Public Hearing: Department of Health

The Chair: — I think we have all the folks here that are intending to be here, I think. Mr. Adams may be still coming and that's fine.

First of all, welcome to this second week of our intersessional deliberations on the Committee of Public Accounts. I would like to thank each of you for your cooperation in making yourselves available this week for our work. It's always difficult finding appropriate times to have meetings and there's always a great deal of things to do.

The agenda has been circulated before you. I would like, with your indulgence, to add one item at the end of business on Friday. As you may have heard in the news, there have been some reassignments of caucus responsibilities from our part and I will no longer be continuing to chair this committee after this week's session. So I would like an item on the end of the week for the appointment or the accepting of my resignation as Chair and the appointing of Mr. Aldridge as the Chair of the Public Accounts Committee at the end of this agenda.

We felt that it was best, in discussion among ourselves and also a recent discussion with Mr. Sonntag, that it would be appropriate for me to finish this agenda, and with your approval, that's the way we'll proceed.

So that being said, I would like to . . . (inaudible interjection) . . . I am reminded that we should adopt the agenda as circulated with the addition that I noted. Mr. Sonntag. All those in favour? That's carried. Thank you.

The way we'll proceed this week is that it's with great pleasure that we acknowledge that we've caught up with our business. I've asked the Provincial Auditor to provide us, before each topic, with a briefing from the chapter that is appropriate under our discussion and deliberations. And following that, then I will open the meeting to a reply from the department that we are dealing with so that they may give a statement into the record. And following that, then I'll open up the meeting for questions from members of the committee.

And hopefully we will see our way clear to complete those sections. However, if we do not, then we will just defer them to further deliberations of the committee.

Mr. Sonntag: — Thank you very much. Just before you start, I just want to thank you and other members as well for taking . . . for agreeing to change the scheduled meetings to December 9 to 13. We certainly did appreciate that and it fits into our schedule a lot better. Violet is now healthy and happy and ready to give everybody heck, including us.

I just wanted it on the record that we did appreciate the change in time.

The Chair: — Thank you very much.

Mr. Strelioff: — Thank you, Mr. Chair, and members. With me today are Mike Heffernan, an executive director with our office. He leads our work in Health. Fred Wendel, the assistant provincial auditor; Bob Black, who coordinates our work at the Public Accounts Committee; Del Markewich, the manager in our Health area; and Jill Coulter, who is a supervisor in our Health area.

If you remember, last spring we dealt with two chapters in the spring report related to Health: chapter 2, which is a summary of our work in the health areas, and chapter 9, which deals with our recommendations and findings and conclusions related to district health boards. So we've concluded those two chapters and today we're focusing on chapter 9 which deals with our work at the . . . (inaudible interjection) . . . Or chapter 8, sorry, that deals with our chapter on the Department of Health as well as several other health agencies.

Your support on our recommendations related to district health boards on chapter 9 — your support and the department's support — has helped us move forward a lot of issues in the district health board community over the last several months. So I certainly thank you for that support which was given last spring.

Today's focus again is on the Department of Health, and Mike Heffernan is going to lead us through that chapter. He's going to provide a review of the first few pages, ending on the first recommendation, which deals with service agreements. And then from then on as we move through the recommendations, if you want advice or explanations of what's in there, please ask. So, Mike?

Mr. Heffernan: — Thank you. Mr. Chair, members, I'm going to spend about five minutes going up to the first recommendation and then we'll pause for questions and to let you deal with the recommendation.

In paragraphs .01 to .04 we set out some information on the purpose and size of the department and where it spends its money. In paragraph .05 we list organizations that the department is responsible for except for districts, which we list in chapter 9. In paragraphs .07 to .09 we give some background information, trying to put in context this chapter and the information that we report.

The Health Districts Act is setting a higher accountability standard for the department and for districts, and some of the requirements will take time to implement. Other things can be implemented more quickly. We've indicated that throughout the chapter as the points come up.

In paragraph .10 we describe our standard auditor opinions that we issue on every organization every year. We found that for the organizations listed in paragraph .05 that their financial statements are reliable. We found that the department needs to improve some of its systems and practices to safeguard and control assets and to comply with authorities.

In paragraphs .12 to .18 we describe an accountability framework that the department has established in consultation

with the districts, and the framework sets out an accountability of the districts to the minister and the public, and of the minister to the Legislative Assembly and the public. And we think this is a very positive step that the department has done in setting up this accountability framework, and in fact we think it's quite a leading document and we'd like to see similar documents in other large departments.

The framework describes accountability in terms of three key elements. First, establishing responsibilities and expectations. Then measurement, measuring the performance; and review, reviewing whether the expectations have actually been achieved, and where they haven't, and what corrective action should be taken.

This part of the chapter gives some of our comments on how we think the department is meeting the accountability framework which it has established under responsibilities and expectations.

We think the department should give the Assembly a complete plan which shows its financial operating plans, its performance targets, and actual results. For the districts, the department needs service agreements and now has service agreements with districts but at the time of this audit in 1995 didn't have service agreements signed as yet.

Also the department receives annual plans from the districts which generally were not timely and so we point that out as well.

Under the second stage of accountability we need to measure outcomes of progress. We think the department should issue a complete annual report to the Assembly showing again their plans, performance targets, and actual results. And the districts need to provide more timely periodic reports to the department. Either the districts aren't preparing the reports at all or where they do, they're late.

And finally under review, we have recommended in the past that this committee review annual reports of departments and we continue to do that. For the districts we think the department needs to set up systems to take corrective action when districts don't meet the department's expectations. And the department has done a fair amount of work since that time.

In paragraphs .19 to .27 we indicate that the department needed to have service agreements with districts. A few months after the year end the department did prepare and sign those agreements. In paragraph .24 we set out what we think the good agreements would have in them, and we found that in reviewing the agreements that were made after the year end that they actually met most of the criteria, except the agreements don't require the districts to report on the systems and practices used to achieve the department's objectives.

We think the department needs that assurance. The department really needs to know whether districts have good systems and practices that would give them some reasonable chance of achieving the department's objectives.

So in paragraph .27 we recommend that the department should work with districts to ensure service agreements require districts to report periodically on the systems and practices they use to achieve the department's financial operation on compliance and objectives.

I'll stop here, Mr. Chairman, for questions or comments and so on.

The Chair: — Okay, thank you. Are there any questions related to the information you've received from the auditor?

If not, before I invite Mr. Adams to introduce his guests and also then to make a statement, if you like, in regard to the issues raised in chapter 8, I have the statutory duty to read into the record the following statement.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action. In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

> A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as a tabled document. You are reminded to please address all comments through the Chair. Thank you.

Welcome, Department of Health, and Deputy Minister Adams. If you would invite the officials with you and we would certainly then invite you to make an opening statement.

Mr. Adams: — Thank you very much, Mr. Chairman. Once again it's a pleasure to come and assist you with your work.

I'd like to introduce first, Kathy Langlois, our executive director of finance and management services in our department, right here. And Barry Lacey, the acting director of our integrated financial services operation of the same branch — it concentrates on the district support functions. And Wolfgang Langenbacher, who is the acting director of administration for our department on secondment, on loan to us, from the city of Regina for a period of time while we have a short vacancy. And behind, Wanda Lamberti, the financial analyst from our branch as well, who has been instrumental in preparing us for this meeting with you today.

Thank you very much, everybody.

I think my statements are actually quite brief today, which would be a pleasure for you and your committee, Mr. Chair.

We are largely in agreement with the auditor's remarks, and I think both of us recognize there is improvement year by year in what is going on, mainly in the district operations. And that we have a few points as we go through them where we have a difference of opinion about an item, but it's not so consequential to bring the meeting to a standstill.

So with that I'll just give it back to you and thank the auditor and his staff for once again having a pretty thorough look at our programs.

The Chair: — Okay, thank you very much, Mr. Adams. I guess I should make note of that when you address the Chair, it would be quite in order for you to address the Chair as Chairman Grandpa. We had a granddaughter last Sunday. I'm not still quite down to earth over that.

Mr. Pringle: — Thank you very much, Mr. Chairman, and committee members. I saw your pictures, by the way. Baby got her good looks from grandma, I guess.

Ms. Stanger: — She is cute.

The Chair: — They all are.

Mr. Pringle: — I would like to make a few general comments if I could before we move into specific recommendations. Because I think that the Provincial Auditor makes a number of very positive recommendations, and I heard the deputy minister, Mr. Adams, say that by and large the department is in support. And I think it's worth those of us on the committee acknowledging this cooperative spirit within the Department of Health, between the Department of Health and the district health boards, and between the Department of Health, the district boards, and the Provincial Auditor's office.

And I happened to read, because this is such good reading, I happened to read the fall '96 report too. And there is lots of evidence of even more cooperation between your office — the Provincial Auditor's office — and the Department of Health and district health boards.

So there's a lot of goodwill and I think that's being reflected in enhanced accountability — financial accountability; and that some important steps are being taken in terms of some of the benchmarks and standards for program effectiveness, which is the other part of accountability.

I noted that the Provincial Auditor acknowledges a health care reform in the province — it's been a very significant undertaking — and that the boards, the staff of course, across the province and the communities are doing excellent work and have made some very tough decisions.

I certainly have faith that Saskatchewan people, in their local districts, can make decisions that best reflect the needs as identified by their communities, and also are smart enough to identify the strategies to meet those needs.

And I want to put on record — because I think this is important and I'll try and state why I think it's important — I think it's important that the new Liberal leader, new Leader of the Opposition, pardon me, has determined that the elected health boards should be fired because health care is too complex and the decisions are too important to leave to non-professionals.

I also heard today that the district health services Act, district services Act, sets a higher standard for accountability. And in fact I heard that it's a leading document regarding accountability and for measuring performance, and may very well be a model for other departments. And I'm aware that the new Leader of the Opposition also wants to phase this Act out.

And I raise this because I think this is important; it's an important message for the district health boards to hear because, what is their status? Should they continue to pursue these accountability measures? What is the status of the district services Act regarding financial and program accountability?

So I think this requires a clarification because of comments made by a fairly significant person in the province on the political front. I don't believe that these comments are very helpful in terms of moving towards and progressing towards greater accountability. But nevertheless, I'm not the one who made them.

So I think we need to deal with the facts as they are presented in the province and in the report. And in view of the Provincial Auditor's report, I read his observations and recommendations in a very positive light.

The report does recognize significant progress made by the health boards in terms of integrating of services, in terms of meeting local needs, and in terms of the way in which the boards are managing their responsibility.

The auditor's report demonstrates, I believe, that health renewal has made our health care system perhaps more accountable than it has been in the past and I think this is a positive development.

While noting that progress in overall accountability is the goal, I think the Provincial Auditor is clearly suggesting that the ideal is not yet attained, nor can it be achieved overnight. And I quote from the auditor's report. It says:

> . . . some of those expectations (regarding accountability) . . . can be addressed quickly. Other(s) . . . will take more time to address as new information systems will (be needed to) need to be developed and implemented.

So initiatives like the service agreements developed in '95-96, initiatives like the accountability framework that describe the relationships between the Minister of Health and the district health boards, the initiatives like the district health board audits which are reviewed by the Provincial Auditor, and then the members of the legislature have access to the information; and the submission of the health plans to the Minister of Health, like outline each district's financial and operational plans.

And I realize there are one or two recommendations related to more timeliness and so on, but I think all of these measures are excellent tools and processes. They're evolutionary. And I note in the fall '96 report, which we haven't come to yet, that even further accountability developments are there — so that gives

me hope — and accountability more related to the program outcomes, which I think is the other side of the accountability question.

I also just got today in the mail what's called *A Closer Look*, and I know there are some . . . It's a publication by Health Services Utilization and Research Commission. And I note that some of the recommendations of the Provincial Auditor will relate to the commission. But what strikes me as I went through this are the number . . . and I won't go through them because everybody on the committee will receive a copy, no doubt. But most of the articles in this report are actually studies and evaluations and providing new information and standards and ways in which the community is involved in having input into health care within the province. And so I think that that's another example of another body in the health care field playing an important role.

So in closing, Mr. Chair, I think that developing the program standards or the benchmarks to determine if money is spent properly or whether the service is the kind of service that the public wants, will take consultation and cooperation not only within the health districts, but between the health district and the Department of Health.

And I think there's every sign that the cooperation is there regarding that. It will also take cooperation and negotiation within the community level because again, different communities and different districts are priorized in different needs that have to be addressed in their areas.

