

An Atlantic Canadian Perspective On: Public Services for Ontarians: A Path to Sustainability and Excellence Commission on the Reform of Ontario's Public Services by: *Don Drummond, Chair*

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INTRODUCTION

Ontario is facing a severe deficit/debt crisis—a reality that led to the appointment of a commission charged with identifying appropriate measures to reduce the growth of public spending to a trajectory that would allow fiscal balance by 2017-18.

The recommendations produced by the committee have a natural relevance to circumstances that prevail in Atlantic Canada and many could be usefully adopted as a means of addressing severe shortfalls in the region. That said there a number of dissimilarities identified in the report that need to be recognized:

Ontario's fiscal crisis has been exacerbated by recent shifts in the viability of the province's economic base—especially the heavy reliance on manufacturing. Although Ontario's performance has been typified by substantial deficits over the past two decades, with only a few small surplus years, the recent slide has been dramatic and the current debt accumulation has reached \$215

billion, representing 35 percent of provincial GDP.

That said, the report emphasizes that Ontario runs one of the lowest cost provincial governments in Canada—and has done so for decades. It also notes that: *among bond investors, Ontario is seen as a well-governed province in a well-governed country.* Such conclusions are clearly less applicable to this region—although that reality should serve to add emphasis to both the need and pertinence of many of the recommendations.

The commission was explicitly instructed not to review new taxes as a means of achieving fiscal balance—although several suggestions were put forward respecting ways of improving the tax structure, without altering rates, were included.

Although charged with achieving fiscal balance in only the next seven years or so, the primary conclusion was that this target was achievable. It would, however, require an unprecedented degree of restraint and restructuring. The

commissioners made no pretence that the exercise would not be painful and expressed a view that the public was simply insensitive either to the extent of the problem or the severity of the necessary remediation. The message for Atlantic Canada should be that, if indeed achievable in Ontario, then similar measures undertaken here can unquestionably result in a similarly dramatic turn-around in the region.

The most important underlying recommendations are that measures undertaken should be entirely consistent with sustaining excellence in public sector service delivery and that the actions taken should be designed to achieve a permanent shift in the delivery service model that would not be liable to catch-up unwinding after initial achievement.

The report makes frequent reference to the need to avoid undertaking simple “cut and burn” exercises—and repeatedly emphasizes that there are numerous ways of providing quality service at lower costs and that identifying these will result in a lasting restructuring of government services.

No matter what reasonable projections for improved economic conditions might be forecast, the report concludes that achieving objectives by “growing out” of the problem is not possible.

THE BASICS

The report recommends setting targets that will allow total expenditure growth of just 5.6 percent over seven years (in nominal terms—i.e. without allowing for any inflation adjustment). That suggests a path of just 0.8 percent per year. They note: “If we factor in both population growth and inflation, we find that real program spending for every man, woman and child in Ontario must fall by 16.2 per cent, an average annual decline of 2.5 per cent from 2010–11 through 2017–18, a drop that is almost certainly unprecedented.”

It is not recommended that all programs be cut by a similar amount—allowing that demand for some and the economic justification for others should be recognized so that the summary annual constraints through 2017-18 are as follows:

- Health care — plus 2.5 per cent;
- Education — plus 1.0 per cent;
- Post-secondary education (excluding training) — plus 1.5 per cent;
- Social programs — plus 0.5 per cent; and
- All other programs — minus 2.4 per cent.

HEALTHCARE RECOMMENDATIONS

Representing by far the single largest spending category in the provincial budget and an envelope that has recently been growing at a 6.3 percent annual rate it is evident that there can be no hope of achieving overall fiscal objectives without completely rethinking current practices. The report makes no bones—emphasizing that without draconian remediation: “*Health care would run roughshod over every other priority; it would gut every other government service that Ontarians rely on for their education, social welfare, justice system, infrastructure needs and a host of other programs that matter to the people of this province. This cannot be our future.*”

And continues: “*There are only hard answers and difficult solutions. We must reform the health care system to make it operate more efficiently and give us greater value for the money we now spend on it. This is not easy. The public debate has been poisoned in recent decades by a widespread failure to comprehend the trade-offs that must be made; by knee-jerk reactions to worthy but complex ideas for change; by politicians (and media outlets) who have been too willing to pander to fear-mongering; by stakeholders in the health care system who, wishing to cling to the status quo, resist change; and generally by a lack of open-minded acceptance of the reality that change is needed now and that money alone will solve nothing.*”

