Health

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Introduction

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. To do this, the Department provides policy direction, direct services, and funding to health providers and health agencies.

Government spending on health

For the year ended March 31, 2003, the Department received $2.3 billion from the General Revenue Fund and spent this money on its programs. The Department also raised revenue of $16 million. The Department's annual report contains information about the Department's revenues and expenses (annual report available at http://www.health.gov.sk.ca/).

Table 1 shows total health revenues of $2.59 billion by source for the year ended March 31, 2003. Table 2 shows total health costs of $2.61 billion by program for the year ended March 31, 2003. The costs in Table 2 do not include health services paid directly by the Federal Government, nor the costs that individuals and private sector organizations pay directly for health services.

Crown agencies

The Department is responsible for the following Crown agencies with March year-ends.

12 Regional Health Authorities (see Chapter 2C – Regional health authorities)
Board of Governors, Uranium City Hospital
Health Quality Council
Health Services Utilization and Research Commission (wound up on January 31, 2003)
Saskatchewan Association of Health Organizations
Saskatchewan Cancer Foundation
Saskatchewan Health Information Network
Saskatchewan Health Research Foundation
St. Louis Alcoholism Rehabilitation Centre

Table 1

Health **Revenues** by Source for the year ended March 31
(in millions of dollars)

	2003	2002	2001	2000	1999	1998	1997	1996
General Revenue Fund (GRF)	$ 2,343	$ 2,200	$ 2,076	$ 1,956	$ 1,789	$ 1,677	$ 1,608	$ 1,555
Service fees revenue	113	110	109	99	97	99	95	94
Transfers from other governments	18	28	23	21	21	19	17	24
Ancillary revenue	22	20	18	17	16	15	15	15
Donations	18	15	17	12	16	15	9	12
Investment income	7	9	11	11	9	9	10	11
Other	69	43	38	43	55	28	42	26
Total revenues	$ 2,590	$ 2,425	$ 2,292	$ 2,159	$ 2,003	$ 1,862	$ 1,796	$ 1,737

Table 2

Health **Costs** by Program for the year ended March 31
(in millions of dollars)

	2003	2002	2001	2000	1999	1998	1997	1996
Acute Services	$ 1,013	$ 945	$ 864	$ 832	$ 713	$ 657	$ 625	$ 537
Supportive care services	442	439	414	382	358	332	336	371
Medical services and education	446	421	401	384	392	384	353	346
Prescription drugs	173	156	141	128	115	98	94	93
Home based services	93	91	91	86	79	76	68	58
Provincial health services	89	86	78	64	64	59	49	65
Mental health services	68	63	58	55	51	46	42	40
Community health services**	74	56	53	52	50	44	39	31
Rehabilitation services**	38	54	43	44	39	37	38	36
Emergency response services	38	40	35	25	22	21	21	22
Health improvement initiatives	49	25	27	25	25	29	26	77
Administration	28	26	20	35	25	25	25	20
Ancillary	17	14	12	12	11	10	9	9
Alcohol and drug services	15	15	13	13	11	9	6	5
Other	27	46	31	26	28	13	43	27
Total costs	$2,610*	$ 2,477	$ 2,281	$ 2,163	$ 1,983	$ 1,840	$ 1,774	$ 1,737

Source: *Public Accounts: Volume 2: Details of Revenue and Expenditure* (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts) and the March 31, 2003 financial statements of the RHA Health Boards and other government health agencies.

* The Government's summary financial statements (SFS) for the year ended March 31, 2003 show health costs of $2,558 million, a difference of $52 million from the total health costs in Table 2. This difference is due to: 1) differences in accounting policies for tangible capital assets, inventories, and regional health authority foundations; and 2) inter-entity expense eliminations and adjustments within the SFS not recorded in the health costs in Table 2.
** The Department of Health has changed the classification of certain expenses in 2003. It is not practicable to restate prior years expenses.

Comparable health indicators report

On September 30, 2002, the Department issued a report on 61 health indicators, entitled: *Saskatchewan Comparable Health Indicators Report* (Indicators Report). The Indicators Report (available at http://www.health.gov.sk.ca/) provides new and vital information on the performance of Saskatchewan's health system. The Indicators Report includes a comparison of the performance of Saskatchewan's health system with the health systems in other Canadian jurisdictions.

The Indicators Report helps readers to understand the effect of health services on the health and well-being of Saskatchewan residents. The Legislative Assembly and the public need to know that the Indicators Report is reliable and comparable with other jurisdictions. We worked with all legislative auditors in Canada to ensure that we each provide consistent audit assurance based on professional standards. Our auditor's report on the reliability of the Indicators Report is included in the Indicators Report.

