Executive Summary
Province of New Brunswick
Independent Review of the Province’s
Financial Position
December 2006

Grant Thornton
Executive Summary

Terms of Reference

On October 3, 2006 the new government for the Province of New Brunswick was sworn in. Grant Thornton LLP was engaged October 11, 2006 by the Province of New Brunswick to independently review, comment and make recommendations regarding:

1. the difference in projected revenues, spending and fiscal results to year end when compared to the 2006-07 Main Estimates; including provision for losses in loans and advances portfolios;
2. the Province’s adoption of the CICA Public Sector Accounting Board (PSAB) accounting for Tangible Capital Assets and the future implications of this approach with respect to Net Debt and debt obligations;
3. an estimate of the Province’s future obligations including the twinning of the Trans-Canada Highway (Longs Creek to Grand Falls);
4. the current and future impact on the Province’s fiscal situation as a result of the decision to cap electric power rate increases at 8% in the current year and what would result should this cap be continued in future years;
5. the future impact of the Province’s finances and ongoing relationship with NB Investment Management Corporation (NBIMC), NB Liquor Corporation (ANBL), and NB Power;
6. the Province’s relationship and funding of nursing homes including any future obligations for construction and renovation projects;
7. the funding status of public sector pension plans;
8. the accounting for retirement allowances excluding pension plans;
9. the repetitive nature and cause of Regional Health Authority deficits; and
10. the repetitive nature and cause of Out of Province Hospital Payment deficits.
The objective of the review is to provide the Province with an overview of its financial position for the current fiscal year and to identify the fiscal implications of the Province’s current programs and commitments for future fiscal years. This information will provide the basis from which the Province can make decisions about the introduction and management of programs to meet its fiscal and program objectives.

**Nature of Review**

This is an independent review, as specified by the Terms of Reference provided by the Province of New Brunswick, and is not an audit or review engagement as defined by the Handbook of the Canadian Institute of Chartered Accountants.

The independent review consisted primarily of interviews, document reviews and analyses and discussions. As such, Grant Thornton has made no attempt to assess the financial viability of any individual entity. Grant Thornton made inquiries of senior officials of the Province of New Brunswick and related entities as to the financial condition of Government and its agencies to November 30, 2006 and has relied on those discussions.

**Acknowledgements**

We would like to acknowledge the participation and assistance provided by representatives of the Province, New Brunswick Power, New Brunswick Investment Management Corporation, New Brunswick Liquor Corporation and the Regional Health Authorities throughout this review. Management and staff from these organizations were very helpful and thorough in providing information and in preparing analytical reports in support of the independent review.

The Deputy Minister of Finance and the Comptroller have provided written assurance that, to the best of their knowledge, all requested data and information has been provided for our consideration.
Current and Future Fiscal Position

Based on available information, the forecast fiscal results for 2006-07 are a forecast deficit of $17.6 million and a forecast increase in net debt of $156.7 million. Like all forecasts, this forecast is subject to change based on changes to assumptions. This forecast will also change based on decisions about implementation of some $60.7 million of announced programs and a range of other items where new information has been received or additional information is required.

Historical expenditure trends, and the implications of previous decisions about new or revised programs will create fiscal pressures for the Province beyond 2006-07. Based on available information, the Province will need to manage net expenditure pressures, excluding incremental public debt charges, in addition to current year spending, as outlined below.

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net expenditure</td>
<td>$300 to $416 million</td>
<td>$548 to $719 million</td>
<td>$573 to $773 million</td>
</tr>
<tr>
<td>pressures compared to 2006-07</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Given these net expenditure pressures, the Province will need to address fiscal pressures related to:

- the increasing investment in assets that resulted from capital acquisitions and future commitments for new highway projects;
- potential deficits at NB Power resulting from the decision to cap the 2006-07 domestic power rate increases at 8% may result in tax payers funding NB Power costs along with the possibility that NB Power could cease to be considered self-sustaining;
- the increasing financial reliance of nursing homes on Provincial funding;
- changes to pension plan costs and funding requirements primarily influenced by economic and demographic changes as well as the need to meet legislated special payment requirements when certain pension plans are not fully funded;
- the recurring deficits for Regional Health Authorities and for Out of Province Hospital Payments; and
- constrained increases in tax and other revenues.
Net Debt

The change to Tangible Capital Asset accounting since 2004 results in spreading the costs of major investments in infrastructure (such as highways and buildings) over the useful life of the asset but the impact on Net Debt continues to be reflected in the year the province constructs or acquires the asset.

