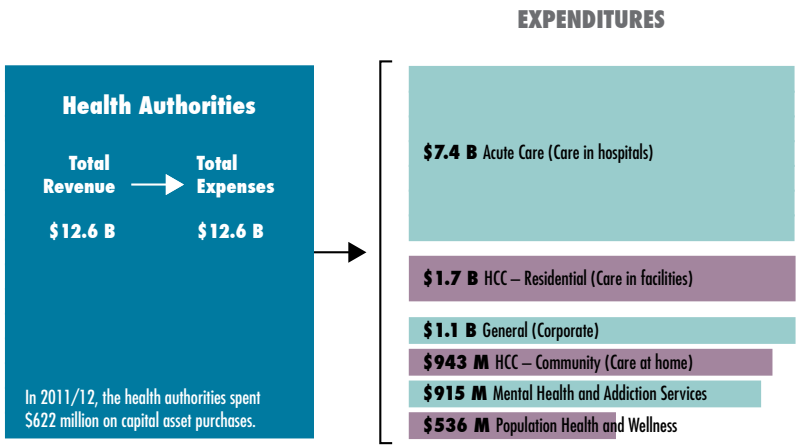
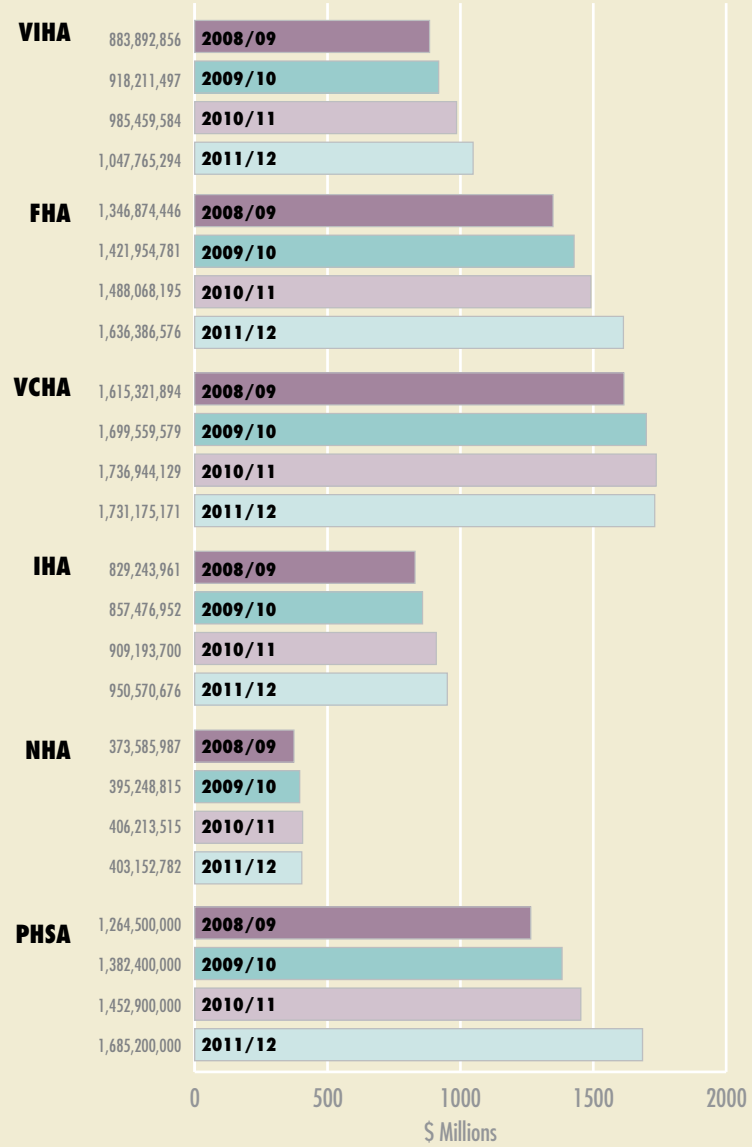


Exhibit 21: 2008/09 - 2011/12 Total Acute Care Spending by Health Authority



Source: 2008/09 to 2011/12 Unaudited sector information supplied by the health authorities

HOME AND COMMUNITY CARE – RESIDENTIAL

In 2011/12, health authorities spent $1.7 billion on the "Home and Community Care - Residential" health sector.