All Ministers of Health in Canada have agreed to prepare comparable health indicators reports again in 2004. We plan to audit Saskatchewan's 2004 indicators report.

Our audit conclusions and findings

We have completed the audits of the Department of Health and the Crown agencies listed earlier except for the audits of Board of Governors, Uranium City Hospital and the Saskatchewan Association of Health Organizations. We will report the results of these audits in a future report.

We report the results of the Department and other agencies below except for our audits of the 12 regional health authorities, which we report in Part C – Regional Health Authorities.

In our opinion, for the year ended March 31, 2003:

- **the financial statements for the agencies listed earlier are reliable:**

- **the Department and its agencies had adequate processes to safeguard public resources except for the matters reported in this chapter; and**

- **the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for the matters reported in this chapter.**

Supervisory controls need improvement

The Department needs to strengthen its supervisory controls over its Crown agencies.

The Department must ensure that its Crown agencies are achieving the Department's objectives. To do this, the Department needs to supervise the performance of these agencies.

The Department's supervisory controls are not adequate in the following areas.

Accountability of regional health authorities to the Department

For several years we have recommended that the Department:

- approve the former district health boards' (DHBs) performance plans before the fiscal year begins (April 1);

- receive complete and timely information to ensure that the public money entrusted to DHBs is used properly; and

- improve its service agreements with DHBs to ensure the appropriate use of public money.

In January 1999, the Standing Committee on Public Accounts (PAC) agreed with our recommendations.

In 2002, the Government amalgamated the 32 DHBs into 12 regional health authorities (RHAs). During the past year, the Department has

made good progress in implementing our recommendations. The Department has worked with the RHAs to:

- document the accountability relationship between the Department and the RHAs. *The Roles and Expectations of the Minister of Health and Saskatchewan's Regional Health Authorities* sets out the roles, responsibilities, and authority of each party. This document sets expectations for the Minister and the RHAs including strategic planning, performance management, and monitoring and reporting.

- set direction for each RHA by documenting the Department's long-term goals.

- prepare an annual *Accountability Document* for each RHA prior to the beginning of the RHA's fiscal year (April 1), that contains:

  - the RHA's annual budget;

  - programs and services to be delivered by the RHA;

  - the measures the RHA is to use to show its progress in achieving the Department's objectives;

  - the key control processes the RHA must have to meet the Department's objectives; and

  - performance reporting requirements for RHAs.

The performance measures and reporting requirements for RHAs are still under development. We are pleased with the progress the Department and the RHAs have made in establishing a framework for the management and accountability of RHAs. The Department needs to continue its efforts to receive complete and timely performance reports from the RHAs.

We continue to recommend that the Department receive complete and timely information to ensure that the public money entrusted to RHAs is used properly.

Better control of capital assets needed

The Department needs a capital assets plan to ensure that it can deliver essential health services. It also should improve its capital project agreements with RHAs and other health agencies to help ensure that the Department can meet its objectives for capital construction.

Capital assets plan

Capital assets include buildings and equipment. The Department is responsible for health services in the province. It uses $926 million of capital assets to deliver health services.

A capital assets plan documents decisions to ensure an agency has the capital assets required to deliver its services effectively, efficiently, and economically. A capital assets plan helps an agency to select the capital assets that have the best value and keep them in good working order.

Without a capital assets plan, the Department cannot ensure that it has adequate capital assets to deliver essential health services.

1. We recommend that the Department of Health develop a capital assets plan to help ensure that it can carry out its strategic plan.

Capital project agreements

The Department needs to improve its capital project agreements with its Crown agencies to ensure that the Department can meet its objectives for capital construction.

The Department makes capital project agreements with its agencies to construct or renovate health facilities. The Department has long-term commitments to spend $61 million on major capital construction projects. The Department spent $21.7 million on these projects in 2002-03.

The agreements should require health agencies to provide timely reports to the Department on:

- the status of the construction project at the date of the report (actual compared to plan for requirements, cost, and work

completed, and explanations of differences between planned and actual results);

- what the agency has accomplished since the last reporting period;
- the estimated time and cost to complete the construction project;
- the status of the expected benefits, whether the benefits are still achievable, and if not, the effects, if any, on the project plan; and
- the status of the construction projects' risks, new risks, and how the risks are being managed. Reports would include explanations of any change in the status of key risks from the last reporting period and the reasons for the change in status.

Without this performance information, the Department cannot ensure that capital projects managed by its agencies meet the Department's objectives. As well, the agreements need to set out a process for the Department to verify that the agencies' performance information is reliable.