It should be noted the Province must plan for the pending impact on Net Debt of large projects such as the twinning of the Trans-Canada Highway including Longs Creek to Grand Falls ($409 million in 2007-08); projects under the Canada-New Brunswick Highway Improvement agreement (provincial share of $200 million from 2007 – 2017); and large capital projects currently under construction by the Department of Supply and Services ($218 million from 2006 – 2009).

Under the former accounting policy, where the annual surplus or deficit of the Province was essentially equivalent to the change in net debt, the Province’s financial performance was primarily discussed in terms of its surplus or deficit. Because the new accounting policy for Tangible Capital Assets creates a difference between the surplus or deficit and the change in net debt, it is now important to consider both measures in assessing the financial performance of the Province.
Forecast for 2006-07

The Main Estimates tabled on March 28, 2006 included a planned surplus of $22.2 million and an increase in net debt of $87.0 million. This planned surplus was significantly less than the actual surplus of $243.7 million realized in 2005-06.

Based on actual expenditures and revenues to date, decisions taken subsequent to the approval of the Main Estimates and projections about expenditures and revenues to March 31, 2007, before considering risks and uncertainties, the Province is forecasting a deficit of $17.6 million and an increase in net debt of $156.7 million.

Table 1 – Summary of Estimates and Forecast Fiscal Results

<table>
<thead>
<tr>
<th></th>
<th>2006-07 Main Estimates</th>
<th>2006-07 Forecast</th>
<th>2006-07 Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus (Deficit)</td>
<td>$ 22.2</td>
<td>$ (17.6)</td>
<td>$ (39.8)</td>
</tr>
<tr>
<td>Adjustments for Tangible Capital Assets</td>
<td>$ (109.2)</td>
<td>$ (139.1)</td>
<td>$ (29.9)</td>
</tr>
<tr>
<td>(Increase) Decrease in Net Debt</td>
<td>$ (87.0)</td>
<td>$ (156.7)</td>
<td>$ (69.7)</td>
</tr>
</tbody>
</table>

Financial forecasts are based on assumptions about future events and circumstances and actual events and circumstances may vary from these assumptions. As a result, the actual fiscal results and financial position of the Province at March 31, 2007 may vary from the forecast position shown here.

In addition, there are two significant sources of uncertainty related to the 2006-07 forecast which could cause the forecast deficit to change:

- approximately $60.7 million in costs associated with Government program announcements where the programs have not yet been formally introduced; and
- uncertainty related to new information received since the forecast was prepared.
Government Announcements

The following new programs or changes to existing programs have been announced, but formal decisions about the introduction of these programs have not yet been made or are in progress. Should these new programs be introduced in the current fiscal year, costs associated with these programs could have a further impact on the fiscal results for 2006-07. The total estimated cost of these announced programs outlined below is $60.7 million.

<table>
<thead>
<tr>
<th>Program</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>MacKay Report</td>
<td>$7.5m</td>
</tr>
<tr>
<td>Energy Efficiency Rebates</td>
<td>$20.0m</td>
</tr>
<tr>
<td>Saint John Harbour Clean Up</td>
<td>$29.3m</td>
</tr>
<tr>
<td>Saint John to Digby Ferry</td>
<td>$2.0m</td>
</tr>
<tr>
<td>Inquiry into Orimulsion</td>
<td>$1.0m</td>
</tr>
<tr>
<td>Student Loans – eligibility changes</td>
<td>No estimate known at this time</td>
</tr>
<tr>
<td>Debt Servicing Costs associated with the announced programs</td>
<td>$0.9m</td>
</tr>
</tbody>
</table>
New Information

Since the forecast for 2006-07 was prepared in October, 2006, new information has been received or additional information is required related to the following items.

**Expired Collective Agreements** – four expired collective agreements remain outstanding.

**Federal Trust Funds** – there is $68.9 million in Federal Trust funds that the Province can draw down based on the introduction of programs or initiatives within the parameters of these trust funds. It is anticipated that any new program costs would be off-set by revenues from the Federal Trust funds.

