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, 2004, the Department received $2.5 billion from the General Revenue Fund for its programs. The Department also raised revenue of $18.3 million. The Department's annual report contains information about the Department's revenues and expenses (see http://www.health.gov.sk.ca/).

Table 1 shows total health revenues of $2.77 billion by source for the year ended March 31, 2004. Table 2 shows total health costs of $2.79 billion by program for the year ended March 31, 2004. 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.

Year-end March 31
12 Regional Health Authorities
Board of Governors, Uranium City Hospital
Health Quality Council
Saskatchewan Association of Health Organizations (SAHO)
Saskatchewan Cancer Foundation
Saskatchewan Health Information Network
Saskatchewan Health Research Foundation
St. Louis Alcoholism Rehabilitation Centre

Year-end December 31
SAHO Disability Income Plan – Canadian Union of Public Employees (C.U.P.E.) Fund.

SAHO Disability Income Plan – Service Employees International Union (S.E.I.U.) Fund.
SAHO Disability Income Plan – Saskatchewan Union of Nurses (S.U.N.) Fund.
SAHO Disability Income Plan – General Fund.
SAHO Core Dental Plan Fund.
SAHO In-Scope Extended Health/Enhanced Dental Fund.
SAHO Out-of-Scope Extended Health/Enhanced Dental Fund.

Table 1

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

	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Revenue Fund	$ 2,516	$ 2,343	$ 2,200	$ 2,076	$ 1,956	$ 1,789	$ 1,677	$ 1,608	$ 1,555
Service fees revenue	121	113	110	109	99	97	99	95	94
Transfers from other governments	28	18	28	23	21	21	19	17	24
Ancillary revenue	26	22	20	18	17	16	15	15	15
Donations	15	18	15	17	12	16	15	9	12
Investment income	5	7	9	11	11	9	9	10	11
Other	59	69	43	38	43	55	28	42	26
Total revenues	$ 2,770	$ 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)

	2004	2003	2002	2001	2000	1999	1998	1997	1996
Acute Services	$ 1,063	$ 963	$ 900	$ 824	$ 797	$ 683	$ 627	$ 592	$ 506
Supportive care services	554	512	507	482	447	417	389	387	415
Medical services and education	455	446	421	401	384	392	384	353	346
Community care services	277	305	276	252	235	218	205	189	225
Prescription drugs	194	173	156	141	128	115	98	94	93
Provincial health services	162	144	136	122	102	97	92	84	98
Central Support Services	46	23	21	16	32	22	22	23	18
Other	34	44	60	43	38	39	23	52	36
Total costs	$ 2,785**	$ 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* (see http://www.gov.sk.ca/finance/paccts) and the March 31, 2004 financial statements of the RHA Health Boards and other government health agencies.

* Health costs by program have been reclassified to conform with the Department of Health's current expense categories. Prior year numbers have been restated to conform with this new classification.
** The Government's summary financial statements (SFS) for the year ended March 31, 2004 show health costs of $2,730 million, a difference of $55 million from the total health costs in Table 2. This difference is due to: 1) differences in accounting policies for tangible capital assets and inventories; and 2) inter-entity expense eliminations and adjustments within the SFS not recorded in the health costs in Table 2.

Comparable health indicators report

On November 30, 2004, the Department plans to issue a report on 24 health indicators, entitled: *Saskatchewan Comparable Health Indicators Report 2004*. The Department published a similar report on 61 health indicators in 2002 (available at http://www.health.gov.sk.ca/). We audited the 2002 report. Our auditor's report on the reliability of the health indicators is included in the 2002 report. The 2004 indicators report will also include our auditor's report.

The indicators reports compare the performance of Saskatchewan's health system with those in other provinces. The Indicators Reports help readers to understand the effect of health services on the health and well-being of Saskatchewan residents. The indicators address, for example, the health status of citizens and the prevalence of certain diseases.

The Legislative Assembly and the public need to know that the Indicators Reports are 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 audit conclusions and findings

We have completed the audits of the Department of Health and the Crown agencies listed earlier except for the audit of the Board of Governors, Uranium City Hospital (Board). The Board has not prepared financial statements for the year ended March 31, 2004. Accordingly, we have not completed our audit of the financial statements. We will report the results of this audit in a future report.

Our audit opinions below include the results of the Department and other agencies except for our audits of the 12 regional health authorities. These are reported in Part C – Regional Health Authorities of this chapter.

In addition, we describe the results of a special investigation requested by Cabinet in Part E – Métis Addictions Council of Saskatchewan Inc. of this chapter.