But I think the committee can be assured that, given the cooperation between the Provincial Auditor's office, the Department of Health, and the district health boards, that continued progress will be made. Thank you.

Ms. Haverstock: — Thank you very much, Mr. Chair, and welcome, Mr. Deputy Minister, and to your officials as well.

I am quite curious about .03, page 95 where it states there's a list of major programs in spending and has a list of the original estimates in millions of dollars versus the actual. Now this is not very different, if I'm correct in this — and I could stand to be corrected, I'm sure — as .55, which is a recommendation on page 104 where it states that:

> The Department should improve its internal financial reports:
>
> to show a comparison of (the) actual results for the year to date to budgeted results for the same period; and
>
> to highlight and explain the major variances between year-to-date actual results and the year-to-date budgeted results.

If I'm correct in this, what we're looking at is estimated versus actual. And as you can see there is a $24.1 million difference between the estimated and the actual. And I'm kind of just looking for an explanation, not so much in the increases in expenditures in some of these areas, but why the variance has taken place in each one of them?

For example, administration is up from 5.6 to 7.8. Accommodation and central services is up. District health services and support is up. Provincial health services and support is up. But medical services and education programs are down. Prescription drug plan is down. Then special assistance programs is up and health capital is up. And I would like to just understand that if you would be so kind.

Mr. Adams: — The first explanation of this is the estimates for the department have to be put together approximately 18 months before the end of the fiscal period has arrived. And a lot of things can happen in an 18-month period, so one does the best they can. But in respect of . . . So for example, our estimates that you'll be judging us on for the end of the year 1990 . . . For example, we're doing '97-98 right now, so March of '98 we're making estimates right now as to what those costs will actually be.

Now if you take a look at a department of this size and have a look at $24 million difference at the bottom of the whole year, is pretty small on a $1.5 billion base, especially if 10 million of it has to do with a capital issue. And this is a cash flow against capital — something got speeded up, money was available to pay it, so we did. We had . . . That particular year was a longer construction season, as it turned out. And the projects were able to take advantage of a easier winter apparently and so we were able to move it along and then pay out.

There was some also some capital equipment purchases in that year that we were enabled to do or required to do and that was worth $5 million. And there was also some movement into some new community service projects to try and get more of the alternatives in place.

So that explains some of the district support difference. You can see in there there's a fairly big number. There's $18 million overall that we provided more money to the districts to get some of the home care and some of the . . . I think that was the year we put in quality of care coordinators, and there were quite a long list of things that we wanted to strengthen their community-based program. And I believe we also . . . that the availability of the dollars for us that do this arose as a consequence of the mid-year financial report.

Now we could go down and provide detailed explanations for some of the other internal trades but, for example, administration, which everybody is concerned about, what happened in that particular item is we were investing in some new computer activity and equipment that year and that's what justifies most of the difference in budget from actual.

Now . . . And renovations. Well there are minor changes within all of the rest of that. But, you know, do you want me to give you more detail than that?

Ms. Haverstock: — I don't need a great deal. I just wanted to have an understanding of what had gone on, and in particular

. . . See, I think from just a citizen's point of view, if they were to be given this page, they would say, well we're now under a model that's called a wellness model and yet medical services and education programs is down.

Now there may be a very legitimate reason for saying, well that may be down but there's more being carried out somewhere else or the resources went somewhere else. And I think what's important is to be able to have an explanation for why these . . . you know, the difference between what was estimated and what is actual, and why some went up and some did go down.

Mr. Adams: — Right. I understand better the point of your question. On medical services and education, I want you to know that that specifically is related to doctor services. That's physician . . . really, really physician services with the exception of what we pay for chiropractors, the chiropractors' account. And the education component is what we pay the University of Saskatchewan for the training of doctors.

And this item, I think the main difference is out-of-province utilization. That's the main difference here. What's been happening for the last two years now is people have been getting more of their services at home. And also the snowbirds haven't been travelling so much. And there's been a falling off of what we've had to pay out of country and out of province for a lot of our physician services.

We've also consciously done some things that will draw the services back here. Rather than shipping people to Edmonton and to Winnipeg, we are doing more things now at home as some of the equipment can be brought into play. So it's significant. And I think that that's the main reason for that.

But if you want to look at where do we put money for new services that are community services, you'll find it in the $20 million . . . or $18 million increase under district . . .

Ms. Haverstock: — District health services.

Mr. Adams: — Yes.

Ms. Haverstock: — Okay. Could you comment then on the Saskatchewan prescription drug plan being down as well.

Mr. Adams: — Actually this is a good news answer.

Ms. Haverstock: — Oh, well.

Mr. Adams: — First of all there was a lower pharmacy mark-up in dispensing fee due to increased competition. And so we paid, I think about $800,000 less that year just for that item.

There was also 8,000 fewer families on special support than we had estimated. And that may mean that their incomes went up, their needs went down for special support. But in any case we were paying . . . we had estimated for 8,000 more families on this program than in fact . . .

Ms. Haverstock: — . . . than required it.

Mr. Adams: — . . . than required it. And also there was another item of an increase of the use of generic drugs that year, which brought our costs down by another 600,000 on that item. So you add it all up and we have four and a half million dollars difference on the program estimate for those items.

Ms. Haverstock: — Well I do want to accept some responsibility for . . . I grabbed the wrong box and I was looking in the *Public Accounts* for '95-96 instead of . . . I could have come up with some of this myself if I had detailed it more but your explanations have been very helpful.

I'm just going to ask a question of the Chair before I proceed. Are we doing this by sections? Would you prefer that I wait until later to make some comments about items that are further along?

The Chair: — I think that I am subject to the guidance of the committee, but my feeling was that initially I'd allow some latitude in terms of general direction and then if we're moving through the sections, I think it'd be more helpful if we stayed focused on the sections; otherwise we're all over the place and get lost.

Ms. Haverstock: — I actually agree with that, so I'm just going to say thank you, since we've left page 1 of chapter 8.

The Chair: — Are there any other committee members that would like to make some comments or direct some questions in general?

If not, we will . . . after the general comments, what we will do then, when everyone has had an opportunity to make general comments and then general clarifications, then we will begin to proceed through the recommendations and try to keep focused in that regard.

Mr. Aldridge: — Thank you, Mr. Chairman. Welcome to Mr. Adams and your officials.

Further to Ms. Haverstock's questioning there, with respect to the difference in the health capital figures we're looking at, and you mentioned, you explained it as due to an extended construction season. Were we to take that as just predominantly or could you break that down for us? How much of it would it be due to cost overruns on specific projects versus taking on additional projects?

Mr. Adams: — I have . . . First of all, I'm very pleased you asked that question because the Health department is fairly tight. When it sets a budget for a project, it doesn't go beyond it and there were no cost overruns that we paid for in that time frame at all. Now we could . . .

What was happening that year is, if you get a longer construction period where the winter doesn't begin quite so early or the winter is a little bit lighter, if you're working on external or exterior completion and that kind of stuff, you can blast right along. You know you can move the project along faster. And there were several projects going on at that time.

I recall there was Moose Jaw, which was a big one that year. Providence Place, for example, was being built And they were doing some significant renovations, I believe in Prince Albert and several others. And just because of weather and the fact that they were able to have a longer construction period without it getting deeply cold, they were able to move the speed of the construction along. Or the construction was moving more quickly.

When that happens, our department pays out money on evidence of stages of completion. And so we flow, we try to flow, our cash to fit the needs of a district. And so what happened in this instance is, they were finishing the construction sooner so we paid out faster.

Mr. Aldridge: — How within the system would it be handled where for example, the Plains hospital closure and related construction costs to that, where there is something like $18 million estimate now of cost overrun and a certain amount of that's related to construction.

The explanation you've provided here would be such that, certainly that would never show up here again, where you would be able to say that in this instance the 10 million isn't attributed to cost overrun on projects, but we've heard where they're happening. And yet who's going to pay for the cost overrun? Will it come out of the different health boards' existing budgets? They just have to make do with less?

I can give you another example in the South Country Health District where the Gravelbourg hospital right now is not able to demolish the old hospital building. And they need to demolish the old hospital building in order to proceed with building a cover over the ambulance entrance to the new hospital. And it is strictly being held up because there's no funds available.

My understanding is they've overspent their budget related to the construction and now they're in the midst of a major fund-raising effort to try and raise additional funds so that they can demolish the old building so they can finish the construction of the new. It seems to me to be unfair and somewhat misleading to keep those sorts of cost overruns hidden within the system. And maybe if . . .

Well I'll just let you comment on that then, Mr. Adams.

Mr. Adams: — Well you've raised several different issues, so let me take them one by one. And I will deal directly with the Plains, so I'll come to that.

With regard to the other project, like Gravelbourg, like Providence, and many other local projects, with the exception of where we started out with all Crown hospitals, the cost is shared with the province. The cost is 65 per cent provincial, 35 per cent local.

And what the department does is appraise the proposal in the first place, agree to a fixed amount, a fixed amount of money that we will pay out, and that that fixed amount will not be more than 65 per cent of the total cost of the project.

Now in cases where you've got denominational interests, they, in every case, add things into projects for which the public would not contribute and that we do not go in and say to a denominational project, well you can't have a chapel of this size or that size. We have a comment to them about reasonableness, but if they want to enrich the building for denominational purposes that is not something that we interfere with. And also, if to raise their portion of the money, they of course raise . . . they can raise 35 per cent. They are required to raise that much of the project but they may go more than that in order to put things into the project that they want.

So I don't have any real problem in saying that some project hasn't . . . if they're running a deficit because of something they chose to put in for themselves and they're going to go and raise some local money, that's not something that the public needs to become involved with or terribly alarmed by. I think you'll find out that the projects you've mentioned have been generously funded and the facilities are generous — completely generous.

Now if in the management of those capital projects, if there is some finishing off money that's required that — and I presume it was included in the original estimates — and so if the government has made its contribution, it doesn't . . . it's not about to contribute twice by saying okay, you know, we'll go back and give you additional money because you now want to change the final configuration a bit.

Now with regard to the Plains, I'll remind you of what the Chair of the board has said about these alleged cost overruns. They are not . . . they do not have cost overruns now. They are . . . For what they have built and what they have tendered, they're within budget and they do not have a cost overrun. The sensationalism in the newspapers has to do with there being a view that they may have cost overruns brought on by cost inflation. And that is because the estimates that have been first shown to the board show an inflation factor which is much higher than one would normally accept in a project of this nature. They are estimating, I understand, inflation costs in double digits and that's not normally what you would expect over the next two years on a project like this.

So that when this information came to light, which was only a very few weeks ago, the board Chair asked the department to work with it to verify the costs and the cost projections. And that's exactly what's going on. The costs and the cost projections have not been completed. The verification has not been completed yet but it will be shortly and that the projects, when it was reviewed — it's been reviewed now two or three times, as I recall, in great depth and this will be the third or fourth in-depth review of it — is that the amount of money that the department and government set to allow the rationalization to occur was adequate for the job. It included certain assumptions about inflation at the time which certainly seemed adequate. They may be a little low, but on the other hand that has yet to be proven. And the speculation about runaway costs on this project have more to do with hopes and aspirations for things to add on from . . . rather than what in fact has been approved in this project.

When you say that what would you do about cost inflation, well

the fact of the matter is when you've got a fixed budget and you've set down what it is you intend to purchase with that budget, the object of good managers is to find ways to achieve that as opposed to running off to say we can't possibly do it. And no one at this particular point has said anything about not being able to achieve it. The review at this point is to find out what the facts are for the future and then to put together a plan that will achieve it.

Now whether governments will pay cost inflation, they always . . . on capital projects you always make some allowance for cost inflation. In this example, apparently the international steel industry is having quite a nice time of it right now and their costs have gone up by over 20 per cent — somebody told me 28 per cent in past year. That kind of costing is, I think, a bit unusual. But it's the extraordinary inflation, if it's real, that has to be reviewed again. Otherwise the matter is just . . . the whole issue is a matter of living with what you've got and making it work.

Mr. Aldridge: — With respect to cost overruns and inflation, what if on a given project — let's say for example, of the Gravelbourg construction project — what if the reason for the increased cost is related to the delay on behalf of the department, essentially, in approving the construction proceed on the project and so, as a result of that, there's some inflationary costs that come to bear versus what you might suggest is the addition of something related to the sisters, let's say, of a chapel?

What if it would be related to just delays on the part of the department? Would the department then be prepared to take that into consideration and provide some additional funding for the project where it was proven that it wasn't any fault on the part of the affiliate?