The principles to be applied in addressing the issue are included in the first recommendation on healthcare:

Recommendation 5-1: Develop and publish a comprehensive plan to address health care challenges over the next 20 years. The plan should set objectives and drive solutions that are built around the following principles:

- The system should be centred on the patient, not on the institutions and practitioners in the health care system;
- The plan should focus on the co-ordination of services for patients in a fully integrated
- system-wide approach;
- Reforms should recognize changes and challenges in both demographics and lifestyles by putting more emphasis on chronic than acute care;
- At the provincial level, the system must be able to carry out health care capacity planning;
- it must look at the health needs of the population and project future needs for facilities, services, funding and human resources;
- Policies should be based on evidence that provides guidance on what services,
- procedures, devices and drugs are effective, efficient and eligible for public funding;
- There should be a heightened focus on preventing health problems, including the role of public health in meeting this goal;
- It should ensure that health data are collected efficiently and shared;
- Funding to providers should be based primarily on meeting the needs of patients as they move through the health care continuum; and
- The quality of care can and should be enhanced despite the need to restrain increased spending; the objectives of

quality care and cost restraint must go hand in hand.

Within the guidelines of the principles just enumerated the report makes more than 100 recommendations related to healthcare. It is not possible to adequately reflect the complex breadth of these, given the need for brevity. However, some of them can be grouped under two major themes:

1. INVESTIGATE AND INSTITUTE GENERAL EFFICIENCIES

Recommendation 5-9: Do not apply the same degree of fiscal restraint to all parts of health care. Some areas — including community care and mental health — will need to grow more rapidly than the average.

Recommendation 5-28: Tie compensation for CEOs and senior executives in all parts of the health care system to strategically targeted health outcomes....

Recommendation 5-31: Some regions have developed roles for “clerical system navigators” that co-ordinate appointments and assist patients with required forms and paperwork.

Local Health Integration Networks should ensure that a sufficient number of people in this role are put in place across the entire health care system.

Recommendation 5-34: Require hospitals to make discharge summaries available electronically to other care providers (e.g., general practitioners, home care) immediately.

Recommendation 5-40: Reduce mortality, hospitalizations and costs while improving patient satisfaction by connecting Ontarians who have serious chronic health problems (e.g., congestive heart failure) with ongoing

monitoring and support through expanded use of telehomecare.

Recommendation 5-61: Adjust fee schedules in a timely manner to reflect technological improvements, with the savings going to the bottom line of less expenditure on health care.

Recommendation 5-80: Consider fully uploading public health to the provincial level to ensure better integration with the health care system and avoid existing funding pressures.

2. ORGANIZATIONAL CHANGES

Other recommendations suggest structural/organization changes that create and empower Local Health Integration Networks (LHIN) to emphasize cost- and outcome-effective practices.

Recommendation 5-3: Divert all patients not requiring acute care from hospitals and into a more appropriate form of care that will be less expensive, improve the patient experience and reduce the patient's exposure to new health risks.

Recommendation 5-11: A regional health authority should be clearly identified as the key point for integrating services and institutions across the full continuum of care for a geographic area.

Recommendation 5-17: Use information from funding models such as the Health-Based Allocation Model (HBAM) to examine where services may not be provided equally across health regions and conduct ongoing evaluations of each Local Health Integration Network's progress in managing high-use populations.

Recommendation 5-26: Resist the natural temptation to build many more long-term care facilities for an aging population until the government can assess what can be done by

emphasizing to a greater extent the use of home-based care that is supported by community services. Home-based care is less expensive and should generate greater population satisfaction.

Recommendation 5-27: Grant Local Health Integration Networks the authority, accountabilities and resources necessary to oversee health within the region, including allocating budgets, holding stakeholders accountable and setting incentive systems.

Recommendation 5-52: Create policies to move people away from inpatient acute care settings by shifting access to the health care system away from emergency rooms and towards community care (i.e., walk-in clinics and Family Health Teams), home care and, in some cases, long-term care.