We reported this matter in previous reports. In May 2001, PAC agreed with our recommendation.

We continue to recommend that the Department's capital construction agreements:

- require its Crown agencies to provide the Department with adequate and timely performance information on capital construction projects; and
- describe the Department's process for verifying performance information.

Policies needed for the Department's internal financial reporting

The Department needs clear written policies and procedures for preparing sound internal financial reports to support good management decision-making.

The Department needs timely, complete, and accurate financial reports throughout the year to help it make sound decisions. Adequate written guidance approved by senior management would help staff to prepare reliable internal reports. Reliable and relevant reports should result in better management decisions.

The Deputy Minister should approve the internal financial reporting policies and procedures to ensure that senior management receives the information it needs to manage the Department.

We have reported this matter every year since 1995. In January 1999, PAC agreed with the following recommendations.

We continue to recommend that:

- the Department document policies and procedures to prepare sound internal financial reports; and
- the Deputy Minister approve the Department's internal reporting policies and procedures.

Processes for drug payments not followed

The Department needs to follow its processes for "exception drug status" (EDS) payments.

The Department has adequate processes for approving payments for drugs that are normally ineligible for payment. A drug that is normally ineligible for payment may become eligible if it proves to be more effective than the eligible drugs for treating the patient. EDS drugs are often more expensive than eligible drugs. The cost of the EDS Program has risen from $15.4 million in 1998-99 to $46.1 million in 2002-03.

Physicians, dentists, optometrists, and pharmacists may apply to the Department for EDS coverage on behalf of their patients. Applicants can submit requests to the Department by telephone, mail, or fax. The Department's policy is to review the applications to ensure that they satisfy the EDS criteria before approving the drug for EDS coverage. The EDS criteria includes the qualifying diagnosis, patient's medical history, and the ineffectiveness of the eligible drugs on the patient's condition.

The majority of EDS coverage requests come from pharmacists. The Department requires pharmacists to document the physician's diagnosis and compliance with other eligibility criteria for each EDS coverage request.

During 2000-01, the Department studied 31 of 375 pharmacies to determine if pharmacists obtained the evidence of the patient's eligibility for EDS requests from the physician and appropriately recorded the information. The Department found that in many cases, pharmacists were either not recording the eligibility information or the source of the information. The Department paid for these EDS drugs.

After the study, the Department wrote to pharmacists to remind them to document the eligibility information and the source of the information before applying for EDS coverage. This documentation is critical to ensure that the Department only pays for drugs that meet its EDS criteria. The Department, however, has not followed up to determine if pharmacists' documentation has improved.

Lack of compliance with the Department's processes for EDS coverage could result in unauthorized and unnecessary drug payments. In addition, we are unable to determine whether all drug payments have adequate authority.

2. We recommend that the Department of Health ensure pharmacists follow its processes for "exception drug status" payments.

Capital asset costs overstated

The Department did not properly account for its capital costs.

The Financial Administration Act, 1993 allows the Department to record expenditures only when it has received goods or services or when it has met the eligibility and performance requirements.

The Minister of Health signed capital project agreements with its agencies. The agreements do not allow the Department to pay for construction until the agencies have done the work. Nonetheless, the Department recorded costs of $17.5 million for capital construction not

done. The Department did not give the agencies this money. As a result, the Department overstated its expenditures by $17.5 million.

3. We recommend that the Department of Health follow appropriate accounting policies for capital expenditures.

The Department told us that: "it is the position of the Department that these charges were not inappropriate and they are consistent with direction provided by the Provincial Comptroller."

Regional health authorities' payee lists not given to Legislative Assembly

The Department did not give the Legislative Assembly the lists of persons (e.g., employees, suppliers) who received money from each RHA and the amounts the persons received.

Public disclosure is important for three reasons. First, public disclosure serves to remind all government officials that they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision-making as it ensures that those who spend public money know their use of that money will be public. Third, public disclosure ensures that the public knows who has received their money.

PAC's disclosure requirements for Crown agencies are:

- persons who received salaries, wages, honorariums, and compensation for personal services of $2,500 or more during the year;
- suppliers of goods and services who received more than $20,000 per year; and
- persons who received transfer payments of more than $5,000 per year.

All RHAs, except for Prairie North Regional Health Authority, gave the Department of Health their payee lists. The Department has not given the lists to the Legislative Assembly.

4. We recommend that the Department of Health give the Legislative Assembly the lists of persons (e.g., employees, suppliers) who received money from each RHA and the amounts the persons received.

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