**Provisions for Student Loans** – as of September 30, 2006 there were $35 million in default student loans and since then, the total defaulted accounts balance has been growing by approximately $840,000 per month. As a result, the loan provision of $12.4 million for 2006-07 may need to be adjusted.

**Department of Education Receivables** – there are accounts receivable of $33 million against which a $22.5 million provision has been made. The adequacy of this provision may need to be adjusted.

**Pension Plan deficiencies in Nursing Homes** – recent actuarial reviews have identified funding deficiencies for three nursing home pension plans which the Superintendent of Pensions has ordered to be addressed. The nursing homes are appealing the order. The Province is not legally liable for these, however, given the reliance of nursing homes on funding from the Province, this could have an impact on the Province’s fiscal position.

**Nursing Home funding policies** – the Province’s introduction of the announced increases in the comfort and clothing allowance could result in $3.8 million of additional costs.

**Outbreak of Pandemic Flu** – while measures have been taken to prepare for a potential outbreak, if such an outbreak were to occur, it could have fiscal implications for the Province.

**Pension Valuations** – there are actuarial valuations outstanding for certain provincial pension plans, the results of which could impact the fiscal results of the Province.

**Retirement Allowance Benefits** – a recent actuarial valuation identified an $80 million increase in the estimated liability related to the retirement allowance benefits program. The impact on the fiscal results for 2006-07 will depend on the accounting treatment adopted for this new estimate.
Fiscal Responsibility and Balanced Budget Act

The Fiscal Responsibility and Balanced Budget Act indicates that it is the objective of the government that total expenses not exceed total revenues for the period commencing April 1, 2004 and ending March 31, 2007. The forecast cumulative surplus since April 1, 2004, before considering risks and uncertainties, is $464.8 million. The Province will therefore remain in compliance with the Fiscal Responsibility and Balanced Budget legislation unless changes to the forecast exceed this amount.

Table 2 – Cumulative Surplus

(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Actual 2004-05</th>
<th>Actual 2005-06</th>
<th>Forecast 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus (Deficit)</td>
<td>$ 242.2</td>
<td>$ 240.2</td>
<td>$(17.6)</td>
</tr>
<tr>
<td>Cumulative Surplus - Beginning of the Year</td>
<td>$ -</td>
<td>$ 242.2</td>
<td>$ 482.4</td>
</tr>
<tr>
<td>Cumulative Surplus - End of the Year</td>
<td>$ 242.2</td>
<td>$ 482.4</td>
<td>$ 464.8</td>
</tr>
</tbody>
</table>

The Fiscal Responsibility and Balanced Budget Act also indicates that it is the objective of the government that, at the end of each fiscal period, the ratio of net debt to GDP will be less than at the end of the previous fiscal period.

Given the forecasted $156.7 increase in net debt, it is important for the Province to consider the forecast ratio of net debt to GDP for 2006-07 to ensure compliance with the legislation.
Implications beyond 2006-07