In our opinion, for the year ended March 31, 2004:

- **the financial statements for the agencies listed earlier are reliable;**
- **the Department and its agencies had adequate rules and procedures 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 regional health authorities (RHAs) and other health agencies.

The Department must ensure that RHAs and other health agencies achieve 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; and
- control of capital assets.

Accountability of regional health authorities to the Department

The Department needs to receive regular reports from RHAs that show the RHAs' progress in achieving the Department's objectives.

The Department produces an annual *Accountability Document* in consultation with each RHA that contains:

- the RHA's annual budget;
- programs and services to be delivered by the RHA; and

- the measures (no targets yet) the RHA is to use to show its progress in achieving the Department's objectives.

The Department receives quarterly financial reports from each RHA that explain differences between planned and actual financial results. The Department does not yet receive regular reports from RHAs that show their progress in achieving the Department's operating objectives.

We reported this matter in previous years. In January 1999, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

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

Control of capital assets

Capital asset plan needed

The Department needs a capital asset plan to ensure it can deliver essential health services.

Capital assets include buildings and equipment. The Department is responsible for health care in the Province. It uses over $900 million of capital assets to deliver health care.

A capital asset plan would document decisions intended to ensure that the Department has the capital assets required to deliver its services effectively. A capital asset plan would help the Department select the capital assets that have the best value and keep them in good working order.

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

We reported this matter in a previous report. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department develop a capital asset plan to help ensure that it can carry out its strategic plan.

Capital project agreements need improvement

The Department needs to improve its capital project agreements with RHAs and other health agencies (health agencies) to help ensure that the Department can meet its objectives for capital construction.

The Department makes capital project agreements with health agencies to construct or renovate health facilities. The Department has signed agreements to spend $73 million on major capital construction projects. The health agencies spent $24 million of the Department's money on these projects for the year ended March 31, 2004.

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 health agency has accomplished since the last reporting period (actual compared to plan for cost and work completed, and explanations of differences between planned and actual results);
- 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 project's 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 information, the Department cannot ensure that capital projects managed by health agencies meet the Department's objectives. As well, the agreements need to set out a process for the Department to verify that the health agencies' 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 RHAs and other health 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.

Compliance with processes for drug payments needed

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

The Department has adequate rules and procedures 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 in treating a specific patient than the current eligible drug. EDS drugs are often more expensive than eligible drugs. The cost of the EDS Program has risen from $15 million in 1999 to $59 million in 2004.

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

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

Based on a 2001 study, the Department found that pharmacists often did not record the diagnosis or the source of the diagnosis. 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.

The Department followed up in 2002 to determine if pharmacists' documentation had improved. Results of that study indicated that for the majority of EDS requests (68%), pharmacists were documenting the diagnosis. The Department told us it recognizes that this information is critical to ensure the Department pays for only those drugs that meet EDS criteria. It will continue to communicate this requirement to pharmacists.

Lack of compliance with the Department's rules and procedures 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.

We reported this matter in a previous report. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department ensure pharmacists follow its processes for "exception drug status" payments.

Capital assets costs overstated

The Department did not use Canadian generally accepted accounting principles to report its capital assets costs.

The Minister of Health made agreements with RHAs and other health agencies (agencies) for future construction of buildings to be done by the agencies. The agreements do not allow the Department to pay for construction until it is done. Nonetheless, the Department recorded costs of $27 million for capital construction not done. The Department did not give the agencies this money. As a result, the Department overstated its expenditures by $27 million.

The Department told us it was following the accounting policies laid out by the Provincial Comptroller.

In June 2004, PAC considered this matter and recommended "that the Department of Health should follow the accounting policies laid out by the Provincial Comptroller."

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

Board of Governors, Uranium City Hospital

On June 5, 1995, Cabinet established the Board of Governors, Uranium City Hospital (the Hospital). The Hospital ceased delivering health services on June 2, 2003. Cabinet has not yet dissolved the Board of Governors.

For the year ended March 31, 2003, the Hospital held assets of $700,000. As explained below, the hospital has not prepared financial statements for the year ended March 31, 2004.

In August 2004, the Minister of Health transferred the majority of the Hospital's remaining assets to the Athabasca Health Authority.

Financial statements not prepared

At the date of this report, the Hospital has not prepared financial statements for the year ended March 31, 2004.

The Tabling of Documents Act, 1991 requires the Hospital to give its financial statements to the Legislative Assembly by July 29, 2004. We reported this matter in previous reports. In February 2002, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Board of Governors, Uranium City Hospital give its financial statements to the Assembly by the date required by *The Tabling of Documents Act, 1991*.

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