Mr. Adams: — Perhaps, but not necessarily. And I would, most often would say that the answer is no. And the reason why the department, in the current way we do business, the reason why there might be a delay in approving something would be because the department's view is that the project could not be completed for the agreed . . . for the estimated amount of money in which we would — or the terms and conditions of the approval could not be met — in which case the department would insist that anybody associated with the project would stop long enough to figure out how to do it rather than how not to do it. And if that delayed for some while the approval of tendering or something like that, that would just have to be an absorbed cost of the project.

Now that's the general answer. Our approval process is fairly straightforward now and fairly swift if there is no disagreement about (a) the need for the project and the costs are within the amount the department can pay and the amount the district can raise. There usually isn't much of a problem with that.

We have had a situation, though, that there might have been a legitimate difference about what should be built, or some aspect of what should be built, and that while there was a more thorough needs assessment, which the department might have required, that a potential deadline for tendering or accepting a tender is passed and there's a cost difference as a result.

We would look at a situation like that. We would look at a situation like that. But I want to say again that if we agreed to compensate for that, we would build it into what the approved project cost was. So we will only pay to the approved amount not to a wish list. And we will not have, at the end of a project, some endless list of hopes for touch ups on these projects.

That was the whole object of changing our capital approach about three or four years ago . . . three years ago. What you're prepared to do is upfront . . . what you're prepared to pay is upfront and the department's contribution is known to everybody from the outset — not more, not less. It's known, and you can audit against it. You can raise funds, local funds, against that amount if you like. But that's our portion. We aren't the last dollar financier in everything except Crown hospitals, and even in those cases then we have the obligation to be fairly clear and absolute about what we will contribute as a province.

Mr. Aldridge: — Going back to the construction related to the Plains Health Centre closure, you have mentioned what you consider to be rather . . . perhaps overgenerous estimates of inflation with respect to the costs of construction ongoing. And yet on the other hand, you've cited an example where there's something like a 28 per cent increase in the costs of structural steel related to this whole undertaking. Are you anticipating that other costs are going to come in so much under budget that the entire project will end up being as budgeted? Is that what we are to assume from your remarks?

Mr. Adams: — First of all, I don't believe I meant . . . I certainly didn't mean to imply to you that I thought that the whole situation was exaggerated in terms of cost inflation. I said it was unusual and that we wanted verification. And that you know, it's normal, when you get a project of $82 million, that you would — if you were having multimillion dollar differences of opinion about costs or expected future costs — that you get more than one opinion. So that's what we're doing — we're getting architects and others from the industry to give us further advice about that.

If you find a particular commodity like steel has gone up by some large number, I've said that . . . Sort of in my mind, I think somebody told me from over there it was 28 per cent in one year, but it may be a little lower than that.

If you are good project managers and can't afford or don't want to pay that much money for steel, you might look at other ways of building the building without using so much steel. So that's just one of the things an architect would look at.

Now you think of steel perhaps as all of the struts and studs and that kind of thing that one normally sees, and that certainly is a big cost of steel. But there are other ways buildings are finished these days. Some buildings are clad in metal. So that if you want to reduce the amount of a high-cost product, you'd look architecturally at other products that can be used that might reduce your reliance on that one particular product.

In any event, you know we are debating to some extent an environment that is hypothetical. The cost review has not been completed with the district; the costs have not been fully verified. The one thing that is clear is the government pays and the department pays against an approved cost not a demand list.

And also, districts in some cases have done some capital renovation with locally raised money even in Crown hospitals. So for example there was some donation in Saskatoon for some capital work that was done in a field that some service club and one well-endowed private citizen was interested in supporting.

So those things can be brought to bear on one of these projects and can make considerable differences as you go through this.

Mr. Aldridge: — Was your response strictly a hypothetical one, or are we to understand that at this time there is work being undertaken to reduce the amount of structural steel going into the constructions on the hospital projects here?

Mr. Adams: — These don't directly pertain to the public accounts of the day. But what I'm saying to you is that there are experts in construction and program who have been meeting daily in a joint working group between the district and the department to look at all reasonable ways to make sure this project does what it was intended to do and is brought in on budget and on time.

And I say to you again: the government pays against an approved cost; if it is not an approved cost, it doesn't pay. And the job of managers in a situation where there is no . . . with the last dollar. And in this case there are not significant — or at the moment any — community contributions to these hospitals in Regina, or Saskatoon for that matter. Nothing huge. Nothing like 35 per cent. It is the job of the managers then to make sure that the job that they wanted done, which in this case is to combine three hospitals into two, is done for the total amount of the approved project. And that if there are some unusual costs in there that can be verified, obviously some effort has to be found to reduce other costs and bring that project in on budget.

Mr. Aldridge: — So is the health district then undertaking to re-engineer some of these buildings then? I mean this is what we're discussing here, if we're talking about changing the method of construction, and we're talking about additional architectural or engineering costs, I would assume, related to the project. Will there be those sorts of additional costs to bear as well?

Mr. Adams: — Well actually, this is work that's going on . . .

Mr. Sonntag: — Mr. Chair, just on a point of order. We want to be as cooperative as we can, but I'm just asking that you keep members on the year under review if you can. I mean it's up . . . it's your call on this but I think we're getting off the track a wee bit.

The Chair: — I've been interpreting that we're talking about the way adjustments are made to the capital projects and I think these are more of examples rather than specific inquiries. I think it's fair to keep it as general as we can and relate it to how adjustments happen in the capital budget. So I think you can carry on.

But I would like just to focus . . . The point of focusing on the year in review is there, but I think that in order to understand how adjustments are made to the capital and overall budget that it's useful information.

Mr. Aldridge: — Well if we want to get off this topic then and perhaps onto one that Mr. Pringle raised earlier which was one of a concern that some comments made by the new official opposition leader may have some impact on — now I might be being generous here in interpreting — but may have some impact on the morale of health professionals within departments within districts. Have you perceived any of that? Because certainly . . . I mean these are professional people that have a mandate and a responsibility to the public. Certainly there should not be any impact in their performance. If you might make some comment as to whether or not it has had some effect.

And also too, is with respect to the additional funds that a number of months ago now were promised by the government for health care in the province, has the department yet received any amount of those funds? And has any, in turn, been transferred to district health level? Because certainly I would suggest that if that money hasn't been that would have more to do with reducing the morale than would a comment made by the opposition leader.

Mr. Adams: — Well in my position I don't frankly have the time to measure morale against the remarks of anyone except my minister or premier. So I haven't got the faintest idea whether morale is up or down as a result of some viewpoints expressed by other leaders in the Saskatchewan field.

With regard to the expenditure of the 40 million that was promised, the answer to that is we've been paying money out for some time on that. Okay what's happened is they had to submit addenda to their health plan before we would approve how they were going to spend the money because there were commitments made about what it would not be spent for. That's been done. And then they were paid half of their entitlement as a block up front, and then we're paying quarterly for the remaining amounts of money that were to be paid out.

And most of the districts got their addenda in quite quickly . . . not all of them . . . but most of them did after the announcement.

Mr. Thomson: — Mr. Gantefoer, Mr. Minister, it's a pleasure to have you before the committee again. I want to follow up on a couple of comments made by Mr. Pringle and, I guess, that have been dealt with to a certain extent by Mr. Aldridge as well.

When I was reading the auditor's report I was impressed by how smoothly the transition has gone from a highly centralized system in health care administration here in Regina to a more locally administered. And I think that that is reflected both in the comments of the auditor. Then the fact that financial

accounting is fine and the . . . I think helpful suggestions in terms of how we can continue to improve on that decentralization that we're going through right now.

But I think it's also important for us to focus in on what exactly has happened as part of that decentralization, and I think it's fairly positive. I received in the mail this morning a progress report from the department on health renewal which emphasizes, I think, some of the very positive pieces. And I was impressed to read in this, for example, that by going to an integrated district health board structure, Saskatoon Health District was able to achieve savings of $2.1 million — administrative savings that is.

I was impressed to read that we have been able to increase the number of procedures that we're doing in terms of cataract removal, hip and knee replacements, coronary bypasses simply by us being able to redirect the money from costly administration into direct services which, as I understood, was part of the objective of us decentralizing the system.

I share Mr. Pringle's concerns that what we are facing now is again a clear choice between the direction, one in which we have community involvement and community-elected people dealing with the health boards. Or we have a system where we not only fire the health districts, but we abolish a whole level of local government which has been in place.

I think that this is an interesting debate that we'll be no doubt pursuing over the next couple of years as the Liberal Party attempts to sort out its internal differences — sort out who's in fact running it — and come forward with a clear plan as to what its alternative is. But as it relates to what we're reading in terms of the health districts, I think that this is an unqualified success, and I want to congratulate you as a department. I know this is obviously a difficult thing that you have been having to do to implement as we decentralize, but I think it has worked.

The only other general comment I would like to make, and I guess it's perhaps a little bit more specific, concerns the situation obviously here in Regina as we look at the construction costs and the capital costs of us moving towards a better health care delivery system, better facilities here. As I understand it, the current situation with the health district's plans, which I think have been inappropriately cited as the closure of the Plains hospital, the closure of the Plains hospital does not cost $82 million. That's not correct. The capital plan for the district in fact deals with many other things.

For instance, the upgrades of the Blair Memorial Clinic. It's very important to Regina citizens; it's very important to southern Saskatchewan citizens. It has nothing to do with the closure of the Plains hospital. The changes which are undergoing at General hospital here in this city are in fact moving ahead in a very positive way. And in fact as I read the newspaper reports the other day, I saw them considering things that I didn't know were in the initial plan — for instance, putting in space for an MRI (magnetic resonance imaging) in Regina. Well this is a certainly a new addle to the project.

I guess my question to you, Deputy Minister, is, as it relates to the auditor's report in the year under review, are there any specific areas that we need to be concerned with? I mean as I look at this in terms of the . . . it appears that the major bump is over with, that in fact we've had a relatively smooth transition. So my question to you is: are there any areas that we need to be particularly concerned with from your standpoint?

Mr. Adams: — I'm very pleased that you found the public document that you've got there useful. It is a public document and it is extremely new. And for your committee, Mr. Chair, if you don't happen to have it here today, we'd be glad to send some copies down because it does review several things that have been achieved in the reform in the past three years and gives hard illustrations that is moving in the ways that were promised and moving in some cases more quickly than we had even thought was possible ourselves.

With regard to an overall approach on financial health of the districts, I think that we are . . . there are not places that should be overly concerning to you; that I think we are past the most difficult step of the transition in getting the management in place and the fiscal house in order and getting new systems developed that would give a kind of information to you and to the public that is more meaningful than it was in the past and is transparent.

That is not to say that everything is finished in respect of this management transition — it's not. There is a lot more to be done. It's not something that is in all cases going to happen quickly because putting information systems in place that will yield the evidence for health status changes from year to year or generation to generation take time and the field of systems is complex and it is expensive to put in place.

So we're moving systematically in all of the areas but we are certainly not finished. We have over the past three years developed a relationship with the Provincial Auditor which is, I think, more healthy than has existed in our department in a long time before that.

So we have found that by working together on some of these issues has proven to be a benefit; that is not unlike some of the other areas that we are attending to. Where you can work collaboratively and not sensationally with other players and partners, the end result is quite good. So that I feel that on the fiscal management side there is much more control and much more transparency and much more attention on this than you've had in prior years.

In respect of the state of health delivery — and I'm taking some latitude with my answer here because I wasn't exactly sure whether you meant the state of our financial health or the state of health reform and where we are heading on that — but I . . . the other part of this is that most of the most difficult restructuring has been finished and that we are past what is now just about to be faced in a place like Ontario. They are at the front edge of major restructuring and we are on the backside of the restructuring.

There is . . . very shortly, I would think, that we would be in a position where the changes on structures that have to take place

would be those changes that are brought on by demographics. By the movement of population; the ageing of the population some place; or new populations forming around towns that have some kind of expanding industry, and you have to build a little bit here and you subtract a little bit there. It becomes more of a marginal year to year adjustment as opposed to anything very dramatic.

I think we're soon getting to that point. And of course the major part of our work now has to address the improvements in service delivery. It is not just doing more of what we used to do in the same old way. That's what we're trying to get past. We're trying to do things in different ways to make it possible for all of the health workers who have capacities beyond which are being used to be able to use that contribution in different ways. Put their skills together. Start with some new ideas about how you actually provide helping services to people. Put it together in different packages and test it.

Now we have some of this going on in pilots here and there, but not enough of it. And I think that our . . . The excitement for us is now to be able to get into the area where we're doing some new things differently and better with workers and having a better outcome for the investment in these human resources and these workers.

