ISSUE BRIEF
I. Physical plant infrastructure

Resolved, that the Government of Canada be petitioned to include hospital infrastructure renewal and deferred maintenance as eligible expenditures in any future federal infrastructure programs which may be introduced by the federal order of government.

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ISSUE

Whereas *hospital operations are becoming increasingly capital intensive;*

And Whereas *hospitals in Canada are struggling to generate sufficient surpluses to prudently reinvest in aging infrastructure;*

And Whereas *it is estimated that deferred maintenance at Canadian Hospitals may be as high as 1 billion dollars in each province;*

Be It Resolved That *the Government of Canada be petitioned to include hospital infrastructure renewal and deferred maintenance as eligible expenditures in any future federal infrastructure programs which may be introduced by the federal order of government.*

As citizens, we may find ourselves in healthcare facilities at our most vulnerable moments: when we or loved ones are acutely ill, recovering from illness or injury, beginning our lives, or in our final moments. Fortunately, we have some outstanding healthcare facilities. Unfortunately, some are badly worn down. While some communities have brand new buildings, others have facilities that are old, inefficient, dirty, damaged, and often demoralizing for patients, family members, staff and the public.

What is the size of this problem? In 2009, a study of Canada's academic healthcare organizations revealed over 400 distinct infrastructure projects required to meet new models of care and/or maintain or repair existing structures. These projects were valued at over $20.5 billion.[i] Physical plant infrastructure in healthcare is financed primarily by provincial governments and fundraising. However, the increasing costs of construction and the recent recession have taken their toll. In fact, the funding required to replace and repair many healthcare organizations is reaching a point where the Federal Government needs to step in.

What are the consequences in 2015? Estimates of deferred maintenance in some provinces may be as high as $1 billion. In Saskatchewan, a report released in July 2014 reported that the bill to repair health facility infrastructure is pegged at $2.2 billion. The government of Saskatchewan committed 1% of that amount in the 2015 budget allocation.[ii] In Alberta, over 30% of the province's 97 hospitals are over 40 years old, resulting in a repair price tag of over $1 billion.[iii] In Nova Scotia, a 2012 report by the Auditor General indicated that "if funding is maintained at recent levels, the province cannot continue to cover equipment and infrastructure repairs and replacement needs".[iv] The Nova Scotia Department of Health and Wellness estimated in 2012, that over the next 10 years at least $600 million will be required to repair damaged facilities.[v] In Ontario, the provincial budget committed over $11.4 billion in major hospital expansion and redevelopment projects over the next 10 years.[vi]

As policy leaders and administrators, few of us would disagree that physical plant infrastructure needs to be maintained. However, this resolution harkens to three classic debates in public policy: (1) Does the Federal Government have a role given health is a provincial jurisdiction? (2) Are healthcare facilities part of our national infrastructure? (3) Should communities bear the fundraising brunt for capital in their regions? In this issue brief, we will describe both the need for infrastructure investment to replace crumbling buildings and discuss these three classic policy questions. We will not touch on the equally important issue of major equipment, although this is also a crucial part of infrastructure considerations. We hope you will read the brief, highlight additional issues, and engage in the debate.

BACKGROUND

In 2009, around the same time that the Federal Government was considering infrastructure investments to stimulate the economy from the recession, the Association of Canadian Academic Healthcare Organizations (now HealthCare*CAN*) asked the country's research hospitals, academic regional authorities, and their research institutes about their physical plant needs. The survey showed that between 2009 and 2012, there were over 400 distinct physical plant infrastructure projects that would be shovel ready pending the completion of fundraising efforts, across all provinces. The costs of these projects exceeded $20.5 billion.[vii] Of these projects, 70% percent were retrofits and repairs to old buildings. This includes trying to repair, maintain or implement green and/or more efficient and safe technologies and standards of infection control.

How do repair and maintenance costs get so high? A subset of infrastructure investment is deferred maintenance. Deferred maintenance is the policy or practice of postponing maintenance activities such as repairs on both real property (i.e. buildings) and personal property (i.e. machinery and equipment), in order to save costs or meet budget targets. The failure to perform needed repairs on physical capital or

assets (buildings, machinery and equipment) can lead to deterioration and/or impairment. In general, a policy or practice of prolonged deferred maintenance may result in higher costs, physical capital failure, and in some cases, health and safety concerns.

The last time that the Federal Government invested deliberately in health delivery infrastructure, was through the 1966 Health Resources Fund Act[viii], preceded by the 1948 Hospital Construction Fund Act.[ix] Since hospitals are built to last 30-40 years, a federal injection into health infrastructure was due around 2004. It was that year that the Kirby Committee recommended that the Federal Government invest $4 billion dollars into a health capital fund. This recommendation was not implemented. That same year, evidence based design was introduced. This is the study of how physical facilities impact health outcomes.[x] Since then, over 1,200 scholarly articles have discussed how modernized physical plants prevent errors, reduce infections, improve recovery, shorten length of stay, lighten workload, and improve morale.