PRIMARY AND SECONDARY EDUCATION

With respect to the education sector the report notes: *“The province funds nearly 98 per cent of education sector expenses. Over the past decade, provincial spending on elementary and secondary education has grown significantly despite declining student enrolment; one result has been a 56 per cent increase in per-pupil funding. This is not sustainable. The Commission believes the sector growth rate must be constrained to one per cent per year.”*

Many of the 27 recommendations are directed to address the unsustainability of maintaining staffing and service levels in the circumstances of declining enrolment:

Recommendation 6-17: Education stakeholders should build on the climate of trust and evidence-based decision-making fostered since 2003 to begin a constructive dialogue on how best to find the savings needed to meet student achievement objectives while holding annual spending growth to one per cent. To help

stakeholders, the Commission believes the following measures should be phased in progressively over the next six years, in this priority sequence:

- Reduce by 25 per cent the per-pupil funding for textbooks and learning materials,
- classroom supplies and computers;
- Increase the average class size from 22 to 24 in Grades 9 to 12;
- Set the cap in class size at 23 in primary grades and eliminate the other requirement that
- 90 per cent of classes must be at 20 or fewer;
- Increase the average class size from 24.5 to 26 in Grades 4 to 8 by 2017–18;
- Eliminate 70 per cent of the 13,800 additional non-teaching positions created in school boards since 2002–03; and
- Reduce by 25 per cent the funding for capital renewal and student transportation.

Recommendation 6-18: The province should review its special education programs and the results they have achieved, including both “section” programs for students in care, custody or treatment, and hospital boards, with the aim of ensuring that funding is being used effectively to improve student outcomes.

The report also recommended reviewing the funding structures for aboriginal students with the federal government and recommended capping government contribution to the teacher’s pension plan and eliminating retirement gratuities.

The report’s recommendation respecting the cancelling the introduction of full-day kindergarten—a move that the government rejected upon release of the report.

SECONDARY EDUCATION

The report made 30 recommendations respecting Post Secondary Education. The overall budget for this sector is suggested to be held to a 1.5 percent annual increase—that is less than the 1.7 percent projected annual enrolment growth.

Analysis is provided to suggest that tuition freezes are not in the interests of students—since the outcome is typically evident in diminished quality standards. Dealing with the issue of university accessibility the report argues that family income is less of an impediment to participation than family socio-economic history.

Recommendation 7-18: Maintain the existing tuition framework, which allows annual tuition increases of five per cent. However, simplify the design to maintain the overall ceiling but allow institutions greater flexibility to adjust tuition fees at the program level, within the ceiling.

Recommendation 7-2: Work with post-secondary institutions to reduce bargained compensation increases, where they exist, and instead align them with trends in more recent settlements in the broader public sector; a rigorous performance system should also be introduced to guide compensation, where one is not already in place.

Recommendation 7-6: Establish and implement a rational and strategic division of roles between the college and university systems.

Recommendation 7-14: Work with private career colleges to collect and publish the same performance indicators as public colleges and universities. Private career colleges should bear the cost of such reporting.

Recommendation 7-29: Compel post-secondary institutions to examine whether they can compress some four-year degrees into three years by continuing throughout the summer.

The report also notes critically that: *“As federal support for research tripled between 1997 and 2003, universities pursued federal and provincial research dollars, all in the name of becoming “world-class research centres.” Few of Ontario’s research centres will become the best in Canada, never mind the world. Many, however, have gone so far in this quest as to cross-subsidize research, effectively supporting it with money from undergraduate tuition revenues. Increasingly, universities are letting professors sacrifice teaching commitments to conduct more research. There must be a better balance; excellent research should not trump excellent teaching.”*

SOCIAL ASSISTANCE

The province has already instituted a separate review of the welfare system but the Drummond Commission made the following suggestion: *“We urge the SAR Commission to examine alternatives, including a consolidated model of a single, provincially funded social assistance program delivered at the local level.”*

BUSINESS SUPPORTS

The report cogently comments: *“Ontario’s hodgepodge of direct and indirect programs is fragmented and lacks clear and coherent objectives. As data on outcomes are often poor and inconsistent, it is unclear whether the programs are achieving any economic benefits for Ontario. If we were to design business support programs from scratch, they would not look like what we have now. We can either restructure the existing programs or start over. The second option is the better way forward.”*

Although explicitly discouraged from discussing taxation issues, the commission’s chair observed that a great many business tax exemptions and relief measures were designed to provide specific relief to the province’s historically high business taxes. He argues that the marked decrease in the overall rate now obviates the need for many

of these measures and argues in favour of a more simple system with fewer exemptions.

