

Corporate Services Expense in Newfoundland and Labrador and in Regional Health Authorities

Objective

To compare the corporate expense ratio in Newfoundland and Labrador (NL) and the Regional Health Authorities (RHAs) to Canada.

Practice Points

1. In Canada, health care administration costs are often assumed to be high and amenable to reduction.
2. Reduction in management at both senior and middle levels has the potential to limit efforts to improve quality and efficiency, slow the implementation of necessary change and consequently be counter-productive in terms of any savings achieved. This concern is particularly important now as change is occurring in the health system.

Data

Table 1. Corporate Expense Ratio, Canada versus NL and NL RHA, 2015/16 – 2020/21

Comparator	Indicator Results					
	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
Canada	4.4	4.5	4.5	4.5	4.3	4.4
NL	3.9	4.0	3.8	4.1	3.7	3.5
Central Health (CH)	4.5	4.9	4.5	5.3	4.2	4.4
Eastern Health (EH)	3.5	3.6	3.5	3.6	3.3	3.0
Labrador-Grenfell Health (LGH)	5.7	6.1	5.7	6.1	5.8	5.7
Western Health (WH)	3.8	3.6	3.6	4.2	3.7	3.5

- Corporate services expense ratio was obtained from Canadian Institute for Health Information (CIHI) for Canada, NL, and the 4 RHAs from 2015/16 to 2020/21.
- This measures the percent of the legal entity’s total expenses that were spent in departments inclusive of administration, finance, human resources and communications.

Results

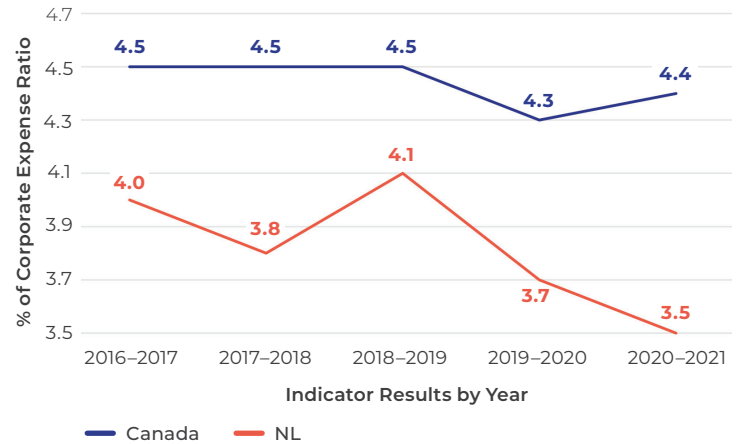


Figure 1. Corporate Expense Canada versus NL and NL RHA, 2015/16 – 2020/21

- Corporate expense ratio was consistently lower in NL compared to Canada.
- In 2020/21 corporate expense ratio was 3.5% of total expenses, 20% lower in 2020/21 compared to Canada.

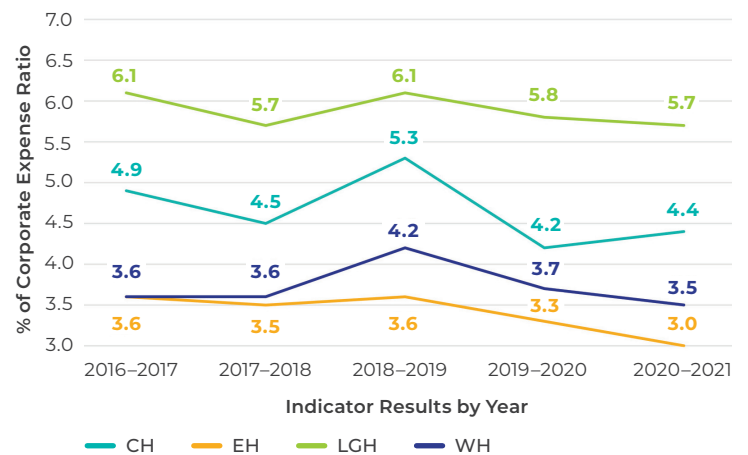


Figure 2. Corporate Services Expense Ratio in the Four RHAs, 2015/16 – 2020/21

- Eastern Health (EH) consistently had the lowest corporate expense ratio among the 4 RHAs and Labrador-Grenfell Health (LGH) the highest.
- In 2020/21 the ratio in EH was 3.0% and in LGH it was 5.7%.



Figure 3. Corporate Services Expense Ratio in the 10 Provinces

- Among the 10 provinces, NL had the 4th lowest corporate expense ratio.
- In the Yukon (8.1%) and North West Territories (7.4%) the ratio was higher than LGH (5.7%).

Conclusion

1. Relative to Canada, NL has low administrative costs.
2. Within NL, EH has the lowest corporate services expenses as proportion of total budget (3.0%) which has decreased in recent years.
3. Corporate expense ratios in Atlantic Canada are lower than the Canadian average.
4. In the current time of change in the health care system low management expenditure may limit interventions related to change management, implementation of new programs, and development of a Learning Health System.