That's the part that we've been trying to get to, and we have started this. But it's not yet catching a lot of public attention because it doesn't sell newspapers to say things are right, are going in the right direction. What catches . . . sells newspapers is things are wrong or sensationalism about some glitch somewhere.

So we're . . . if you saw, the nurses came in, the SRNA (Saskatchewan Registered Nurses' Association) came in to meet with the minister and the department last week; and social workers are with them, and others. They're saying, you know, can we do things, can we start testing some things, differently? Let's get back on these ideas about wellness and get back on trying to get some intersectoral activity going. Can we get moving in these directions?

I think everybody wants to be able to say hallelujah, yes. We've all wanted to get past this restructuring stage, which is so difficult but gives us the space to be able to move ahead in other directions.

The Chair: — If I may, to the members of the committee, while I recognize that operating in real time is a lot more fun, I think that more appropriately that is the kind of debate that we will look forward to in the House of the Assembly. And I refocus this — and I have continued to try to have a balance of things — but I do refocus us on our mandate, which is fundamentally as a review of after the fact, post-audit, if you like, review of the committee, of the review to look at the issues that the Provincial Auditor and members of this committee have raised, to see to it that out of that learnings that we can give direction and recommendations to the department and to the government as to how things can be done better in the public interest.

So with your support, I would like to skip the names that I have on the speaking list at this stage unless they are going to focus now to the year on review, and begin to move forward to the Provincial Auditor's recommendations. If that can be met, then I . . .

Mr. Pringle: — Mr. Chairman, would I be permitted to — I know I've had my opportunity to speak — would I be permitted to just take a second to clarify a misunderstanding of my comments?

The Chair: — No. I think that the comments have been made and the rebuts given on both sides of the issue have been in terms of current time. I would like us to move to the issues at hand and I'm sure there'll be ample opportunity to clarify your position to Mr. Aldridge.

So if we could move forward at this time to the recommendations and the issues in the review.

A Member: — Grandpa's getting grumpy.

The Chair: — Grandpa's getting grumpy. Actually grandpas have a fair more latitude than fathers do, I've come to understand quickly. However that's another topic.

What I think has been a successful way of operating in the past is to move to the recommendations as outlined. I will allow any questions and specific members of the committee to ask questions for clarification.

If that is not required, we have a number of ways in which we can deal with them. We can concur with the auditor's recommendation, we can disagree with it, or we can, I guess, move something entirely different that we feel is appropriate. And if that's an agreed-to process and procedure, if we complete the report before our designated time, then I certainly would allow again more digression from the agenda as the committee sees fit.

Are we agreed that is the process we should follow? I believe then the first recommendation that is before us under chapter 8 is recommendation, on page 101, .27.

Mr. Pringle: — Mr. Chairman, I will concur with that. I'd like to note though, that I think we should acknowledge that the service agreements are an important accomplishment regarding the accountability, and recommend that as these are renewed . . . the Department of Health and district health boards, as they review these, they should in fact comply with the auditor's observations as appropriate.

The Chair: — Any comment, Mr. Adams?

Mr. Adams: — No, that's acceptable. I would like to bring one point to the committee's attention and that is, while we think that the districts ought to be reporting to us about how they're moving towards compliance on a number of issues, if one takes the words that are used by auditors, like operational and compliance audits, that's a very specific kind of audit, and can be quite complex and very costly if you get into the detail of all

that. So while we want reasonable information about compliance, I simply don't want to have to lay on a requirement to districts that will drive up auditing costs further.

The Chair: — Are there any other questions or comments? If not, are we agreed?

A Member: — Agreed.

The Chair: — Recommendation .33 and .34.

Mr. Pringle: — Thank you, Mr. Chair. I again agree with this. I think it's important again that the committee note the development of the health plans as an example of improved accountability, and commend the Department of Health and the district health boards for doing these in a relatively short period of time, given their existence.

And I think there's another aspect to this, is that these health plans are big tasks, and while they should be submitted at the earliest possible convenience, I think it's important to make sure, at least in the early stages, that these be developed and implemented . . . or developed and presented ensuring good community input at the district level.

And that does take some time, to get those processes worked out. I'm sure the auditor recognizes that, but I think it's an important point, because as important as getting them submitted, I think is getting them submitted with the input and the comfort level of local people. I accept the recommendation.

The Chair: — Point .33 we're at. Any comments, Mr. Adams?

Mr. Adams: — Yes. Briefly, with what's been said, I just would emphasize that in trying to simplify these plans a little bit, we are urging that the districts — and we'll help them — get to a strategic plan and a strategic direction as opposed to becoming so immersed in detail that it takes longer to prepare and doesn't really provide all that much help. So we're moving in this direction next year.

The Chair: — Any questions or comments? If not, are we agreed? Agreed. Point .33 and .34.

I think maybe we've got things just a bit backwards. I think it would be useful — and it's my fault — I think it would be useful if we asked Mr. Adams to comment first. And then out of that information I think then we can make a recommendation. So I apologize for getting things just a little backwards.

So on .34, Mr. Adams, would you care to comment?

Mr. Adams: — Thank you, Mr. Chair. Obviously we believe that districts have to have a longer financial time frame than a single year. And we have provided them in fact with an indication of a three-year minimum budget. That was done last year. I think one has to be careful about whether an absolute budget can ever be provided three years in advance if you have a highly . . . if you have a changing fiscal environment or economic environment as we have in Saskatchewan.

And also, no matter what we do about giving a district a three-year financial target, keep in mind that we're still working with a funding formula where money follows people and where the services . . . The district that provides the service gets the money one year, at least, after the event. So that there's internal allocation changes over and above having a three-year, or two- or three-year fiscal target for us in the department. And both things together have fiscal impacts on the districts.

So the districts have said to us they would like life to be simpler and much more definitive so they can plan to it. Except that in a fiscal environment, it's not going to be perfect, because it can't be, unless you were to freeze-frame all fiscal planning.

So what we've been talking to districts about is planning with alternate scenarios — not all that different, but you know, it gives a little bit of flexibility in terms of what one would do in a more developing economic environment as opposed to a flat economic environment.

The Chair: — Thank you, Mr. Adams. And I interrupted you, Mr. Pringle, so I'll recognize you first, and then Mr. Aldridge.

Mr. Pringle: — Well go first; I'm just still thinking about what Mr. Adams said in terms of . . .

Mr. Aldridge: — Mr. Adams, with respect to funding formulas and under needs-based funding, and if I were to take and attach what were your words earlier with respect to funding where you said at least one year after the event that funds would flow related to formulas, is that like a precise statement on your part? It's at least one year? What sort of a period of time are we dealing with? What would be the maximum number of years?

Mr. Adams: — Well I meant to say one year, but it's the question of how quickly the system can actually track the patient and get it into our machinery so that we can say, you know, Mr. Adams from Moose Jaw actually got his service in Regina when he could have got it in Moose Jaw. And we add up all those Mr. Adamses, both going and coming, and for acute care and long-term care, and we balance out the money according to where you actually got the service.

We would do that, since we count from beginning to the end of the fiscal year, the balancing of all that can occur, at the moment, at the end of the fiscal year. So the adjustment would occur, you know, 12 months after the first event and just a few months after the last event.

Now if our data systems can be modernized, that adjustment . . . everybody would like that adjustment to be more rapid. So the aim is to . . . you know, there's no particular reason why you wouldn't or couldn't make mid-year adjustments on that cash flow. But so long as you weren't jerking around the penalized district too much. I mean the district who was providing the service would find it helpful to get their money faster, but the district that was paying it out and not providing the service can't always adjust their program as quickly as . . . you know, it may take months to do it so that they aren't re-hurt by the movement of money faster than the time frame of one year.

Mr. Aldridge: — If I could, a specific instance. With respect to the Prince Albert Health District, where under needs-based funding I believe there should be additional funds going to that district, I'm told that they've been told to expect up to five years for those additional funds to come to their district. And could you clarify if that is a correct position, and if so, why?

Mr. Adams: — You have just identified the other big financial factor in that funding formula, which is a different factor than what I have just explained to you. And it's important so I'd like to try and explain it.

The factor I've been explaining is where you have an established budget at the beginning of the year, and whether it's higher than target or lower than target is immaterial for the moment. It is that you have an established budget and then your population, for whatever reason, chooses not to use the services available in your district, goes elsewhere to get those services, and then our commitment is to have the amount that those services cost track to the place who delivered them.

Now the point you're raising is a situation that was an inequity that arose at the point when we introduced population-based funding, and that our funding formula is based on the number of people in your district and it's based on some adjustments for having seniors and then youngers, if you like, especially new parents, and some aboriginal factor. It takes that into account and you get a target for what you should, on an equitable basis weighted by some of these other factors, what you should get financially. It's like a capitation amount. And then we would put that money out to you, to your district.

When we first worked out that formula, although most people . . . in fact I can hardly think of anybody who didn't agree to the fairness of the formula. When you applied it the first time round to the whole province, you found that some districts were getting as much as 40 per cent more money capitation-wise than they would under the formula they had been getting, if you like. The historical approach gave them 40 per cent more than they were entitled to, and other districts were considerably less. They were underfunded.

And I'm not . . . This is a matter of history really, as opposed to any devious plot. It's the way that it happened. And when you took a look at some of these districts, it turned out Regina and Saskatoon were underfunded as well because people were drifting into the cities for their services over the years.

And not just for services; they were moving in. And many of the rural and smaller areas had big infrastructure and big costs out there per capita but they didn't have so many people to use them any more.

So we looked at this and found that if we were going to make it all equitable in one year, we would've taken a third of all the districts and basically destroyed them financially in a single year to move the overfunded money into the underfunded districts. So that we felt that although it was an equitable formula, the short-term consequence was too great.

And so what we did, with the cooperation of the districts, was to say that after the funding each year is worked out, what we will do is put a maximum amount of percentage on how much can be moved on this equity piece in a single year. And so we figure out what a district could at maximum internally bear, to get down closer to what they're equitably entitled to. We've been now going at this for three years and a lot more districts are very close to being equitably funded now. There's not any longer 10 districts that are massively overfunded.

But in a case like Prince Albert, I do not confirm, but I would not deny, that we've told them that to get up to the level where they are funded at what was targeted as the equitable amount for them might take up to five years to get it out of the districts that are overfunded.

Now what I can also share with you is that the underfunded districts were historically underfunded too. So they had not built . . . I mean they're not so horribly penalized as a result of that issue. They simply do not have as much financial flexibility to build new services, but they had not historically built infrastructure which we're not paying for now.

So that of the two situations, the more desperate, or the more difficult, of the two situations is the overfunded district that is trying to shrink as opposed to the underfunded district that is trying to grow.

Now my explanation of that, I realize sounds . . . in listening to myself, sounds awfully complex, but that is a different adjustment from the population movement, as I said to you at the beginning. If Prince Albert are providing services for people from Melfort, for example, or Tisdale, they get paid for those services.

Mr. Aldridge: — In terms of another adjustment, if you'd have it, also within the context of setting out plans, and perhaps if you would afterwards, there's a specific name that's associated with what was a factoring or an adjustment provided to older health care facilities in the province — ones which weren't operating perhaps as efficiently as newer ones, which my understanding is has now been removed and would seem like a fairly drastic action on the part of the department.

Would that not have been better to have taken a step like that more in context within a more long-term strategic plan? Because that has had a rather dramatic impact on some health facilities in some districts. And if you might just be able to make a comment on that, Mr. Adams.

Mr. Adams: — Yes, Mr. Chair, at the beginning of all this funding the object of course, has always been to get to an equitable funding base, on an adjusted capitation basis; that's what all of this is about. However the route of getting there has been torturous at times, and we've put in adjustments to attempt to either allow time for some districts or some facilities to get through a transition where they could put themself into a financial state or put themself into a service state that allowed them to do what they had to do for the dollars that they were entitled to.

And we had put in a factor at the front end of this formula

called a . . . which was a cost adjustment factor, as you identified, which had, I think, particular impact or benefit to two kinds of facilities. One was a relatively new, but very small, hospital or facility. And when we say . . . And what happened is, their unit costs were quite high as a result.

And the other, I think had to do with . . . It helped some of the integrated facilities again. They tend to have relatively new facilities and relatively small utilization, and we put in an adjustment factor to protect some of their financial base for a transition period.

