

# **First Nations Community Scenarios**

## *Demonstrating the impact of the health funding crisis*

*August 2, 2006*

This analysis provides an estimate of the impact of federal investments and budget cutbacks on the health care need in First Nations communities' health systems in 2006/07 and 2007/08. To undertake this analysis, a number of assumptions are required. These are fully described below.

### **Community Scenarios**

Four basic community scenarios are presented. These vary according to population size and are accompanied by hypothetical health budgets. The Disclosure Initiative of Treasury Board was used to review Health Canada transfers and grants to First Nations of varying populations. Independent First Nations were identified, so as to minimize the possibility that some health services and their accompanying funds would be contained within a larger community aggregation or tribal council and therefore not included in the community's own health budget. This review resulted in the following hypothetical budget amount for a non-isolated community in each of four population groups.

- 1 to 500 population: Community of 350 population with a budget of \$620,000;
- 501 to 1,000 population: Community of 700 population with a budget of \$950,000;
- 1,000 to 3,000 population: Community of 1,900 population with a budget of \$1,900,000; and
- over 3,000 population: Community of 4,000 population with a budget of \$3.6 million.

### **Assumptions and Analysis Design**

#### Modified Berger Formula

- As the actual impact of an anticipated budget investments and cutback is not known for each community, the modified Berger formula (2002/03 amendment) was used to calculate the distribution of funds (and, by extension, impact of cutbacks) on a community-specific basis. This formula incorporates both population size and remoteness.

#### Adjusting for Remoteness

A series of sixteen scenarios have been developed based on the four population groups (0 to 500, 501 to 1000, 1,001 to 3,000 and over 3,000). The four community budgets above have been adjusted by the remoteness factors in the modified Berger formula to provide hypothetical budget amounts for semi-isolated, isolated and remote communities:

	<b>0 to 500</b>	<b>501 to 1,000</b>	<b>1,001 to 3,000</b>	<b>Over 3,000</b>
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	(350 pop)	(700 pop)	(1,900 pop)	(4,000 pop)
<b>Non-isolated</b>	\$620,000	\$950,000	\$1,900,000	\$3,600,000
<b>Semi-isolated</b>	\$661,540	\$1,007,950	\$2,014,000	\$3,837,600
<b>Isolated</b>	\$699,248	\$1,073,467	\$2,154,980	\$4,052,506
<b>Remote</b>	\$741,202	\$1,131,434	\$2,277,814	Does not exist

Note: in the case of isolated and remote communities, these budgets are likely understated as the base amounts were developed from non-isolated communities which do not provide primary health care in nursing stations. However, the range of budgets over the four community remoteness classifications (above) is instructive for comparison purposes.

#### Fiscal Year

- Two years were analyzed: 2006/07 and 2007/08.

#### Anticipated Increases

- The NIHB budget will increase by \$30 million in 2006/07 as part of Budget 2006.
- FNIHB expenditures will increase by 3% in 2007/08
- The Aboriginal Health Human Resources Initiative from Budget 2005 (\$100 million over five years) is mainly directed to regional and national projects. Therefore community-specific funds have not been included in the scenarios.
- The Aboriginal Health Transition Fund (AHTF) resources from Budget 2005 (\$200 million over five years) will not have universal access by communities, and the amount directed to communities in each of the years has not been provided. In the absence of this information, the AHTF has not been included in the scenarios.<sup>1</sup>
- Community allocations for the suicide, diabetes, maternal child health and Aboriginal Head Start upstream investments of the Health Promotion and Disease Prevention Initiative from Budget 2005 were provided and have been incorporated into the scenarios on a per capita (remoteness and community size adjusted) basis. Note: in some cases, such as the Maternal Child Health Program, not all communities will receive funds as the allocation process is competitive. Therefore, the upstream amounts in the scenarios may be understated (for those communities which receive funds) or overstated (for those communities not selected for funding).

#### Budget Cutbacks

- The expenditure review announced in Budget 2005 includes a FNIHB claw back of \$43.9 million in 2006/07 and \$68.4 million in 2007/08.
- The impact to Health Canada of the \$1 billion program review now being undertaken by the federal government (Budget 2006) is unknown. However, in the 2005 expenditure review, FNIHB's contribution was 2.5%. A similar contribution (2.5%) has been assumed for FNIHB in the current program review.

<sup>1</sup> \$80 million will be allocated to provinces and territories with minimal First Nations involvement. A further \$40 million will address levies, federal FTEs, and FTEs in First Nations PTOs. The remaining \$80 million will be provided for First Nations and Inuit integration; however the annual allocations and number of recipient communities is not known.

The program review cutbacks apply to each of two years (2006/07 and 2007/08), with \$25 million estimated for FNIHB each of these years.

### Community Need

- Community health service need has been estimated at 11.3% annually and is based on prior analyses by the Assembly of First Nations.

