Opening Remarks on Conference Purpose
Robert Thompson
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Thank you Pat.

Thank you very much for attending this forum. We are looking forward to a thought-provoking and engaging day.

I would like to tell you why the Medical Association is holding this forum and what we are hoping to gain from the exchanges today.

In March, just like many groups here, we presented our budget advice to the provincial government. We were struck by the magnitude of the financial challenge facing the province and the health sector in particular. We were worried by the government's message that solutions valued at 30 percent of current spending were being requested from departments and agencies. Our calculation of the impact on the health sector, if this level of adjustment was required through spending measures alone, was $900 million on a health budget of $3 billion dollars.

While we could never support a reduction of health spending of this magnitude, we were convinced that the financial crisis faced by the government was real. This was confirmed in the April budget where, despite many revenue measures, and just a few expenditure cuts, the projected deficit still stood at $1.8 billion. Our most sober assessment of the budget was that the government had no choice but to tackle the remainder of this problem in the short term, mainly through expenditure control and reduction.

Why do we say the government has no choice but to tackle this problem? It is a fair question given that the signals from the government have shifted and softened in the last two months. The political realities of restraint seem to have created a new strategy for communicating about this problem, but the underlying realities are unchanged. Next week we will see the government's fiscal update, but even if there is modest improvement in the deficit forecast, the need for expenditure restraint and reduction will remain large.

The reality is that government has adopted a seven year fiscal plan in which program spending is essentially flat-lined for the whole period. Seven years of zero-growth, especially in the health sector, is not an easy road. Cost pressures remain. Pharmaceutical costs continue to increase. The pressures of an aging population continue unabated. Price inflation on supplies and capital will be present every year. Even the pressures for competitive compensation to retain health care providers must be recognized over a seven year period. The only way to meet this challenge, to find money to reallocate to emerging needs, is to undertake expenditure restraint and reallocation.

And the government only has a limited amount of time to start making changes. The bond rating agencies are laser focused on whether government implements a credible plan. If results from the plan do not emerge, the risk of credit rating downgrades exist, leading to extra borrowing costs. The NLMA's assessment is cost restraint and reduction is coming. Therefore, the question is what must we do to prepare?

As we thought about this problem last March, we also reflected on whether there is room to cut costs in our health sector without compromising the quality of care. We always feel overwhelmed by restraint and shortages and wait lists, so is cost reduction possible without putting the care of patients at risk?

To help answer this question we turned to national data on Health spending and it quickly became evident that the level of health spending in this province far exceeds the national average. Indeed the per capita spending is above every other province including Alberta. We realize that Newfoundland and Labrador has unique characteristics that justify higher per capita spending, including our small population and large geography, but we could not convince ourselves that these reasons accounted for the full gap between our spending and the national average. Perhaps the two most comparable provinces are Saskatchewan and Manitoba, and if we were spending at the average of those two provinces we should still be able to reduce our spending significantly.

This is not a recommendation. But it is a good reason to have a closer look at spending.

And the national data also offers some insight to where we should look inside our own system. The categories where the largest differences with the national average exist are in hospitals, nursing homes, and capital spending. In other words, it focuses attention on institutions, buildings and the distribution of services.

It was this data, supplemented by many conversations with our members, which led us to recommend to the government that a review of health facilities and the distribution of services be undertaken. We had two key points to make: First, if expenditures are to be under the microscope, we must leave no stone unturned, but let's look first in areas that have the largest gaps with the national average. Second, if expenditures are to be under the microscope, let's have a high quality systematic review of facilities and services, unlike anything we have had in many years, that uses evidence and high quality standards to reach conclusions. If we get this basic building block right, it will be consistent with quality patient care and it becomes the building block for other sustainability initiatives.

There were other drivers for our recommendation as well. We have a rapidly changing population profile, chronic disease burden, and a problem of scale to deliver services. Each of these problems, we believe, needs to be discussed alongside the financial challenge. For example, a declining and aging population in many regions may create a need for alternate ways to provide services. The growing burden of chronic disease may mean that more priority should be placed on community services rather than on institutional services. And as our

regions decline in size can they still support or justify some of the acute care services? In other words, we seem to have multiple, converging reasons why a review of the roles of facilities and the distribution of services is necessary at this time.

The government has not responded to our recommendation. But we wanted to continue the conversation. If expenditure reduction is coming, it must be done right.

Therefore, we decided to organize this conference to expand the conversation. Even though we planted a flag around the idea of doing a review, we know that it affects us all, every stakeholder in our system, and if a review process is to be started there needs to be a place for every voice. We also know that this is politically difficult for the government. If there are challenges in reducing emergency service in Botwood and X-ray service in Bonavista, just multiply these things to every region of the province. So we wanted to create a forum where these ideas get discussed and tested. Is there a real need to do a review? And if so, how should it be conducted?

It is important to point out that a facilities and services review is only one part of building a sustainable system. There are many other techniques and areas of focus, such as pharmaceuticals, technology, productivity, compensation, etc etc. Our focus today is not on these other areas, although there may be overlaps. Our focus today is on whether there should be a review of facilities and services as one fundamental part of the sustainability puzzle.

The day is structured in two main parts. Later this morning there will be a panel on the health challenges that we face in the health system that may give rise to a need to review facilities and services. The panel and the subsequent discussion will help sort out this issue.

This afternoon we will have two presenters who have done these types of reviews elsewhere – across Canada and in Tasmania. These presentations will allow us to envision, should the government undertake a review, how it can be carried out with greatest success.

After today's discussions we will prepare a report that summarizes the discussions and diverse views. I want to assure you that we will not attribute specific comments and we will never claim that the group speaks with a single voice. We will distribute the report to all of you for your information and use. The importance of documenting the discussion is to capture the insight and intelligence of the stakeholders so that if the government decides to conduct a review it can have a resource that has already digested many of the issues.

One additional word on electronic voting. We have not matched these devices to your identities, so voting is completely anonymous. Even though the room is a comprehensive slice of stakeholders, we are not a representative sample. The idea is to take the pulse of the room only. I hope it gives you interesting feedback.

We recognize this topic can be sensitive. That is why we invited stakeholders from across the system including unions and municipalities. It affects people everywhere, as citizens, patients,

workers and taxpayers. It will also be a difficult issue within our own association, as changes can affect the demand for physicians and the locations of their work. But the difficulty of the topic is not a reason to shy away from the discussion. And we appreciate so much everyone's willingness to be here today to engage in the discussion.

To start the day we asked Dr. Naylor to give us a high level perspective on the importance of reform, and some examples from his extensive experience. I am sure he will set an excellent context and lay out some of the challenges and realities of reform.