Home and Community Care – Residential refers to facilities that provide 24-hour professional nursing care and supervision for seniors who have complex care needs and can no longer be cared for in their own homes.

Exhibit 22 shows how much each health authority has spent over the past four years on Home and Community Care – Residential.

* *In 2011/12, the health authorities reviewed and updated the industry definitions used to assign costs to the different sectors. Under the new definitions, PHSA identified costs to be included in Home and Community Care - Residential.*

This extract from Exhibit 1 shows Home and Community Care - Residential expenditures within the context of Health Authority expenditure.

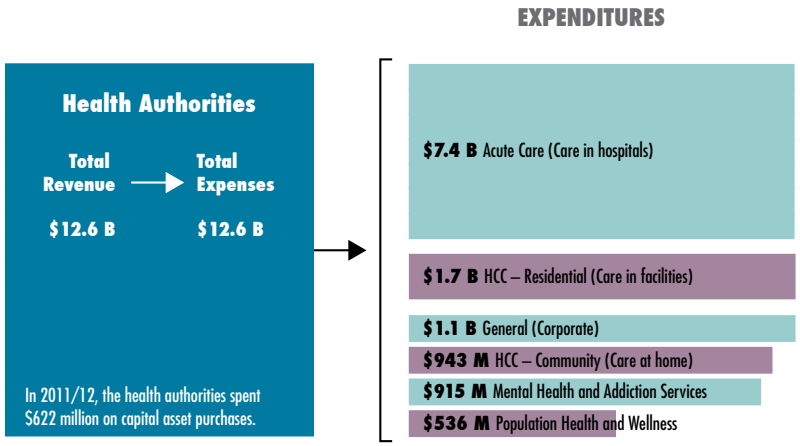
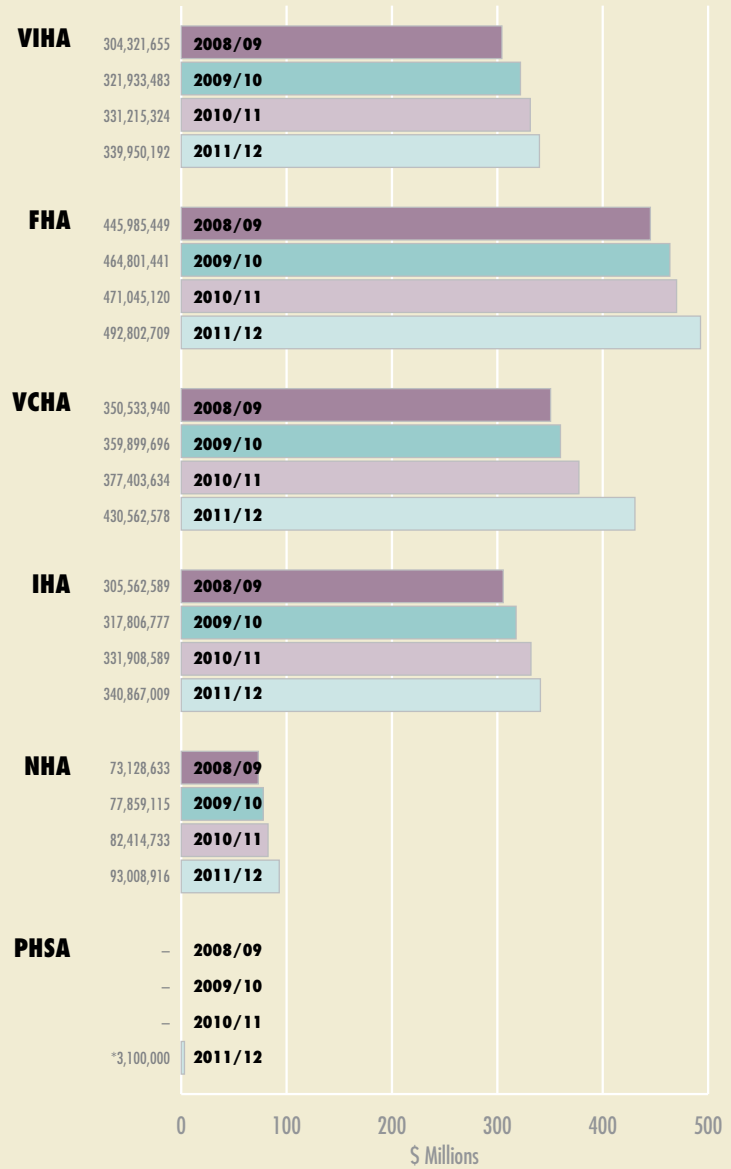