It turns out that after a couple of years, the benefit was enjoyed by a smaller number of districts. And I eventually got a large number of districts to come in and say that this was unfair; that the vast majorities — two-thirds of the districts, actually — were subsidizing this point of history on top of many other subsidies that we had or adjustments we had put in place. And they asked us to cut out this particular adjustment. Nineteen of the districts came in as a group, as a matter of fact, to ask for that.

We turned the question over to a . . . What we have is a funding user group, which is an advisory group of the districts, along with some experts on funding, and they advised us to drop that factor, so we did. That does not mean that those groups still don't enjoy some of this paste change in bringing down the overfunded to the target amount. They still have that benefit, but they do not have, over the top of that, a special adjustment . . . (inaudible) . . . because of their historic circumstances in this unit cross situation.

Mr. Aldridge: — Just one thing further, if I could, Mr. Chair. Would it be fair then to say that really this adjustment factor was more sort of a tool of social policy more than it was really a dollars and cents issue? Find there are some health districts who feel slighted in this whole exercise; however there are districts existing out there which needed those adjustment funds. And isn't there, shouldn't there be, some factoring in there for, like a social good?

Mr. Adams: — It's difficult just at the moment for me to accurately characterize it. I think this adjustment, for example, was not something that was considered as a policy item by the government. This is a departmental thing. And it had to do with the department's assessment of how fast you could phase in some of these changes. And when you take a look at where . . . who benefited by this particular cost adjustment, it was fairly spread around the department . . . or around the province.

I mean it wasn't . . . I can't . . . I believe that 10 districts, 10 smaller districts, actually had the most benefit from it, but it was an attempt to phase funding changes at a pace that could frankly be managed by the districts and by some of the communities. And this cost adjustment factor you see really benefited individual communities more than most of the other things which are a benefit to districts as a whole.

And that if you . . . when on this cost adjustment we were targeting certain unit cost plants that were way out of line and couldn't pull themselves into line very quickly, and so we gave a subsidy to those districts to try and help them out because of that cost picture.

So whether it's social costs or social policy, whether you consider it transition arrangements, call it as you will, that's what it was about. And I think the adjustment factor is gone now, so I think the groups will get by.

Mr. Aldridge: — Well given that the department saw some merit in it, whether it be as you refer to it, as transition period adjustment, or whether it have some social implications, could the department not recommend to government that it become some policy; that some sort of fundings continue to flow to allow these facilities to continue to operate in the manner that the people of those areas would so wish?

Mr. Adams: — Of course the department can make a recommendation to the government on any matter. Whether or not the government chooses to adopt it is their prerogative. In this instance, on this particular adjustment, I mean I'm not very keen in recommending to the government policies which will sustain indefinitely inordinately high unit cost facilities that may not be needed at that level of funding.

I mean for everybody who is funded . . . for every facility that is overfunded relative to its equitable capitation amount, somebody is underfunded. So that I've got to be looking at the ones who are underfunded. You point out Prince Albert — good point. They've been underfunded for years, and there are other districts in the same situation who are underfunded.

Regina and Saskatoon, on provincial programs, are underfunded, and that's what part of this 40 million this summer caught up for them. And if we indefinitely allow the capitation, the equitable capitation, to be distorted, it makes these short-term financial crises all that much more predictable.

And I just repeat, for everybody who's overfunded is being supported by somebody who is underfunded. So if we saw a situation where there was going to be a breach of the Canada Health Act or a severe social penalty applied or health penalty applied to a community because they just happen to have a very high unit cost operation that could not be sustained by the district, but it was necessary, of course we would step in and have a look at a situation like that. I can't tell you what we'd do about, but I can tell you we'd have a look at it.

But as a matter of generality, there is no way the department will recommend to the government that all high cost facilities be subsidized with special money because we don't get any more money just to do that. It comes out of a global base of money to the department.

Mr. Pringle: — Thank you, Mr. Chairman. I certainly . . . the spirit of the recommendation by the Provincial Auditor is to allow and support long-term planning. And I certainly agree that the district should have an indication of long-term or future funding as best they can. I guess, as has been pointed out by Mr. Adams, that can fluctuate year by year based on . . . and we can spend $70 million on forest fires or 30 million. And you really never know that.

And I guess the other point, it seems to me, is that only in the legislature on a year-to-year basis are the budgets actually approved. And given what Mr. Adams is saying, I wonder if we could recommend something like this. To the best of the department's ability, it provide the districts with an indication of their funding levels over the next two or three years. I don't know how else you word it, because you can't control how the population moves.

The Chair: — Perhaps we might support the auditor's recommendation, noting those variables in the funding formulas outlined by the deputy minister.

Mr. Pringle: — That's why you're the Chair, I guess.

The Chair: — Is that all right? Would that be agreed? Agreed.

Thank you. Item .39, page 102.

Mr. Adams: — We agree. And we have asked that the district health boards . . . well we're now providing — getting — quarterly reports, so it's an improvement on what we've got already.

Ms. Stanger: — I just wanted to . . . Well I should say congratulations to Mr. Chair, and welcome to the auditor and to Mr. Adams and his officials. I just wanted to say, in this area, that I agree totally with the auditor. And just to give you an example of how well — I'd like you to comment on this afterwards, Mr. Adams — to give you an example of how well this is working in a community-based decision making, which I agree totally with the boards.

Twin Rivers Health Board has started a long-term project to enable to measure and report on the cost and effectiveness of its services. The district needs to set up its books, records, and systems to help measure and report on the cost of its services, whether services are effective, whether services are delivered efficiently, and make resource allocation decisions.

The district calls this model, CDM (client-focused decision-making model). And this is just a point that I'd like to say: here is a small, rural health district, Twin Rivers Health District, and they have been able to come up with this type of decision. And let me just say here that I totally support the Health districts, as opposed to some other politicians in this province. I support this. And this is a prime example of how reporting can be effective and efficient. I'd like you to comment on that.

Mr. Adams: — Well I'm aware of that project and I'm also aware that the Provincial Auditor is involved in helping with that project.

Ms. Stanger: — Yes he was.

Mr. Adams: — And that I think it's an exciting thing to see through because it could perhaps be a model for the rest of the province. So we're waiting for the results of that piece of work with a lot of interest.

The Chair: — So we're adopting the Provincial Auditor's recommendation. Is that agreed? Thank you. Item .44.

Mr. Adams: — I think that first of all we agree. I think that's sufficient; we agree.

The Chair: — Is there any comment? Are we adopting the Provincial Auditor's recommendations? That's agreed? Item .49.

Mr. Adams: — The department is reviewing its internal financial reports to ensure that they do meet the needs of senior management to plan appropriately and adequately. The Provincial Auditor and the department, the auditor has noted that the department is developing written rules and procedures and that these will be applied to the internal financial report. So we are in agreement.

The Chair: — Then we are adopting the Provincial Auditor's recommendation .49. Agreed?

Ms. Stanger: — Mr. Chair, could I just make a comment to Mr. Adams, and I'd like him to comment on this. In the past two weeks I've been working with citizens in my area and the health board. And I would like some in-service done with the chairpeople of the district health boards. I know that you have done this in the past, but I'll tell you where it's sort of lacking, Mr. Adams, and that is in these rules and procedures and this accountability. Some of the folks do not understand — they think it's bureaucracy — they do not understand that these are recommendations made by all-party committees. They do not understand that this recommendation's made by the auditor; that this is a part of our accountability; that we must proceed and do this for this.

Now I could send out, you know, copies of the *Public Accounts* to district health boards in my area. But I'm afraid that they might not read them because they get so much paper. It would seem to me that . . . well I'm judging by myself. I guess we do judge by ourselves. But I think it would be very timely — I don't know if you agree with me or not — to at least explain to the district health boards why these procedures are in place.

Many times they do not understand and they think it's just bureaucratic bungling that is making them do some of the things. And they don't understand that it's the accountability that we want, because we want these things to work really well; that we take the auditor's recommendations, we take advice from the opposition, we take advice from everybody so that this works properly. We want the best health system in Canada and I think we're going to have it when we're finished. It's just a suggestion to you.

Mr. Adams: — Well thank you for the suggestion. Mr. Chair, we have the Health Districts Advisory Committee which is a very important group that works with the department. It represents all districts, but not every district sits on that advisory committee. They have asked for some training along the lines you've just discussed and we are going to do that with them.

And what I will promise you is that at their next meeting, I'll take up the point you've raised more fully. Because there are opportunities to do some training and upgrading with all the district Chairs at their quarterly meetings, which they have. And that this may be one of the things we can get scheduled for you.

Ms. Stanger: — I'd really appreciate it, Mr. Adams.

Mr. Adams: — Sure.

The Chair: — Okay, on item .49, do we concur with the agreement and note the progress being made? Is that agreed?

A Member: — Agreed.

The Chair: — Point .50?

Mr. Adams: — We're agreed.

The Chair: — We adopt the auditor's recommendation. Why I'm being careful of this, the Clerk has asked me to make sure it's clear which way we want it so he knows how to put it in the report. So we adopt the recommendation of the auditor, .50? Agreed? Thank you.

Point .55?

Mr. Adams: — This one, I wanted to tell you that we're considering the Provincial Auditor's recommendation in this respect. We just need to look at the implications of this more fully. So I can't tell you that we're agreed, but I'm telling you we're certainly looking at it in detail.

Mr. Pringle: — Could I recommend that this committee supports the spirit of the recommendation but recommends that the department and Provincial Auditor continue to work this through.

Mr. Aldridge: — The recommendation that we see before us certainly, I would think, would be something that could be undertaken with very little, if any, additional costs to the individual districts. Whoever they engage as their internal accountants, the sorts of comparisons we're asking for here, I don't think would be that onerous upon them.

The Chair: — The comment that was made to me by the auditor is this is for the department itself, not for the districts.

Mr. Aldridge: — Okay, I'm sorry. But the same thing applies. I mean comparing actual to what were original, I don't think it would be that much additional cost incurred, or effort.

Mr. Pringle: — I'm going to make another recommendation then, Mr. Chair — that the committee encourages the department to review its internal financial reports to ensure that they meet the needs of senior management to plan appropriately and adequately, because there may be other measures required than just these two. Would that be acceptable to the committee?

Mr. Adams: — That's acceptable to us.

Mr. Pringle: — Because it's a little broader as well, which might incorporate these two points, but there's other information . . .

The Chair: — Perhaps we should have a motion since we're moving away from this a fair little bit, just so I can get it clear and get it into the record.

Ms. Haverstock: — You can just tell me whether or not I'm right or wrong, but the way that you asked your question, you looked to both the deputy minister and to the auditor, and I would be most interested in the Provincial Auditor's response to your question.

Mr. Strelioff: — Can you restate the question?

Mr. Pringle: — Well basically what I was suggesting is that, and I'll put this in motion form:

> That the committee encourage the department to review its internal financial reports to ensure that they meet the needs of senior management to plan appropriately and adequately.

And I was trying to accommodate your recommendation and the deputy minister's clarification that required additional work here. So I'm just trying to find a middle ground here. There may be some additional things that would need to be taken into account than these two points, is what I thought I heard Mr. Adams speak to. I would be interested in your comments.

Mr. Strelioff: — Chair, members, your comments seem reasonable. There would be . . . you could link paragraph .55. We focused on financial reports but there's also non-financial activities that should relate to what you're spending your money on. This recommendation focuses on making sure that departments have budgets for . . . by month or by quarters and then compare their actual results with the planned results; and you could do that in a financial sense as well as a non-financial sense. So your words tend to move it also into an non-financial report as well as a financial report, I assume.

Mr. Pringle: — Yes, because other considerations, we're talking about the ability to manage adequately; so there may be some of those other considerations. If that's clear — I mean I could put that in motion form but I don't know if that's satisfactory to you.

Ms. Haverstock: — I guess one of the things that I would appreciate because I was talking about it in the broader context of .03, which is the bigger; and this, to me, seems much more specific because it's ongoing, rather than dealing with the difficulty that arises from an estimated expenditures and then all of sudden you have the actual. This really would be an extraordinary way of being able to be . . . having ongoing accountability. And I think what would be useful would be including somewhere that there would be opportunity for comparisons, like ongoing comparisons. In other words, some measurement taking place.

And I don't know if you can include that in there but that's

what seems . . . there are two words that seem to come up throughout each one of these chapters, and one of those words is timeliness and the second deals with measurement of objectives, especially when you are comparing actual with what was predicted. So you know, that would be extremely useful information. So I'll just leave it in your trusty hands, Mr. Pringle, to come up with the proper motion.

Mr. Pringle: — Well, Mr. Chair, I'm not sure this would exclude that. I think that would include that. Could I just take . . . I've got it half written and just see what you think.