The fiscal results and financial position of the Province beyond 2006-07 will be determined primarily by historical expenditure trends and previous decisions about programs and services. The resulting net expenditure pressures, over and above the current year forecast, are shown below. These amounts do not include incremental public debt charges related to funding these net expenditure pressures.
<table>
<thead>
<tr>
<th>Description</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Services costs typically increase by 7-10% annually</td>
<td>$70 - $100</td>
<td>$145 - $210</td>
<td>$230 - $341</td>
</tr>
<tr>
<td>Medicare costs have been growing in New Brunswick at an average of 8.8% per year</td>
<td>$30 - $40</td>
<td>$65 - $85</td>
<td>$100 - $130</td>
</tr>
<tr>
<td>Prescription drugs spending has grown nationally at between 10% and 11%</td>
<td>$14 - $15</td>
<td>$29 - $32</td>
<td>$46 - $51</td>
</tr>
<tr>
<td>Family and Community Services Program costs excluding policy changes increase at 1.5% annually</td>
<td>$12 - $13</td>
<td>$24 - $27</td>
<td>$37 - $41</td>
</tr>
<tr>
<td>Wage increases have typically been $40-$50 million annually</td>
<td>$40 - $50</td>
<td>$80 - $100</td>
<td>$120 - $150</td>
</tr>
<tr>
<td>Estimated tax revenue growth before tax reductions</td>
<td>($80 - $90)</td>
<td>($180-$210)</td>
<td>($300-$330)</td>
</tr>
<tr>
<td>Estimated value of announced tax reductions</td>
<td>$80 - $90</td>
<td>$100 - $110</td>
<td>$140 - $150</td>
</tr>
<tr>
<td>Changes to Federal Equalization Formula will also result in minimal revenue growth</td>
<td>-</td>
<td>($30 - $50)</td>
<td>($60 - $100)</td>
</tr>
<tr>
<td>Anticipated reductions to Federal Conditional Grants</td>
<td>$30 - $35</td>
<td>$45 - $50</td>
<td>$60 - $65</td>
</tr>
<tr>
<td>Reinstatement of Grant to Maritime Provinces Higher Education Commission</td>
<td>$60</td>
<td>$60</td>
<td>$60</td>
</tr>
<tr>
<td>Amortization of the $409 million section of the Trans-Canada Highway</td>
<td>$8 - $9</td>
<td>$8 - $9</td>
<td>$8 - $9</td>
</tr>
<tr>
<td>The impact of the 8% rate increase cap for NB Power could cause an annual loss</td>
<td>$0 - $46</td>
<td>$0 - $46</td>
<td>$0 - $46</td>
</tr>
<tr>
<td>Acquisition of alternate sources of power during the Point Lepreau shut down</td>
<td>-</td>
<td>$140 - $180</td>
<td>$70 - $90</td>
</tr>
<tr>
<td>Funding policy changes for nursing homes will result in incremental costs</td>
<td>$30 - $40</td>
<td>$50 - $55</td>
<td>$50 - $55</td>
</tr>
<tr>
<td>Funding for nursing homes construction projects will result in incremental costs</td>
<td>$6 - $8</td>
<td>$12 - $15</td>
<td>$12 - $15</td>
</tr>
<tr>
<td><strong>Total Net Expenditure Pressure</strong></td>
<td><strong>$300 - $416</strong></td>
<td><strong>$548 - $719</strong></td>
<td><strong>$573 - $773</strong></td>
</tr>
</tbody>
</table>
Other Fiscal Pressures

In addition to the net expenditure pressures described above, the Province will need to manage the following fiscal pressures going forward.

**Tangible Capital Asset Accounting**
Since the Province began capitalizing its asset acquisitions in 2004, the Province’s tangible capital asset acquisitions have exceeded amortization expenses by **$340.8 million**. This has resulted in incremental amortization expenses of **$6 million to $8 million**.

In addition:

- the Province will acquire a **$409 million** new section of the Trans-Canada Highway (Longs Creek to Grand Falls) on November 1, 2007;
- on October 2, 2006 the Province entered into a Memorandum of Understanding with the Federal Government to cost-share in an additional **$400 million (provincial share $200 million)** of highway construction; and
- the Department of Supply and Services is currently managing capital projects totalling approximately $218 million on behalf of various government departments.

This growing asset base reduces the Province’s flexibility to make annual decisions about the allocation of fiscal resources.

**Cap on NB Power’s Domestic Rate Increase**
The decision to cap domestic rate increases to 8% may have created a deficit where future domestic power rates will not cover NB Power’s cost structure. If this were to result in NB Power incurring a loss, this loss would accrue to the Province through New Brunswick Electric Finance Corporation, essentially resulting in tax payers, rather than rate payers, funding NB Power’s costs.

Over the long term, if NB Power were not able to cover its operating and debt financing costs as a result of a structural deficit, it may no longer be considered a self-sustaining entity. If this were the case, the assets and debt of NB Power would need to be consolidated onto the Province’s financial statements, increasing the Province’s net debt.

**Increasing funding for Nursing Homes**
Approximately half of the province’s 62 nursing homes have accumulated operating deficits.

Recent changes to nursing home funding polices and the approval of 12 capital projects will increase the proportion of funding that nursing homes receive from the Province from 65% to 85%. While nursing homes are not currently a Provincial responsibility, this increasing reliance
on Provincial funding could result in a change in the Province’s accounting treatment for nursing homes such that the Province would need to recognize the assets and liabilities of nursing homes on its financial statements.

**Trends related to Pension Valuations**

Trends such as increased life expectancy, lower discount rates, and early retirements along with changes to current pension plans could increase the Province’s liabilities related to pension plans.