Exhibit 22: 2008/09 - 2011/12 Total HCC – Residential Expenditures by Health Authority



Source: 2008/09 to 2011/12 Unaudited sector information supplied by the health authorities

CORPORATE

In 2011/12 health authorities spent $1.1 billion in the "Corporate" health sector.

The expenditures assigned to Corporate vary among the health authorities, but could include expenditures incurred on human resources, financial services, capital planning, communications, information management, technology, risk management, medical administration and emergency service planning. *Readers should therefore exercise caution in comparing corporate spending across the health authorities. Please refer to page 28 for more information.*

Exhibit 23 shows how much each health authority has spent over the past four years in the Corporate category.

This extract from Exhibit 1 shows Corporate expenditures within the context of Health Authority expenditure.

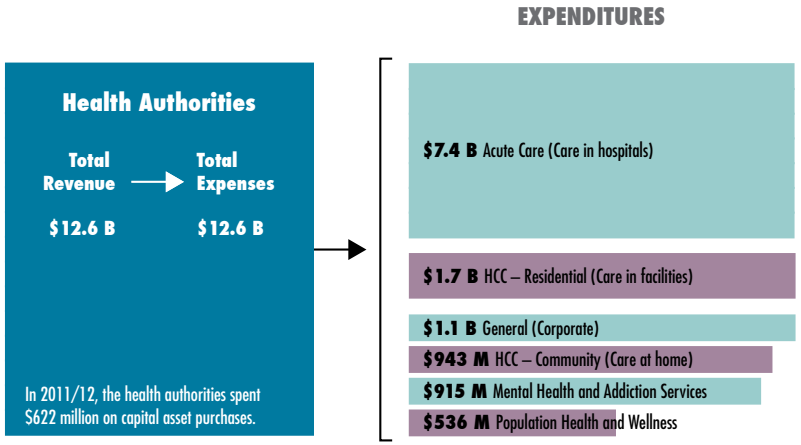
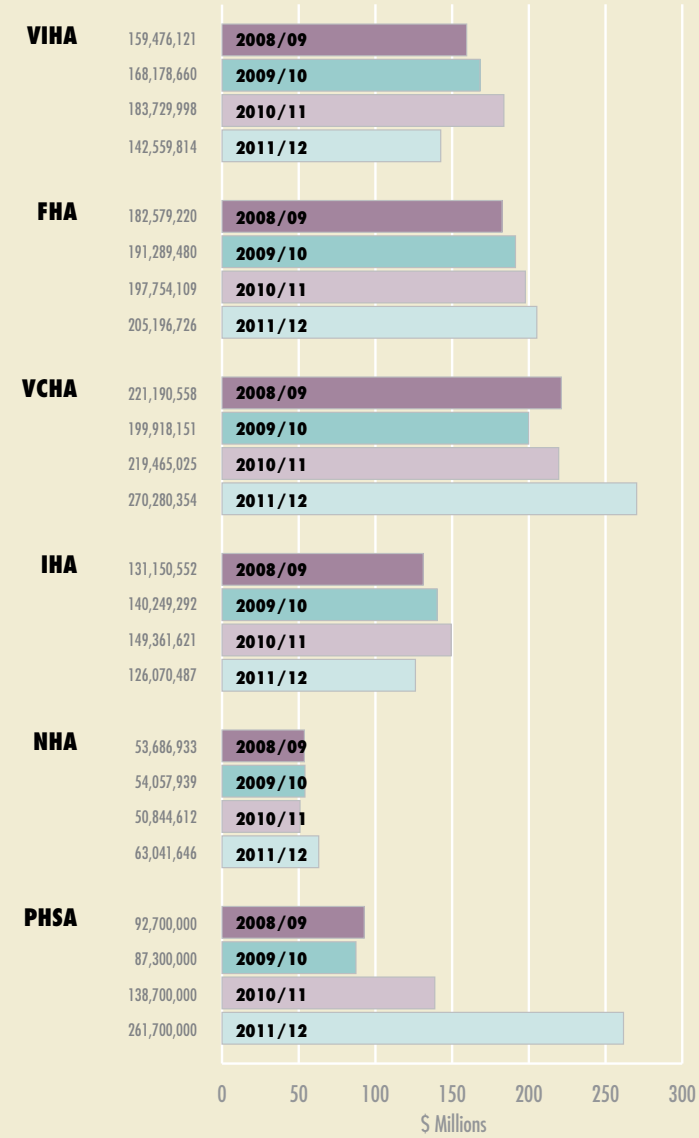