Ms. Haverstock: — Sure.

The Chair: — While Mr. Pringle is completing his motion, I don't want everybody to scatter because I'm not breaking for coffee, but take the opportunity to replenish your water or your coffee. Our agenda time is till 4:30 and I want to make sure everyone works hard today.

Yes, I am reminded to point out that we do have the Public Accounts Committee photograph tomorrow at 1 o'clock instead of meeting at 1:30 that's on your agenda. So once reminded, I warn that blue jeans probably are not the order of dress.

You have the motion?

Mr. Pringle: — I have it if you can read it. Lynda, I tried to incorporate it at the end. I don't know . . .

The Chair: — Okay, I have a motion submitted by Mr. Pringle:

> That the Public Accounts Committee encourages the department to review its internal financial reports to ensure that they meet the needs of senior management to plan adequately and appropriately in relationship to the Provincial Auditor's recommendation.

Are we agreed? Carried. Point .63.

A Member: — Yes, we agree.

The Chair: — Department agrees. Are we adopting the recommendation?

Ms. Stanger: — Just to add a short comment. I just wanted to emphasize here the innovativeness of the districts, and again I'd like to just make a short comment on this.

A rural-urban partnership was formed in August of 1994 and it brought together Twin Rivers home care, Midwest, Parkland, Gabriel Springs, and Saskatoon health districts. And the health board districts' reps were concerned about the length of time referring physicians outside of Saskatoon waited for reports from the Saskatoon District Health and from the acute care sites and also from the doctors. Thus referring physicians indicated they wanted to be kept better informed of their patients' discharge, treatment, and operative procedures.

And I think this is really important, having been through an experience myself just this fall. I think it is very important. This was an important partnership and I know that from my own experience that Twin Rivers and the local doctor often do wait. And I think it's really important that this transferred information from one system to the other is going to work much better.

I mean this is something that 10 years ago, when I had surgery in Saskatoon and just came from my home town in Maidstone, this was not done very efficiently at all. And now you have again, surprisingly enough, health district boards making this kind of commitment amalgamation. And many of these are small health district boards but they have the expertise and the sense to do this. And I'm sure that we're going to get better reporting from referring physicians because of the way we've done this. And I'd like you to comment on this too, Mr. Adams.

Mr. Adams: — Well the transfer of clinical information is of course a pretty vital part of an effective health system and it's got to be done under very secure conditions of confidentiality. The new automated system that we are working with and hoping to see brought into Saskatchewan will make that, your particular observation, very . . . it could move very effectively. Like we're talking about a 21st century kind of view of the holding and view of . . . and movement of data.

I think that there are imperfections in the current system now and there are lots of reasons for it. And I don't like to hear of patients being held up while records track around, or referral reports getting back to the family practitioner. Where partnerships have been worked out amongst doctors and other clinicians to make this work pretty effectively on even a manual system, they are to be commended.

Ms. Stanger: — Thank you.

Ms. Haverstock: — Thank you. I just want to make a comment on this that I would like to have on record, and that is that, we never know when it is that we can take information and glean from it something that can be profound in nature. And I think that this recommendation is far more important than most of us would ever begin to understand, especially with respect to future research.

And one of the things that happens is, when information from one system is not adapted to a new system or is lost in some way, we don't know what has disappeared. And I know that in this province we've been far more perhaps responsible and adept at being able to keep records, for one thing, that has been able to used for even longitudinal research.

I'm very pleased to see this recommendation here. I know that in all likelihood it was given for a different reason, but I wouldn't want us to lose sight of how important an aspect research is. And of course confidentiality is included in that. I don't think that . . . I think there have been very few breaches of confidentiality in Saskatchewan when information from systems has been used, but it most certainly has produced some very, very valuable information.

Ms. Stanger: — I agree with you.'

The Chair: — Any other comments? If not, do we support the auditor's recommendation and note the department's intention to comply.

Point .64.

Mr. Adams: — We agree.

The Chair: — Now I just want to make sure what we're agreeing to. Remember that if we adopt a motion or we adopt the recommendation, it becomes our recommendation. If we support a recommendation and note compliance or things of that nature, then it's a matter of ongoing record that we follow up on so it's treated just a little differently.

Okay, Mr. Adams agreed, and we're saying that we adopt this recommendation. Agreed.

Ms. Haverstock: — I'm confused by what you just said in terms of the differences. If we adopt this, what is that . . .

The Chair: — If we adopt it, it becomes the committee's recommendation.

Ms. Haverstock: — Right, okay.

The Chair: — Okay.

Ms. Haverstock: — So what's the difference?

The Chair: — Well it's a little stronger I guess, because the minister has to respond to our recommendation; where if we recommend or we concur with the auditor's recommendation and note that progress is being made, it's not a direct requirement of the minister to reply. Right?

Ms. Haverstock: — Okay.

The Chair: — If they are not complying then we adopt it, which demands a response from the minister.

Ms. Stanger: — We knew what we were doing until you went to explain it.

The Chair: — The difference is, if the department is already complying, what is the point of asking the minister to reply to a recommendation that we have now adopted, which becomes our recommendation, for the minister to then report that the department is complying. The department has already told us that.

So by saying that we concur with the recommendation, we note that compliance is in progress. If we adopt the recommendation, it becomes our recommendation, to which the minister then must reply.

Ms. Stanger: — Well we haven't said adopt them, Mr. Chair.

The Chair: — Yes, we did.

Ms. Stanger: — We said agree, which is concurring.

Ms. Haverstock: — Now I'm wondering about what in the heck I was sticking my hand up and saying, uh-huh to all the time. Was I . . .

The Chair: — Or else saying we adopt it and it becomes . . .

Ms. Haverstock: — On all these previous ones?

Ms. Stanger: — No, we agreed.

Ms. Haverstock: — So that the minister is ultimately responsible to respond to each and every one of these that you've said that we . . .

The Chair: — If we adopt them.

Ms. Haverstock: — . . . adopted?

The Chair: — Yes, and the ones where we concur . . .

Ms. Haverstock: — If the departments are already concurring then you . . .

The Chair: — When we concurred, when I noted that we concur with the auditor's recommendation and note the progress being made, then that is a concurrence.

Ms. Haverstock: — Then it doesn't have to be responded to by the minister.

The Chair: — No, because the minister would reply that the department is complying.

Ms. Haverstock: — So then why would we make this extra work that becomes almost irrelevant. Mind you, most people who would be observing us would consider that that would be the case anyway in many instances. But I guess since the deputy minister has just said we agree with this, and we have concurred with it, can we not then assume that they are adhering to this or they are in compliance with this already? Why would we then require the minister, by our saying . . . okay in other words, we're requiring the minister to then respond to this if we put it in our report as our adopting it.

The Chair: — Yes, and that's why I'm trying to differentiate between these two circumstances.

Mr. Thomson: — Well I would agree with Ms. Haverstock. In fact I would support, concur, and even adopt what she's saying.

Ms. Stanger: — I agree with her totally — that's what I thought we were doing.

The Chair: — But that's what I'm attempting to do.

Mr. Flavel: — That's why he wants clarification.

The Chair: — That's when I noted that there is a difference if we concur with the recommendation or we adopt the recommendation where progress or concurrence is being made. That's why I've suggested we are concurring with the

Provincial Auditor's recommendation. That's the difference, and that does not require the minister to directly respond.

Ms. Haverstock: — Yes, I think we should reserve what we want the minister to respond to to something reasonable in number and significant in importance.

The Chair: — That's why I'm attempting to make that distinction, as required by the committee Clerk. Point .72.

Mr. Adams: — I'm not sure whether I'm concurring or agreeing, Mr. Chair, but if you want my remark, I'll tell you what it is and you can then figure out what I've done.

The generality of this recommendation is it applies to our hope to improve health systems that would give us information to yield health status information, effectiveness information, and cost-of-service information, in a way and with an insight that we now don't have.

We all want to move in that direction. We spent actually, I think, several days in this committee over the past two or three years talking about this hope and to build systems that do this. We are, in a small way, getting at some of this information now, although it is not in a fully developed system. I think we have better information on costs of services than we have on health status indicators.

We are moving in the right direction here and we have also this group that are so important to us on advising about the changes and the administration of our system — this Health District Advisory Committee. It has a working group called the information needs working group. And it's been working with all the districts and with us to identify the kind of information that is required by them and by us for strategic program and planning decisions and for program development and program management and resource allocation.

So we are all trying to come up with the same language, the same decisions about the information we need, and then we do it once and do it well. And all the districts are now involved with us in coming to terms with that question.

We expect from that group that their needs and decisions would be reached by April of 1997 on that kind of information base. So we're progressing. Now having said that, I do not want to, I think, to mislead about how rapidly all the program data can come together into new insights about health status. That is a very difficult thing to do.

There are no models for this in a comprehensive way in the western world yet, and we just keep plugging ourselves to get more of this together so that we acquire the insights that will be useful to us in Saskatchewan. And eventually we'll model it for the world, but we're not there yet.

So I think I have agreed that we want to get the information that is necessary and I think I've . . . But we're not there yet, and we won't be there fully in one year either; so we're moving.

Mr. Pringle: — Thanks. I note the Provincial Auditor's recommendation says that the department and the boards "continue to work" and I think that's what I heard Mr. Adams saying, that much progress has been made — I would even go so far as to say over the 400 boards that have been replaced — but that the committee should recognize for full information to be provided when some of these . . . what is an evolution here and some of these processes are being worked on now.

It might take two or three or four years to provide full information, and that I would suggest that we recommend that the department and the district boards continue working over the next few years to improve district health boards' accountability in reporting.

The Chair: — If I may suggest we concur with the Provincial Auditor's recommendation and we note the progress being made as outlined by the deputy minister.

A Member: — Hear, hear.

The Chair: — That way you don't have to change all the wording.

Mr. Sonntag: — What does "hear, hear" mean? Is that an agree or . . .

The Chair: — Do we agree? Are we agreed?

A Member: — That means he doesn't have to come back here.

The Chair: — Concurred. Agreed. Point .73.

Mr. Adams: — We concur.

The Chair: — Any comment? So we concur with the Provincial Auditor's recommendation and note the concurrence of the department. Agreed?

Point .77 . . . (inaudible interjection) . . . good thing there's no lawyers in charge of it. Point .77.

Mr. Adams: —Right. In this instance the department will seek changes to The Hospital Standards Act because these are basically . . . What we need from the old Act is basically being met under the district health board Act and the quarterly reports that they're now giving us, and The Hospital Standards Act is basically very dated. It's our intention, I think, to ask for it to be changed this year.

The Chair: — Any comments? If not, are we concurring with the auditor's recommendation and note that the department is requesting the required changes to the Act? Agreed. Thank you. Point .82.

Mr. Adams: —The Health Districts Act has been amended to require the district health boards to obtain approval of the minister to purchase equipment. Corresponding regulations will be put in place setting the prescribed amount at which ministerial approval must be sought. As a result, The Hospital Standards Act regulations will be repealed. So we're in the middle of this. We're in between change the legislation and

adjust the regulations under the district health Act.

The Chair: — Okay, we concur? Are we in concurrence with the auditor's recommendation and note the progress that's being made? Agreed. Point .87.

Mr. Adams: — Regulations have now been passed to specify the thresholds beyond which ministerial approval must be obtained. The department will require districts to obtain ministerial approval when these thresholds are exceeded.

The Chair: — Are we in concurrence with the recommendation and note the progress as outlined?

Mr. Pringle: — I would just say, I think this is an important . . . After we get all this done, all these accountability measures done, I think this is an important reason why we don't want to . . .

The Chair: — No more speeches.

Mr. Pringle: — No, I mean that. I mean that.

The Chair: — We'll get you a soap box here later.

Mr. Pringle: — I mean that.

The Chair: — So do I.

Mr. Pringle: — It's an important issue, a very important issue.

The Chair: — .94.

Mr. Adams: — The department, Mr. Chair, has obtained the order-in-council that sets the pay and expenses for board members.

The Chair: — We're in concurrence with the auditor's recommendations and note compliance?

A Member: — Agreed.

The Chair: — Agreed. .100.

Mr. Adams: — This is one of the few points where we are in disagreement. First of all, the point that's being raised here by the auditor is a very technical and complex accounting issue and I'm about as much at the disposal of the accounting advice as I think you and your committee is.

We disagree with the Provincial Auditor's observation and interpretation of the accounting rules which determine when these expenditures should be charged to the department's appropriation. It essentially boils down to a disagreement between accountants as to when the government should charge a grant it has approved against its appropriation. We believe when government has approved a grant, it should record the amount of that grant as a charge against the department's appropriation.