COMPENSATION

“There are over one million BPS employees in Ontario, about 70 per cent of whom are unionized compared with about 15 per cent in the private sector. This makes effective union management relationships important. Any government wanting to change the delivery of services must work with the people who deliver those services and with the unions that represent those people.

Labour costs account for about half of all Ontario government program spending. As such, the target of 0.8 per cent program spending growth cannot be attained without moderation in the growth of public-sector total compensation, whether through base wages; premium payments such as overtime, shift premiums, merit pay or movement through “grids”; or pension costs.

Public-sector wage growth has moderated since the government introduced a restraint policy in March 2010. However, many major agreements, including those covering Ontario’s almost 25,000 physicians and over 200,000 teachers, have not been renegotiated since then.”

EQUALIZATION

The report is critical of current federal-provincial arrangements in that they have had a major distortionary impact on the Ontario fiscal position. It is recognized that current processes were put in place when the economy of the province was materially different from present circumstances and it is noted that the upcoming review of federal transfers provides an opportunity for reform.

On the specific issue of equalization the commission commented:

The Equalization program constitutionally mandates the federal government to ensure that provinces have the

ability to “provide reasonably comparable levels of public services at reasonably comparable levels of taxation.” Provinces unable to raise revenues at the national average standard are provided with payments funded through federal taxation.

Over the past 10 years, Ontarians have contributed almost \$45 billion more to the Equalization program through their contribution to federal revenue than they have received back in Equalization payments.

Additionally, Ontario’s per capita GDP is slightly less than the national average and at 7.7 per cent its unemployment rate is above the 7.5 per cent national rate. Yet, as noted earlier in the chapter, federal spending in and transfers to Ontario fall short of an equitable share of its revenues. Further, there is no requirement under the funding formula for provinces to include full resource revenues in the redistribution equation, to Ontario’s considerable detriment. The Equalization program requires reform.

Despite rising fiscal disparities among provinces, the federal government introduced a ceiling on Equalization in 2009 that limited the size of the program to the growth rate of national GDP. As a result, the program equalizes less now than at any other time in the previous 20 years, measured as a proportion of GDP. Under this ceiling, Equalization cannot fully capture and share the wealth generated from high commodity prices in other regions of Canada.

SUMMARY

The fundamental message of the report is that the way to fiscal balance is through rationalization of public expenditure—but that this objective can and should be met while maintaining an acceptably high level of excellence. Reforms must be sustainable—not achieved through short-term expedients such as draconian wage cuts, postponed capital programs and postponed infrastructure repair.

The “don’ts” are proposals that sound useful, but are often harmful:

- Do not simply cut costs. The imperative to restrain spending should instead be an opportunity to reform programs and service delivery;
- Avoid across-the-board cuts. They represent an abdication of the government’s responsibility to make real, and often difficult, decisions;
- Avoid setting targets for the size of the civil service. A leaner civil service will be an inevitable result of lower-cost programs and achieving greater value for money;
- Do not rely unduly on hiring freezes and attrition to reduce the size of the civil service;
- Do not hang onto public assets or public service delivery when better options exist; and
- Do not resort to traditional short-term fixes.

The “dos” apply across the entire public sector:

- The government should issue a road map setting out its vision. Such a document would both inform the public about the changes that lie ahead and also serve as a script for all bureaucrats;
- Higher priority should be given to programs and activities that invest in the future rather than serve the status quo;
- Policy development should be more evidence-based — with clear objectives set based on sound research and evidence — and relevant data collected and used to evaluate programs;
- Governments must minimize the cost of operations, but they also need rules to ensure that taxpayers’ money is not abused. The pendulum has now swung too far towards excessive rules, with too many layers of watchers at the expense of people who actually get things done. The Ontario government must find a new middle ground;

- *Within their operations, public-sector service providers should assign people to jobs where they are most effective, efficient and affordable;*
- *Seek common themes across the reforms to achieve economies of scale and to simplify communications; and*
- *Reform must be pervasive and speedy. Broader action favours a public perception that the reforms are fair, as opposed to a view that a few programs were unfairly targeted. Change is disruptive, but the medicine does not go down more easily if it is dragged out over a long period.*

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The author of this report worked independently and is solely responsible for the views presented here. The opinions are not necessarily those of the Atlantic Institute for Market Studies, its Directors, or Supporters.



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