Exhibit 23: 2008/09 - 2011/12 Total Corporate Spending by Health Authority



Source: 2008/09 to 2011/12 Unaudited sector information supplied by the health authorities

HOME AND COMMUNITY CARE – COMMUNITY

In 2011/12, the health authorities spent $943 million on the "Home and Community Care - Community" health sector.

Home and Community Care – Community refers to services that provide home support, community nursing and rehabilitation services for assisted living and adult day programs.

Exhibit 24 shows how much each health authority has spent over the past four years on Home and Community Care – Community.

** In 2011/12, the health authorities reviewed and updated the industry definitions used to assign costs to the different sectors. Under the new definitions, PHSA identified costs to be included in Home and Community Care - Community.*

This extract from Exhibit 1 shows Home and Community Care - Community expenditures within the context of Health Authority expenditure.

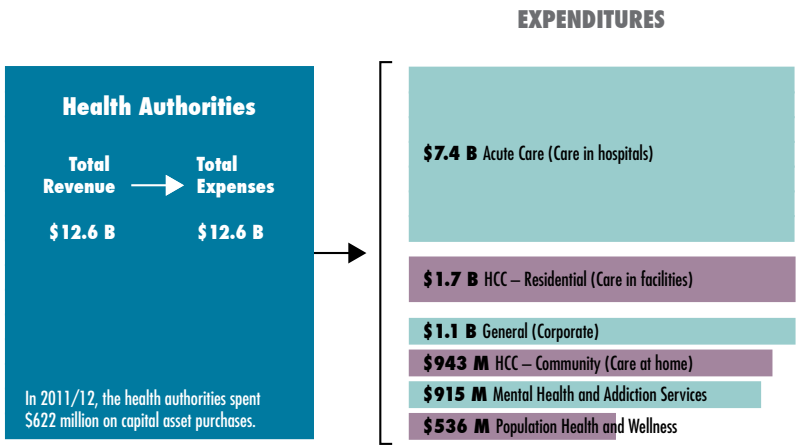
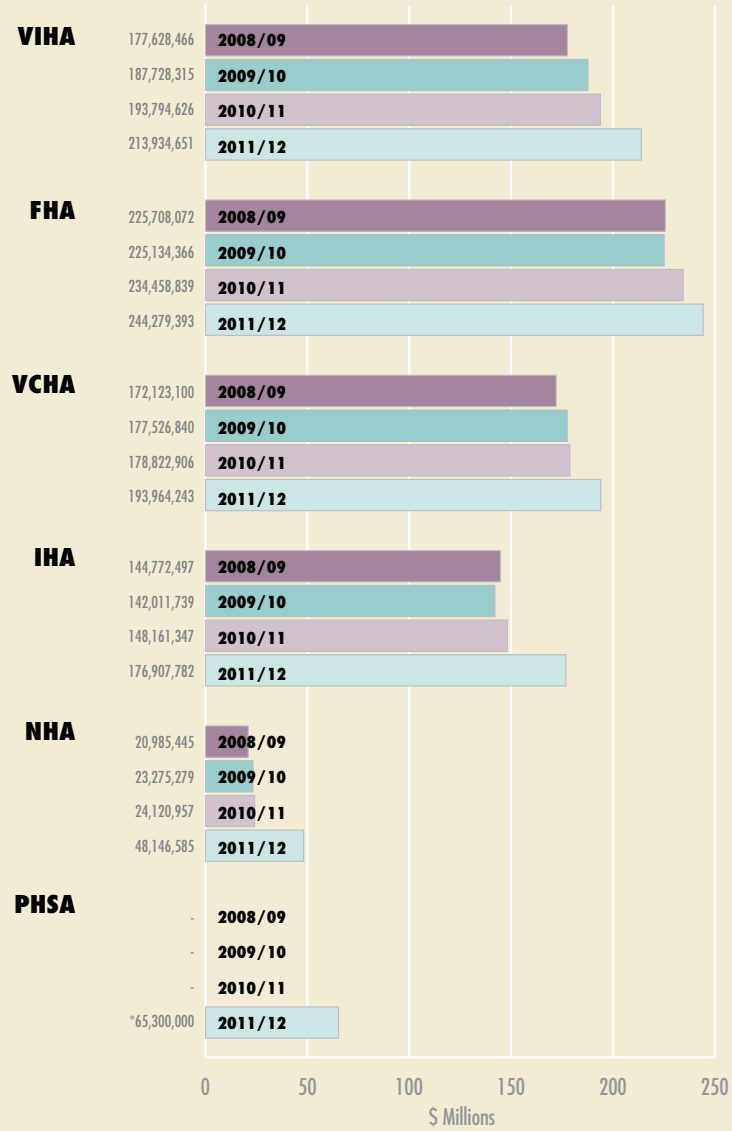