Three of the Province’s pension plans, the Public Service Superannuation Plan (PSSA), the Teachers Pension Plan (TPA) and the Judges Pension Act, have a legislative requirement to make special payments to ensure the plans are fully funded. Special payments were resumed in fiscal 2004 and the PSSA and TPA are now 92.1% and 95.6% funded respectively. The Province should continue to monitor the funding ratios for these plans and adjust payments as required to ensure that the plans are adequately funded.

**Recurring Deficits in the Regional Health Authorities**

As shown in Figure 1 below, actual spending on Hospital Services and Mental Health Services, the two largest RHA programs, have exceeded budgets over at least the past 6 years. Budgets for these programs have not been established to reflect the 6.5% historical annual increase over prior year spending. As a result, RHA’s carry forward a cost structure that exceeds their allocated funding.

![Figure 1 - Comparison of Hospital Services and Mental Health Estimates and Actuals](image-url)
In addition, recurring deficits at the RHAs are attributable to the following causes:

- RHA budget targets are not supported by assumptions of activity or workload;
- RHAs do not submit action plans to the Department of Health to address differences between target funding and requested funding;
- RHA internal budgets exceed Department of Health funding targets;
- RHA business plans are not approved by the Department of Health;
- RHA funding approvals are not received until 1/3 of the fiscal year is complete;
- Multi-year funding approval or direction is not provided;
- No in-year direction is provided; and
- RHA deficits are funded at year end in the form of working capital grants but the funding base adjustment is delayed.

**Recurring Deficits for Out of Province Hospital Payments**

Actual expenditures for Out of Province Hospital payments increased by a total $22.8 million between 2001-02 and 2005-06 or an average of $5.7 million annually. In percentage terms, this represents growth of between 5.8% and 32.5% annually. Rates for Out of Province Hospital Payments are set by a national committee or by the hospital providing services.

As shown in Figure 2, the Estimates for Out of Province Hospital Payments have typically been increasing annually but have not been increased in comparison to prior year actual spending. For 2006-07, the Main Estimates established a funding level for Out of Province Hospital Payments that was lower than actual costs for 2005-06. The estimates for Out of Province Hospital Payments are not supported by any assumptions about referral patterns or volumes of activity to provide the basis for establishing estimates.

As a result, the Department of Health has incurred deficits related to Out of Province Hospital Payments for the past five years.
Figure 2 - Comparison of Out of Province Hospital Payments Estimates and Actuals

(in thousands of dollars)
Recommendations

The terms of reference provided by the Province for this independent review requested recommendations based on the results of the review. The recommendations resulting from this review are provided below.

Loans and Provisions

1. The Province should ensure that an effective collection system for default student loan accounts is put in place as soon as possible to minimize future student loan losses.

Tangible Capital Assets

2. The Province should consider developing a long-term capital acquisition or management plan to provide guidance on annual capital acquisitions and to ensure changes to net debt related to capital acquisitions do not exceed planned levels.

3. The Province should review the current Tangible Capital Asset accounting policies of all entities within the Government Reporting Entity and assess the reasonableness and consistency of amortization rates, capital thresholds and identified asset classes.

4. The Province should evaluate the appropriateness of its amortization rates and capitalization thresholds based on a reasonable period of actual experience and based on the experience of other comparable provinces. This review should consider whether amortization rates appropriately reflect the useful life of the Province’s assets and if the corresponding amortization expenses appropriately reflect the consumption of assets in the delivery of services.

5. The Province should continue to monitor evolving guidance from PSAB with respect to Tangible Capital Asset accounting to allow it to plan and manage Tangible Capital Assets appropriately.
**Governance**

6 The Province should review its overall governance of NB Power and eliminate the perceived inconsistency between its intended policy to have NB Power operate as a commercial enterprise and its actions in terms of limiting NB Power’s ability to set rates through the Public Utilities Board that will allow NB Power to fund its operations and debt obligations.

7 The Province should consider its role in reviewing NBIMC’s actual results, and reviewing NBIMC budgets and strategy to ensure that they are consistent with the Province’s expectations of NBIMC. This will allow the Province and NBIMC to ensure that they share a clear and common understanding of acceptable risk and growth targets consistent with the Province’s fiscal objectives.