So I repeat that point. Our belief is that at the point you approve the grant and put it out, that's when you should charge it. The Provincial Comptroller's office also supports the position that the department has taken on these expenditures. The auditor takes a somewhat different position. But that's where we stand. So we disagree and I think we can only leave it up to the accounting experts to either resolve their difficulty or agree to disagree.

The Chair: — I think in fairness, what the committee should do in this regard is to invite the Provincial Auditor and the Provincial Comptroller perhaps, as our professional accounting people, to give their comments on this issue and then ultimately the committee is going to have to arrive at a decision as to how to proceed.

Mr. Paton: — Yes, I'll make just a couple of comments on this issue. We have discussed this with the Department of Health, and as Mr. Adams pointed out, we are in agreement with the way he is accounting for this transaction. We looked at it and we believe that the transfer was fully authorized and that any eligibility criteria that the district health boards had to meet were met by that time.

Some people look at this as some type of a conditional grant transfer and perhaps that's the Provincial Auditor's view of this. But we don't see this as a conditional type of item. The monies were transferred to the district health boards to undertake certain activities. The departments fully believe that those activities will be undertaken during the subsequent period to the money being provided, and as such they were a proper expense, the monies, and charging it to their appropriation. So we're in agreement with the accounting treatment on this item.

Mr. Strelioff: — Michael.

Mr. Heffernan: — I guess this matter came to our attention initially when district health boards were preparing their financial statements, who are the districts on the other side of this transaction. And their understanding, the districts' understanding from the department, was that this money shouldn't be recorded as revenue in the year it was received. Instead it should be expensed in future years as they provided the services. So the districts either set this up as a liability to the department or they recorded it in a restricted fund which was held for special purposes.

Having that understanding then, we felt that the department should be consistent at that accounting treatment and the department should account for it the same way. These are related parties and I think what we're looking for here is a meeting of minds — if the district and the department agree on the accounting for this, how it should be done, then I think that would solve our problems.

We've got different accounting treatments going on here between the district and the department.

Mr. Pringle: — Yes, Mr. Chairman. I was thinking . . . yes, a meeting of the minds. I was going to suggest, which I hear the Provincial Auditor's office saying might be appropriate, is that the committee recommends that the Provincial Auditor, the

Department of Health, and the Department of Finance work together to attempt to resolve this issue and come back to the committee.

Because I feel it puts the members in a bit of an awkward position, hearing the various perspectives.

The Chair: — You've heard the recommendation of the committee member. Are we in agreement with that recommendation? Agreed.

Thank you. Do you need it in writing, Greg, or have you got it clear enough?

I'm advised that we should then put it as a motion since it's all written out:

> That the Public Accounts Committee recommends the Provincial Auditor, the Department of Health, and the Department of Finance work together to attempt to resolve this issue as raised by item .100 of the Provincial Auditor's report.

Is that agreed? Agreed. Thank you. Point .112.

Mr. Adams: — The department agrees with this and is planning to make changes with the annual reports which do include many of the points raised by the Provincial Auditor.

The Chair: — So are we in concurrence with the recommendation and note the progress as outlined? Agreed.

Point .121 — What is the recommendation? .113, I'm sorry.

Mr. Adams: — .113, Mr. Chair?

The Chair: — Point .113, or is that included with .112? No, it's separate. 113.

Mr. Adams: — Yes, and we agree with this as well.

The Chair: — We are then in concurrence with the Provincial Auditor's recommendation and note the concurrence of the department?

Ms. Haverstock: — Just asking for clarification from Mr. Adams. When you say that you're in agreement, does it also mean that you're complying? Well I just kind of wondered.

Mr. Adams: — Of course.

Ms. Haverstock: — I mean that you're actually making progress.

Mr. Adams: — Yes, I'm trying to shorten up your day a little bit here too,

Ms. Haverstock: — I know, and I really appreciate that.

Mr. Adams: — Actually the notes on this particular point tell me that the department is reviewing its annual report in light of the Provincial Auditor's recommendation and intends to implement the improvements to address the Provincial Auditor's recommendation. So the answer is yes.

Ms. Haverstock: — Yes, that's great to have in the verbatim because then it completely supports what we are now going to vote on, which we have I guess — it's post.

The Chair: — Are we agreed? Agreed.

Point .121.

Mr. Adams: — With regard to the cancer foundation, it intends to move towards the disclosure of payees in its reports, and it has done so, actually.

The Chair: — So we concur with the auditor's recommendation and note compliance? Agreed. Thank you.

Point .124.

Mr. Adams: — In this case the foundation has done it for 1995-96. So we've implemented this.

The Chair: — So we concur with the auditor's recommendation and note compliance for the fiscal year '95-96? Agreed.

Point .133.

Mr. Adams: — We appreciate the observations made in this recommendation, and the cancer foundation will take into account the recommendations made by the Provincial Auditor in its future strategic planning activities.

The Chair: — Then we're in concurrence with the auditor's recommendation and note progress? Is that agreed?

Point .164.

Mr. Adams: — With regards to this recommendation .164, we believe the commission did have the necessary authority to meet the responsibilities set out by the terms of the agreement.

At issue is the fact that HSURC (Health Services Utilization and Research Commission), they couldn't provide the documentation to prove the point that was being raised here. So that we will continue to ensure that before entering into any agreements, that HSURC will be able to fulfil any terms in the agreement for which it is responsible and also have the documentation to prove it.

The Chair: — So are we in concurrence with the recommendation and note the compliance as outlined by the deputy minister? Agreed.

Point .167.

Mr. Adams: — The HSURC intends to move towards this disclosure of payees as well, if they haven't got there already to this year. We don't know whether they're there yet but they

intend to comply.

The Chair: — So we're in concurrence with the recommendation and note progress as outlined?

A Member: — Note intention to comply, I think was . . . okay, note intention to comply. Mr. Thomson, is that the point, or any other?

Mr. Thomson: — I had a question about . . . I guess I should have probably also asked it under the SCF (Saskatchewan Cancer Foundation) recommendations. Are there any issues here concerning confidentiality that need to be addressed in terms of the payments out of these various groups?

For instance, if we were to decide to make a payment to, as the opposition ask for frequently, hepatitis C — people with hepatitis C — would they then be listed out of a particular fund, i.e., are we inadvertently releasing medical information out of any of these?

Mr. Adams: — The general answer to your question is no, that there should not be a problem with confidentiality here. And when there is something like HIV(human immunodeficiency virus), it's a payment to the supplier, not to an individual — a supplier of product. Or it would be a payment of a grant to somebody else who is a supplier of a service, like the College of Medicine or something like that, so that it does not identify the individual who may be receiving the benefit but whose condition is the privacy risk.

For example, other work that we do with HIV, for example, flows through the Red Cross, so you'll see payments from the department to the Red Cross for supplies and services that we buy there. Or you may see the money transmitted to the Red Cross by the Canadian Blood Agency, which we also pay for.

The main point of your concern is, I think we're okay.

Mr. Thomson: — Because this is a question . . . I think, as much as I appreciate our need for diligence in accounting, obviously I'm interested in us protecting individual privacy. And you know, the SCF I think is a good example of that. If we're making payments to individuals for whatever reason, in terms of cancer compensation, we just don't want to be compromising their privacy.

Mr. Adams: — Right, right.

Mr. Thomson: — Okay. Then I'm prepared to support the recommendation.

The Chair: — Would it be fair to concur with the auditor's recommendation, note intention to comply, and also register our concern about the confidentiality of individuals? Do we need that in there?

Mr. Thomson: — I'm satisfied.

The Chair: — Fine. Then are we in agreement as originally outlined?

A Member: — Agreed.

The Chair: — Point .176.

Mr. Adams: — This is La Ronge Hospital. They are in the process of addressing all the issues raised here and regularizing a response as well.

The Chair: — These then include items right through .206, or .213?

Mr. Adams: — Yes.

The Chair: — Point .206. Okay. This is a different organization. Okay. And the response is essentially the same for all of those items?

Mr. Adams: — That's right. And they're putting all of this into policy and procedure manuals so that it can be regularized, as I have said. So all of these issues are being addressed.

The Chair: — Okay. Can we agree then on item .176, .181, .185, .189, .193, .197, .202, and .206, that we concur with the Provincial Auditor's recommendation and note progress and compliance as outlined by the deputy minister?

Mr. Sonntag: — I don't know if it was just an oversight, but you didn't say anything about .194.

The Chair: — Oh, I just missed .194. I would include that. Thank you. Are we agreed to that? Agreed. Thank you. Item .213.

Mr. Adams: — This particular item has been a bit of a difficult one. There is a difference of opinion about whether we should be disclosing this information or not.

At issue is whether payments made to pharmacists should be publicly disclosed. Payments to pharmacists are not like normal payments to suppliers. The actual beneficiary of the payment is not the pharmacist but rather the individual who qualified for assistance under the drug plan. However, because the individual seeks assistance from the pharmacist, the payment for the benefit received by the individual is made to the pharmacist who supplied the service. To some extent, this is similar to individuals who seek an insured benefit from physicians. Physician payments are not disclosed.

Now I realize that we have disclosed more and more information concerning district payments. And there's a wish that absolutely everything be disclosed. And at this particular point all I can say on this issue: as a matter of policy, the department will continue to review it but we have not made the decision yet to disclose these payments. And if we did, we would be consistent with all of the other kinds of payments like this, which includes the physician accounts.

Mr. Pringle: — Mr. Chairman, could I recommend that we . . . that the Department of Health review this issue further and report back to the committee? Because I don't know how we can go beyond what Mr. Adams is saying regarding the

confidential considerations to the pharmacists. I think the spirit is there.

Ms. Haverstock: — I would like the opinion of the Provincial Auditor. There wasn't much preamble to this and if you could give us some idea as to why you see this recommendation as important.

Mr. Strelioff: — Thanks, Chair. Ms. Haverstock, we've brought this to your attention so that you can have the debate as to whether payments like these should be disclosed or not. It also perhaps leads to doctors' or physicians' payments as well. The recommendation that you have on the record is that all such payments should be listed, so we just thought it should be brought to your attention and you have the opportunity to decide.

Ms. Haverstock: — Well I actually appreciate that because I think it would be a very interesting discussion for us to have, based on perhaps if the pros and cons could be presented to us so that we could make an informed decision. That would be very useful.

So what had you recommended then?

Mr. Pringle: — Well that the . . . given the concern about the confidentiality question, that the department review the matter further and bring it back for another discussion. But maybe it should have . . . there should be some terms of references or something for that discussion. So I like what you were saying.

So supporting with your . . . Supporting the notion of this coming . . . reviewing further, the department coming back for perhaps that discussion, I think is a logical approach to it. Otherwise to come back . . . There needs to be some discussion that points to it, I suppose, for it to come back, or shut the door on it I guess. I don't know.

The Chair: — I'm wondering if, and I'm not . . . Mr. Paton, I'm sorry.

Mr. Paton: — Mr. Chairman, if I could just make one comment. One thing to note is that the reason this issue is here is it was a recommendation of this committee that all payments be disclosed. And that was a recommendation that was made in March '93 and the auditor is bringing this as an issue where it's not being complied with, and I think it's, you know, it is this committee's responsibility to determine whether or not they want to change that.

I just want to bring to your attention, in addition, that there is a policy that was adopted by this committee such that certain payments are not disclosed in the *Public Accounts*, and I'll just read it to you:

> We state that details are not provided for high volume programs of a universal nature or income security or other programs of a confidential and personal nature.

And I think that's where the Department of Finance reviewed that as falling at this time. I think that's what the Department of Health is referring to as well. So I think that's what you want to consider, whether or not these are of a personal nature.

We've looked at this in the past, and in some ways, the way the program is set up might result in disclosure or non-disclosure. If I'm not mistaken, there's a time when some of these drug plan payments were made directly to individuals when they had to claim. So when the individuals were making the claim directly, we saw it as being a personal nature and didn't disclose it.

What you've got now is the program's changed to be administered more efficiently and you're paying the pharmacies directly. The nature of the payment hasn't changed; the way you're making the payment has.

And so we continue to see it as being more of a personal-type claim. It's the individual who has got the claim here, not the pharmacist.

The Chair: — Thank you very much, Terry. I guess I was saying that it strikes me as if there's some of the issues that Mr. Thomson raised about confidentiality, particularly as it relates to medical information and things of that nature, that have some importance in this regard.