Exhibit 24: 2008/09 to 2011/12 Total HCC – Community Expenditures by Health Authority



Source: 2008/09 to 2011/12 Unaudited sector information supplied by the health authorities

MENTAL HEALTH AND ADDICTIONS

In 2011/12, health authorities spent $915 million on the "Mental Health and Addictions" health sector.

Mental Health and Addictions refers to a range of programs and services that assist people who are experiencing difficulties with mental health or substance use in a variety of community and at-home settings.

Exhibit 25 shows how much each health authority has spent over the past four years on Mental Health and Addictions.

This extract from Exhibit 1 shows Mental Health and Addictions expenditures within the context of Health Authority expenditure.

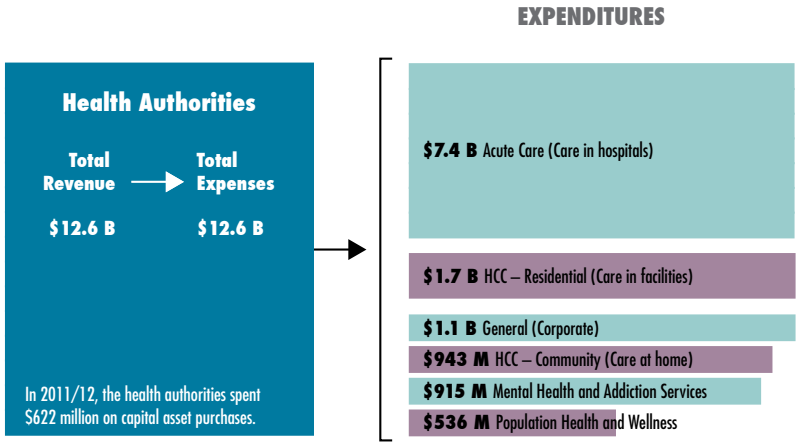
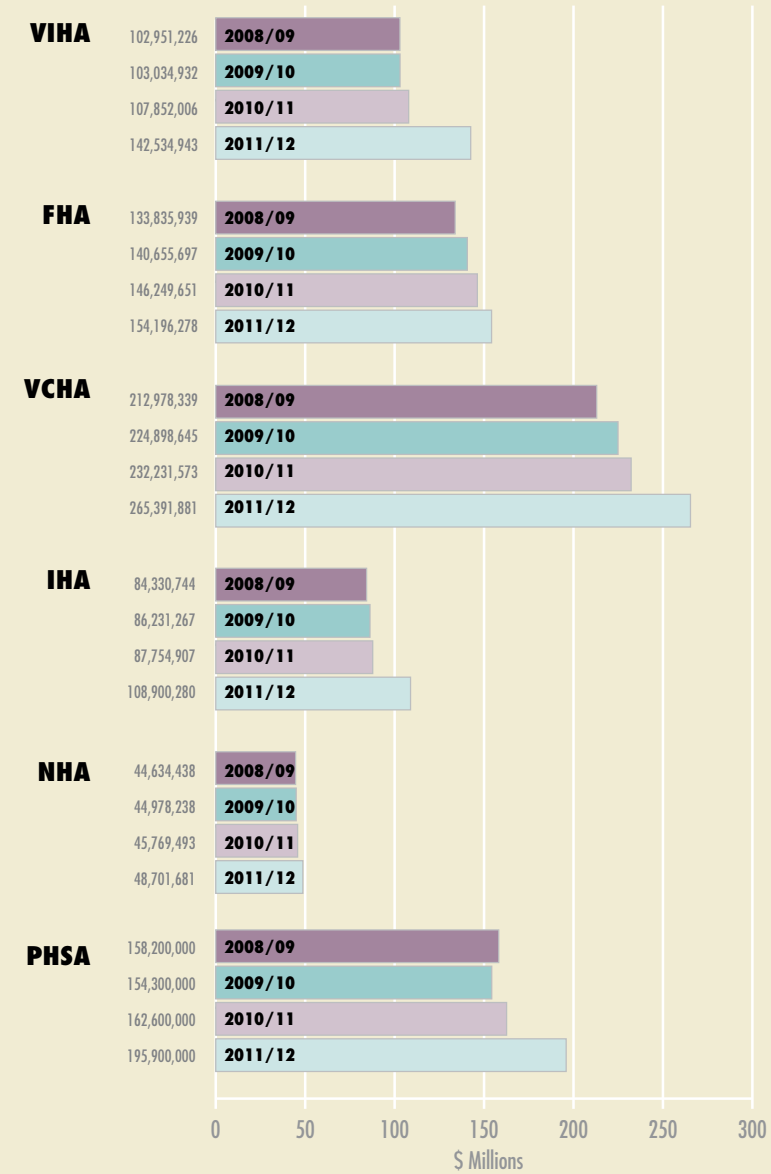