8 The Province should consider its role in reviewing ANBL’s actual results and reviewing ANBL’s budgets and strategy to ensure that they are consistent with the Province’s expectations of ANBL. This will allow the Province and ANBL to ensure that they share a clear and common understanding of acceptable risk and growth targets consistent with the Province’s fiscal objectives.

**Nursing Homes**

9 The Province should review and update the Nursing Home Act and Regulations as required to reflect changes in the sector, and to update the governance and financial relationships between the Province and nursing homes.

10 The Province should develop a long-term plan for future phases of capital upgrades to nursing homes which may require refurbishments over the next ten to fifteen years, to assist the Government in future budget planning.

11 The Province should continue to encourage nursing home financing amortization periods of no more than 20 years, to reflect the expected lifespan of facilities improvements, and the fixing of rates for between 10 and 20 years, to take advantage of relatively low interest rates.
12 Given the growing demands on nursing homes and the changes to funded hours of care, the Province should investigate the need to train additional registered nurses, nursing assistants and resident attendants to meet future staffing needs.

13 The Province should continue to assess whether changes to funding policies and the resulting impact on the proportion of funding that nursing homes receive from the Province have any impact on the Province’s judgement as to whether or not government controls nursing homes as defined in PSAB.

Pension Plans

14 The Province should consider developing an accounting policy respecting pensions. A documented policy may include those items indicated in section 7.2.2.

15 The Province should develop an inventory of pension plan obligations recorded across the Government Reporting Entity and its agencies to ensure all benefits have been completely and appropriately accounted for.

16 The Province should review the basis for the segregation of NB Power’s pension amounts and PSSA assets in the actuarial calculations related to the PSSA pension plan and determine whether similar segregated calculations should be performed for other provincial agencies.

17 The Province should continue to monitor the results of all actuarial valuations performed and ensure any new information is adequately addressed for accounting and funding purposes. The Early Retirement Plan valuation should be reviewed closely as there may be new trends emerging given that the last valuation on this plan was performed in the mid 1990’s.

Retirement Allowance Benefits

18 The Province should determine the most appropriate accounting treatment for the incremental estimated liability related to retirement allowance benefits and the related note disclosure.
19  The Province should consider commissioning an actuarial valuation using current data to estimate the liability of retirement allowance benefits.

20  The Province should develop an accounting policy respecting retirement allowance benefits. A documented policy may include those items indicated in Section 8.2.

21  The Province should develop an inventory of benefit programs offered within the Government Reporting Entity to ensure all benefits have been completely and appropriately accounted for.

22  The Province should consider changing the terminology it uses to refer to various benefit programs to be consistent with PSAB guidance to promote clarity in the interpretation of accounting guidance related to these benefit programs.

23  In making any future changes to the Government Reporting Entity, the Province should continue to consider all additional accounting and reporting requirements and allow appropriate lead times to prepare required information, such as actuarial valuations and other estimates.

Regional Health Authorities (RHAs)

24  The Province should develop an updated Provincial Health Plan, including a clinical services plan. This planning process should evaluate the cost of providing the current health system, and establish funding targets based on the levels of activity and workload required to support the Province’s objectives for the health system, as identified in the updated Provincial Health Plan.

25  The Department of Health business planning process should be revised to provide direction to RHAs about the changes to their services and service delivery models that should be undertaken to allow the RHAs to operate within their approved levels of funding. This would allow RHAs to develop internal plans and budgets that are consistent with the Department of Health approved funding levels.

26  Consideration should be given to having the Department of Finance provide the Department of Health and RHAs with multi-year funding targets for business planning purposes. This would permit the
introduction of changes to services and service delivery models to minimize disruptions to the system and to citizens.

Out of Province Hospital Payments

27 The annual budgeting process for Out of Province Hospital payments should consider explicitly the approved rate increases set by the Interprovincial Health Insurance Agreements Coordinating Committee, any known increases in facility-specific rates, and any other known changes in availability of services.

28 The Department of Health is encouraged to use the information from the new Out of Province Hospital Payments reporting model to monitor the nature of Out of Province services to better understand the underlying causes of increases in costs related to Out of Province Hospital Payments. While the Department cannot deny payment for residents who receive services Out of Province, analysis of the underlying nature of these services will provide the Department with better information to inform health services planning, and to influence health care service delivery in New Brunswick.