Building, repairing, and expanding health infrastructure—in all parts of the health system and across the range of settings, from hospitals to long-term care homes, community- based clinics, and others—accelerates the transformation of the health system to meet tomorrow's needs. By building, repairing, and retrofitting health care spaces for new models of care, access to care is improved. Innovative facilities are able to accommodate technologies that help people to get home safer and faster, reduce inefficiencies in process and communication, and permit more efficient and effective triage. Investing in this area not only addresses a health systems imperative, but also creates a significant number of jobs and stimuli for local, provincial and national economies. Hospitals are no less important than building bridges, airports, and libraries.

CONSIDERATIONS

1. *Does the Federal Government have a role in health system related physical plant infrastructure?*

Discussions about the role of the Federal Government in healthcare are often ideologically laden. However, when it comes to physical plant infrastructure, the issues are clearer. The Federal Government's role is stated as follows: "setting and administering national principles for the health care system through the Canada Health Act; assisting in the financing of provincial/territorial health care services through fiscal transfers; delivering health care services to specific groups (e.g. First Nations and Inuit and veterans); providing other health-related functions such as public health and health protection programs and health research"[xi].

- *Delivering healthcare services to specific groups:* The Federal Government often uses current health system infrastructure to meet the needs of the populations for which it is directly responsible.
- *Health protection programs:* Healthcare facilities are a crucial part of the country's emergency preparedness and disaster management systems.
- *Public health:* Antiquated buildings are environmentally problematic particularly as they run 24/7. With age and wear, these facilities also make it very difficult to maintain standards of infection control.[xii]
- *Health research:* health research is increasingly dependent on ability to house advanced technologies and compete to attract world class clinicians.

- *Equity:* Communities must raise a certain percentage of capital funds to enable construction projects. Since wealthier communities have a fundraising advantage, equity becomes an important question.

In addition, beyond the scope of healthcare, there are other reasons for which the Federal Government should invest in physical plant infrastructure for the health system.

- *Jobs and productivity:* Building, repairing, and expanding health infrastructure creates jobs and economic activity over the short-term, and improves the health and health care of Canadians.
- *Ability to attract world class clinicians:* World class facilities will assist Canada in the global race to attract and retain highly-trained health care providers and world-class researchers.

2. Should healthcare physical plant be considered national infrastructure?

The Federal Government considers infrastructure projects "nationally significant"[xiii], if they support one or more of the following objectives: "*(1) Generate positive economic activity; (2) Reduce potential economic disruptions or foregone economic activity; (3) Generate productivity gains for the Canadian economy; or, (4) Provide benefits that extend beyond the provinces or territories where the project would be located*"[xiv].

Does the healthcare sector meet this definition? It is estimated that 42 academic healthcare organizations alone, employ over 355,000 Canadians.[xv] This means that in addition to the healthcare benefits that accrue to patients and the public from renewed physical plant infrastructure, there are a large number of employees who are impacted by these workplaces. Second, healthy populations are essential for a productive economy. Thirdly, in the event of a disaster, the nation will call on its healthcare facilities to respond. Finally, rebuilding and repairing hospitals, will create jobs and stimulus for the economy, in much the same way as building airports, bridges and libraries. Some studies show that for every dollar invested in infrastructure, there is a two dollar multiplier effect on the economy.[xvi]

However, for the New Building Canada Infrastructure Fund the Government does not appear to acknowledge this. Instead, consideration of nationally significant infrastructure is limited to the following seven categories: highways and major roads, public transit, rail infrastructure, local and regional airports, port infrastructure, intelligent transportation systems (ITS), and disaster mitigation infrastructure.[xvii]

3. Should communities have to raise their own funds for local health infrastructure?

In 2011, Canadians raised close to a billion dollars through hospital foundations.[xviii] Studies have shown that wealthier and more densely populated communities can raise more capital. This may lead to more modernized and available facilities in wealthier communities.[xix] If Canadians believe in equal access to healthcare regardless of income levels, it is problematic that wealthier communities raise more money, expedite construction and repairs, and therefore achieve better access. This is not consistent with the intention of the Canada Health Act and the ability to ensure access to healthcare in all parts of the country.

NEXT STEPS

The call for a Federal Investment in health system infrastructure has been on the record as far back as 2004.[xx] The Kirby Commission, the Health Action Lobby, the former Canadian Healthcare Association, the former Association of Canadian Academic Healthcare Organizations, the Canadian Medical Association and others have all been on the record with the need to modernize Canada's physical plan infrastructure. What will make the difference this time?

First, we believe that we must document the extent of the problem. To this end, HealthCare*CAN* has commissioned a consultant to report on the issue of deferred maintenance at Canadian healthcare organizations. While numbers are powerful, pictures paint a thousand words. We may also initiate a photo campaign to show visually the extent of the infrastructure problems within our facilities. Second, we must show that we meet the productivity demands of "nationally significant infrastructure". [xxi]

Finally, armed with the data and arguments, we will ask for the full force of the health sector in this petition. Granted, not all of us have old facilities and not all of us have new facilities. However we are all vested in our health, the health of our loved ones, friends, communities, and Canadians. If this resolution passes, we will have a strong case with which to petition the government for action on this crucial file.

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