Exhibit 25: 2008/09 - 2011/12 Total Mental Health and Addiction Expenditures by Health Authorities



Source: 2008/09 to 2011/12 Unaudited sector information supplied by the health authorities

POPULATION HEALTH AND WELLNESS

In 2011/12, health authorities spent $536 million in the "Population Health and Wellness" health sector.

Population Health and Wellness refers to services that focus on health promotion and prevention. This is a key focus of the current government.

Exhibit 26 shows how much each health authority has spent over the past four years on Population Health and Wellness.

This extract from Exhibit 1 shows Population Health and Wellness expenditures within the context of Health Authority expenditure.

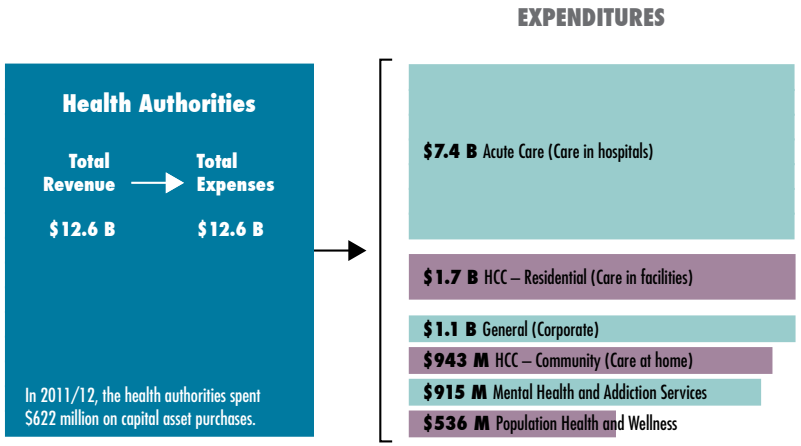
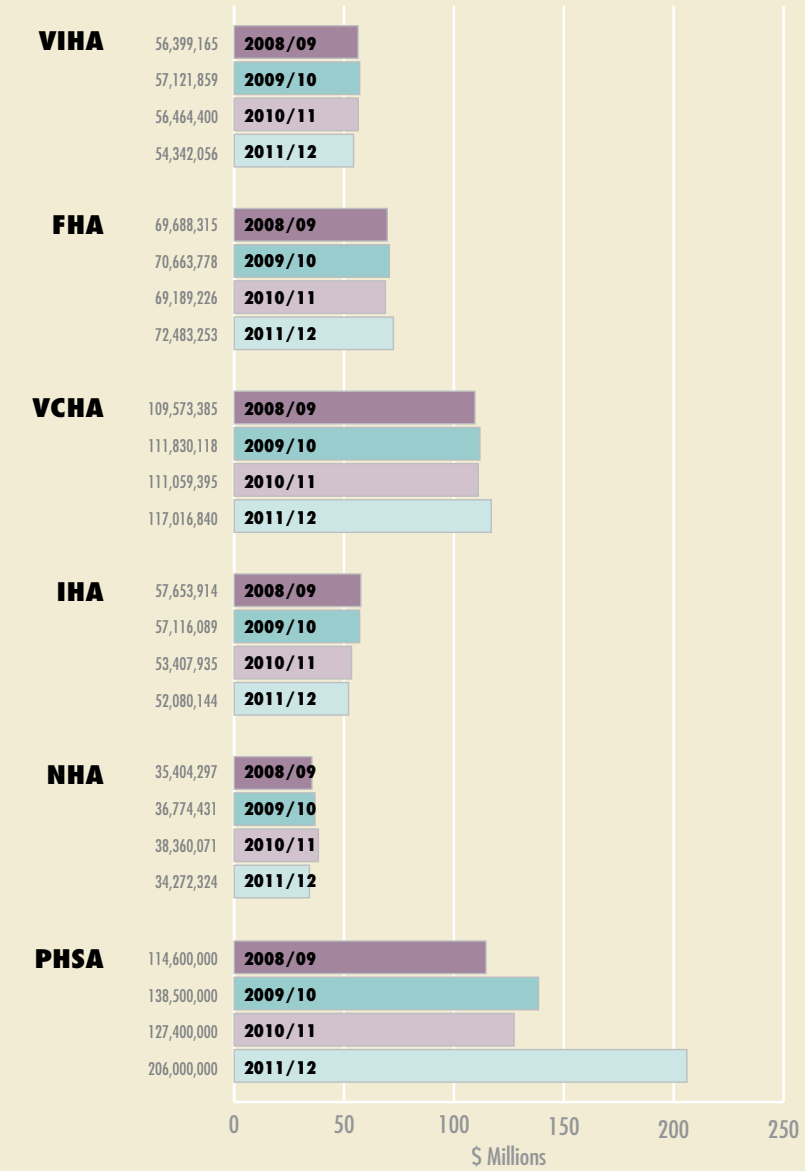


Exhibit 26: 2008/09 - 2011/12 Total Population Health and Wellness Expenditures by Health Authority



Source: 2008/09 to 2011/12 Unaudited sector information supplied by the health authorities

CAPITAL

Capital assets are assets that the owner of the asset intends to hold and derive benefit from for a period of more than one year. These assets include land, buildings, office furniture and equipment, computer hardware and software, as well as vehicles and other operating equipment. The health authorities apply for capital projects that must be approved by the Ministry of Health and Ministry of Finance.

Spending by the health authorities on capital asset purchases for each of the last four years was as follows:

- 2011/12 – $622 million
- 2010/11 – $685 million
- 2009/10 – $677 million
- 2008/09 – $676 million

Exhibit 27 shows the amount of capital expenditures made by the health authorities over the past four years. Important to note is that many health authorities have also engaged in significant, long-term private-public partnerships (P3).

A public-private partnership (P3) is an alternative approach to design, build and maintain public assets. Although P3 projects can involve almost any type of public infrastructure or service, some of the more common P3 projects in the health sector include the design, build and maintenance of hospitals.

This extract from Exhibit 1 shows Capital asset purchases within the context of Health Authority expenditure. Capital expenditures are not a separate sector, but are included in the relevant sector as expenditures are incurred.