And I'm not too sure if we should just sort of be stalling or . . . you know, I think we should ask for some recommendation if it's coming from the Department of Health, in terms of how they see the reporting requirements, or from the Provincial Auditor in conjunction with the comptroller's office, to try to define out some suggested policy guidelines in terms of how we deal with these kinds of sensitive issues.

Otherwise they potentially are going to just keep recycling. And if our committee has been mandated to, you know, to look at that sort of issue, then perhaps we should put in motion something that would bring direction to it.

Ms. Haverstock: — Just the nature of this discussion, I think is interesting. And I guess I would like the opportunity not to have this as an ad nauseam discussion, but one that is quite focused. And perhaps not that we need to give more work to people who are already overworked, but I think that the debate would be very interesting if we could have facts presented, or at least suppositions presented as to the pros and cons of this.

I agree that given that this was in response to something that our committee stated in the first place, that perhaps this is something that we should debate. It doesn't even have to be debate. I would rather say discussed, because there may be . . . I know that in other departments and other circumstances there are many ways of ensuring accountability without breaching confidentiality. I mean there is evidence of it repeatedly.

So there may be a way of being able to comply with this without having to identify the list of persons *per se*, okay. And I don't know how that might be done, but perhaps both yourself and the Provincial Auditor and the comptroller could provide some interesting information for us to discuss.

Mr. Adams: — Yes, I don't think our discussion today has

very well articulated what the problem is here and what our full view is on it. And I want to say that there are two aspects of this. One is a . . . as a policy question. Not whether we are in any kind of illegal situation today, but . . . We are not. I think we are fully compliant with existing policy and law. Whether one wants to change the situation and reveal all this information is a policy question and I think it has dynamics that go well beyond this room.

And it almost gets down to a point of view of, what is your preference, when you've gone through everything else. That is to say, we've already taken up these questions with the two professional groups who are most affected in our department, or by a change of policy in our department. I can tell you that in the strongest terms they told us this was an invasion of their . . . of personal information to them and confidence.

Now in the case of the medical care Act, this actually prevents us from releasing this. So if we make this change, we'd have to change the Act. And although this is referenced here as drugs, that's just another aspect of this.

They have also told us it is misleading. They say, what . . . who benefits by your releasing this information? And even if . . . is it a matter of sort of . . . They say to me, is it . . . are you putting this forward to embarrass us? Or are you putting this forward to put us on the defensive? Are you putting this forward, this idea forward, for some reason like that?

Because you know, they say that the number that you pay us through this group does not reflect . . . it can be misinterpreted. That it's a payment, in some cases, almost to a firm who hire a lot of other people like lab techs and all this kind of stuff to do a lot of work.

So what does it actually mean if you pay out a million dollars-plus to a person? Or how do we go in there and say, now this has got to take into account our overheads and all this kind of stuff? This is gross income from one source. What does it mean? What do you gain by that?

Now that is a point of view. It is a point of view. Another point of view is, the deputy's salary and terms and conditions of work are publicly available; all of your incomes are publicly available; every other supplier we pay is . . . the payment is publicly available. Why not these people too?

So it boils down to, as I say, is a point of view about whether this is personal, confidential, and some kind of an invasion of the privacy of these individuals who are also in some way seen as corporations. And right now those individuals or their spokespersons are adamantly opposed to this idea, and so that if you want to convene a larger discussion of this, I think you have to hear directly from some of those who would be affected how they would view this. That would be one point of advice to you.

Now beyond that, with regard . . . there are some technical aspects here where we truly will be in a situation of invasion of privacy. And so that if we are to report back to you on this — if we are — we would want to get back some of that information as to why there would be a problem with some aspects of it. But there are other ways where one might approach some of this which have benefit, if the effort and the public debate and furore with some individuals about this is in fact worth the benefit of doing it.

So I think there are some technical questions, in summary, Mr. Chair, there are technical questions which I would be glad to report back to you on if you would like that. But there is a policy question here which is fairly big time, not only for your committee, but also for the government of the day. And I think it's not a simple one to solve.

Mr. Thomson: — Well I just wanted to support Mr. Pringle's recommendation. I mean this is an interesting debate. But apart from the obvious technical issues, I think there's also some philosophical ones we have to deal with. Although I would personally — I do — favour this point, releasing information on what we pay to doctors, I understand that there are in fact some fairly significant issues surrounding that. I think you can by extension make the same argument with the pharmacies.

That simply is my own personal interest as a taxpayer. However, as a legislator I think we need to make much more reasoned . . . our decisions on a much more reasoned basis. And as such I'd support Mr. Pringle's recommendation and suggest that we agree with it.

Mr. Pringle: — What I thought I said was that the department review this matter further and report back to the committee on the issue.

The Chair: — Since it deviates from the thing would you give me a written motion then, please?

Mr. Pringle: — Yes, that's what I thought I said. Now after hearing Mr. Adams' explanation I would actually like to make a motion:

> That we agree with the department on this issue and consider the matter closed.

Now I may not . . . (inaudible) . . . on this, but I can live with it coming back as well, the original motion. But I didn't agree with the auditor's recommendation. That's not what I said. I agree that the department study the issue further and report back to the committee, and I can live with that too.

A Member: — Why don't you live with that?

The Chair: — Okay.

Mr. Pringle: — Well I think we'll leave that recommendation and I'll . . . Put it down?

The Chair: — You bet.

Mr. Adams: — While the member is writing this out . . . Obviously this is, for the department, is an issue where we're torn, and I think in the end this is a matter of government policy as to whether this would be done because it requires a change

of the law. And what I would like to be clear about is whether this committee has the mandate to — on policy — to change policy. So what is it that we are recommending back to you on, and what would you do with it in any case?

The Chair: — I think what we . . . Perhaps it's more important or appropriate than asking the department to give a response, we could ask the government to give a response, because they would have to weigh out all these issues and make a policy decision. We can ask for clarification because it's creating some difficulties for us from this financial accountability.

Mr. Sonntag: — I think only . . . Mr. Deputy, I think the only thing you could report back is probably to provide more information for us to engage in a bit more debate. I don't see that you could, that you can, come back with anything where we're going to form policy because obviously we don't have the mandate to change policy out of this committee, only make recommendations. Unless you don't think there's more information to be provided at another meeting?

Mr. Adams: — Well I think we can report back. We can give the committee more information about the implications of this so that you are informed about some of the implications — you know, can it be done? Just technically, can this be done? Who's going to be at risk of invasion of privacy if we do it or . . . and so on and so forth.

So we can provide an information paper on there. I do not feel that the department should be making a policy recommendation to this committee about this matter because it does involve the revision of the law. And so I think an information review to you, and then you can take it from there.

Ms. Haverstock: — Well I most certainly agree, but I guess the reason why I indicated that I supported Mr. Pringle's first motion was for one reason. We've been mandated to examine these recommendations and to accept or reject them. I still feel that I need more information before I can make a decision to say I simply don't concur with this recommendation.

And we don't have to make, nor should we be making, a policy decision regarding what the government does or does not do as far as changing the law and so forth. So we, I think, would be very well served by having more information from the department, and then the basis upon which we make a decision on this recommendation. And if we then say we agree with the recommendation, then it's in the court of the minister to respond to us from our report. Is that not correct?

Mr. Pringle: — Well that was . . . I mean we're in sync today. I agreed with you. That was my initial . . .

Ms. Haverstock: — Gee whiz. Maybe we should go dancing tonight.

Mr. Pringle: — Okay.

A Member: — Except you both want to lead . . . Sorry.

Mr. Koenker: — Yes, I'd like to just clarify in my own mind again, what was the auditor's concern in raising this issue.

Mr. Strelioff: — Mr. Chair, Mr. Koenker, one of the recommendations that you had outstanding is that all organizations should provide a list of persons receiving money, and this was one organization or a fund that doesn't provide that kind of list. So we're recommending this because it's consistent with what you've recommended, but in doing so what happens is it brings up the issue for debate here to decide whether you want to apply your general recommendation to this circumstance.

Mr. Flavel: — I'm glad everybody else has got this all figured out. I don't understand why we could not defer — and judgement isn't the right word — defer this recommendation until more information is supplied by the department. Is that too simple?

The Chair: — I think that's what we're doing. The motion will request of the department further information.

Mr. Flavel: — But the motion doesn't say defer, and I think we have to do something; we either have to agree, disagree, or defer. I think you only have three options in it, to do something with it.

The Chair: — Depending how skilfully the motion is worded it may indeed accomplish that, but I think the intent is clearly there that this committee is not prepared to deal with the issue raised in item .213 until that information is before us. The motion as . . . the Public Accounts Committee recommends the Department of Health provide the committee with additional information as to why they do not or cannot support the auditor's recommendation.

A suggestion made is that the Public Accounts Committee asks the department rather than recommends. Is that better or . . .

A Member: — Sure.

The Chair: — Okay, the motion then is that the Public Accounts Committee ask the Department of Health to provide the committee with additional information as to why they do not or cannot support the auditor's recommendation. That doesn't seem right.

Ms. Haverstock: — Can I ask something or at least ask for clarification. My understanding — and please correct me if I'm wrong — that the Department of Health, the deputy minister, has not said they will not, cannot, or do not. They have presented us with differing views on this issue, and both sounding very legitimate.

And I guess part of what I would really appreciate would be something that we could look at and examine in terms of the pros and the cons of this as were articulated by the deputy minister. So that we can perhaps reconfirm our 1993 recommendation with the following exemptions so that we then take the Provincial Auditor off the hook.

Or we can then say we completely agree with this and

everybody should get the same treatment regardless throughout the whole province or . . . I mean we should be able to come up with something. But I wouldn't want to leave the impression that the Department of Health has indicated that they don't agree or that they cannot.

Mr. Pringle: — I go back then to my original recommendation, original motion, which I think captures that.

The Chair: — Or I could also suggest that Ms. Haverstock can propose a motion as well. I think we're pretty much coming from the same page here as to what we want to have happen.

Ms. Haverstock: — Before I put words in the deputy minister's mouth, perhaps we should have clarification on what I've just said. Did I just misinterpret what . . .

Mr. Adams: — You interpreted it quite correctly and the phrase that we're all struggling for is you want to have the implications of adopting the auditor's recommendation. That's what you want. So if you pick up that, the thought — I don't know if somebody else wants to scribble but I'd offer something to you — that you recommend that the department review this issue further and report back to the Public Accounts Committee the implications of adopting the auditor's recommendations. Would that be all right?

The Chair: — We will get this in writing and we will have a mover of it shortly.

Mr. Thomson: — The question I have is this, is what we are attempting to do is to apply a general recommendation to a specific example. I would suspect that there are other examples where we have payments made to someone on behalf of the individuals or groups of payments.

This is what's happening to prescription drugs, is obviously what happens when I go to the doctor. I would assume if we were to proceed with changes in Social Services, the way it pays landlords that the Liberals want, that we would need to disclose that as well. Or that this would fall into the same debate.

I'm wondering if we're not better off asking for the Minister of Finance to report back in the areas of where the exemptions are? I mean rather than leaving it specifically focused on the Department of Health, which is obviously one of the major areas, I think there are other ones that are of importance. There's got to be other cases of this sort.

Ms. Haverstock: — Well I agree with what Mr. Thomson's saying. The problem is, it still leaves us having to deal with this particular recommendation .213 of chapter 8. Thank you very much.

Shall I read this motion into the record?

> That the department review this issue further and report back to the Public Accounts Committee on the implications adopting the Public Accounts recommendation . . .

It must be the . . . adopting the Provincial Auditor's recommendation.

The Chair: — The Provincial Auditor's recommendation .213.

Ms. Haverstock: — Is that all right? Because ultimately if we deal with this issue, then we can make a recommendation to deal with the rest.

The Chair: — You've heard the motion. Are you ready for the question?

All those in favour, are you agreed? Agreed. It's carried.

It now being 4:30, unless there's any other business that someone wants to raise . . . Mr. Pringle?

Mr. Pringle: — Mr. Chairman, committee members, in closing could I just say that on behalf of perhaps all members, that we commend the deputy minister and his staff, and the district staff, and the Provincial Auditor's office, because this is by far the largest department in government, and I think that the accountability is of a fairly high nature, I would say.

And the willingness to even make it better, I think was evident by the Provincial Auditor's report and by the responses today. So I think that all involved should be very proud of that.

The Chair: — Thank you very much, Mr. Pringle.

No further business; this meeting stands adjourned until tomorrow at 9:30.

The committee adjourned at 4:34 p.m.