

## Hospital Funding in Ontario - A Quick Overview

The largest source of hospital funding is government funding, which flows from the Ministry of Health and Long-Term Care through the Local Health Integration Networks as approved through the provincial budget.

Hospital funding covers approximately 85-100% of operating revenues for hospitals. Other sources of revenue include revenue-generating activities (e.g. cafeteria, parking), funding from other government sources (e.g. Federal funding for veterans' health care), grants, donations and charitable giving.

Historically, hospitals received the majority of funding as global funding (i.e. lump-sum based on past funding). It was recognized that global funding did not take into account complexity of patients, service levels, costs, nor did it provide incentives for performance.

In 2012, the government introduced patient-based funding through Health System Funding Reform. Patient-based funding is an evidence-based model with incentives to deliver the highest quality, most efficient care. Hospital funding for large hospitals is now based on how many patients they care for, the services delivered, the evidence-based quality of those services, and the specific needs of the population they serve. Small hospitals (i.e. fewer than 2,700 weighted inpatient and ambulatory cases per year) continue to be funded with the historical global funding approach.

Currently, large hospitals receive funding from three models: Health Based Allocation Model (~40%), Quality-Based Procedures (~30%), and Global (~30%).

- Global – based on previous year
- Health Based Allocation Model – based on expected health care expenses based on demographics (e.g. age, gender, growth, social economic status and geography) and clinical data (e.g. type and complexity of care)
- Quality-Based Procedures – based on types and quantities of patients treated using rates based on efficiency and best practices per procedure (e.g. cataract, hip replacement, knee replacement, dialysis)

Hospitals are accountable for funding through annual service accountability agreements with Local Health Integration Networks. These agreements stipulate service, financial and performance outcomes to be achieved by hospitals.