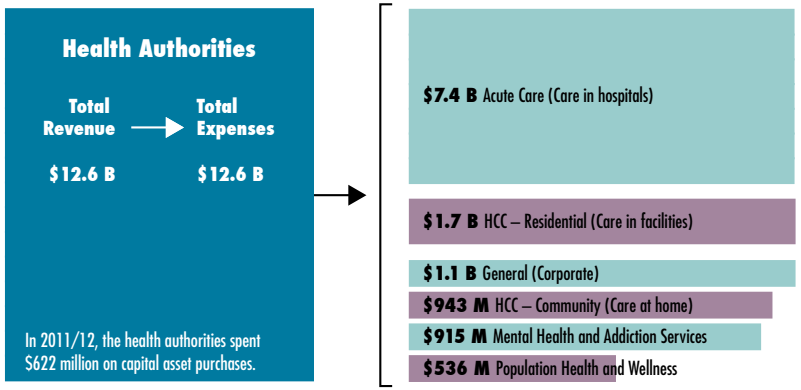
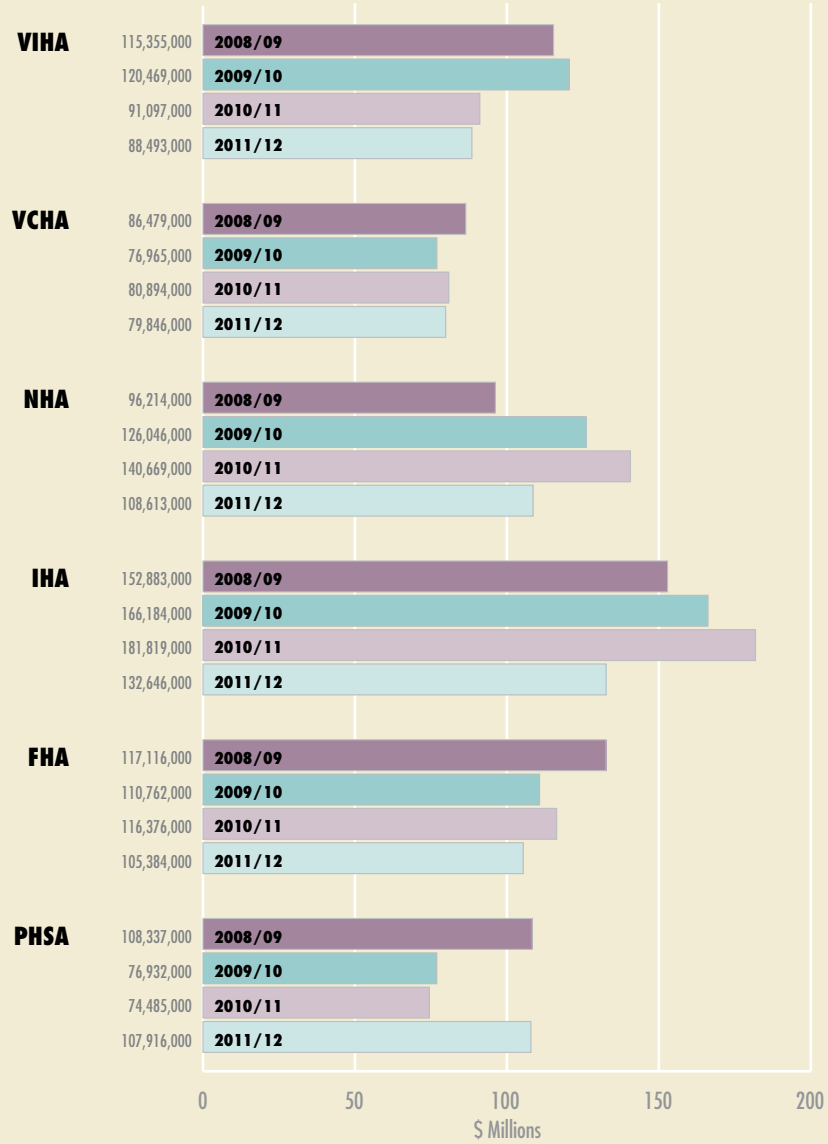


Exhibit 27: 2008/09 - 2011/12 Capital Expenses by Health Authorities



Source: 2008/09–2011/12 Financial Statements of the health authorities

LOOKING AHEAD TO FUTURE HEALTH AUDITS

A key component of effective public accountability includes providing timely, relevant and accurate information. *Health Funding Explained* is one vehicle in which legislators and members of the public can gain a high level understanding of the health care system. However, more work is needed to truly unwind the complexity of health care spending. In future, the Office may go more in-depth to understand the detail behind the high-level numbers, to further explain where B.C.'s health care dollars are being spent.

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