### **Analysis**

The sixteen community scenarios are appended to this document, and provide detailed information on the sources of new funds from Budget 2004 and 2006, and the claw backs from Budget 2005 and 2006 (the latter is an estimate).

### 2006/07

Using the hypothetical base health budgets provided in the above table, net new resources in 2006/07 (investments minus claw backs) are estimated at \$9,113 for a community of 350 with an existing health budget of \$620,000 to \$82,368 for a community of 4,000 which is located in an isolated area and has a budget of \$3.6 million (a range of 1.4% to 2.3%).

The gap in resources in 2006/07 has been calculated based on community need (estimated at 11.3% annually) minus the net new resources. This ranges from \$60,947 (9.8% of the existing budget) for the non-isolated community of 350 to \$375,565 (10.4%) for the remote community of 4,000. Note: the reason for the variation in percentages from 9.1% to 9.7% is because need has been estimated as equivalent in all community situations (11.3%), whereas a sliding scale based on the modified Berger formula has been used to calculate the community portion of investments and claw backs.

The health funding gap, expressed as a percentage of the 2006/07 *estimated* community budgets, varies from 9.1% to 9.7%.

### 2007/08

Lesser new resources are seen in the 2007/08 community scenarios. This is for two reasons: the 3% increase anticipated in this fiscal year is lower than the \$30 million NIHB allocation in 2006/07 and the Budget 2005 claw back is greater.

All communities will see a decrease in resources in 2007/08 in this scenario. The hypothetical non-isolated community of 350 will receive \$8,419 less in funds. This loss magnifies to \$122,642 for the remote community of 4,000.

It should be noted that these estimates do not take into account new funds which some communities may access from the Aboriginal Health Transition Fund. Also, an equitable division of the upstream investments has been assumed.

The health funding gap, expressed as a percentage of the 2007/08 *estimated* community budgets, varies from 12.8% to 14.5%.

**First Nations Community Scenarios: 2006/07**  
**Hypothetical Health Budgets**

Pop of Scenario	0 to 500	501 to 1,000	1,001 to 3,000	over 3,000
	350	700	1900	4000
<b>Non-isolated</b>	\$620,000	\$950,000	\$1,900,000	\$3,600,000
<b>Semi-isolated</b>	\$661,540	\$1,007,950	\$2,014,000	\$3,837,600
<b>Isolated</b>	\$699,248	\$1,073,467	\$2,154,980	\$4,052,506
<b>Remote</b>	\$741,202	\$1,131,434	\$2,277,814	

**Allocating the \$30 million NIHB increase**

<b>Non-isolated</b>	\$27,615	\$48,300	\$115,140	\$220,800
<b>Semi-isolated</b>	\$29,610	\$51,450	\$122,550	\$236,400
<b>Isolated</b>	\$31,290	\$54,810	\$131,100	\$249,600
<b>Remote</b>	\$33,180	\$57,960	\$138,510	

**Allocating the Health Promotion and Disease Prevention Component of \$48.8 million in 06/07; suicide, MCH, ADI and AHSOR**

<b>Non-isolated</b>	\$44,920	\$78,568	\$187,294	\$359,168
<b>Semi-isolated</b>	\$48,166	\$83,692	\$199,348	\$384,544
<b>Isolated</b>	\$50,898	\$89,158	\$213,256	\$406,016
<b>Remote</b>	\$53,973	\$94,282	\$225,310	

**The Budget 2005 clawback of \$43.9 million in 06/07**

<b>Non-isolated</b>	\$40,410	\$70,679	\$168,488	\$323,104
<b>Semi-isolated</b>	\$43,329	\$75,289	\$179,332	\$345,932
<b>Isolated</b>	\$45,788	\$80,205	\$191,843	\$365,248
<b>Remote</b>	\$48,553	\$84,815	\$202,686	

**The est HC share of \$1 Billion Program Review in 06/07 of \$25 million**

<b>Non-isolated</b>	\$23,013	\$40,250	\$95,950	\$184,000
<b>Semi-isolated</b>	\$24,675	\$42,875	\$102,125	\$197,000
<b>Isolated</b>	\$26,075	\$45,675	\$109,250	\$208,000
<b>Remote</b>	\$27,650	\$48,300	\$115,425	

**Bottom line for net new resources (increases minus decreases)**

<b>Non-isolated</b>	\$9,113	\$15,939	\$37,996	\$72,864
<b>Semi-isolated</b>	\$9,771	\$16,979	\$40,442	\$78,012
<b>Isolated</b>	\$10,326	\$18,087	\$43,263	\$82,368
<b>Remote</b>	\$10,949	\$19,127	\$45,708	

**Community need (11.3% increase annually)**

<b>Non-isolated</b>	\$70,060	\$107,350	\$214,700	\$406,800
<b>Semi-isolated</b>	\$74,754	\$113,898	\$227,582	\$433,649
<b>Isolated</b>	\$79,015	\$121,302	\$243,513	\$457,933
<b>Remote</b>	\$83,756	\$127,852	\$257,393	

**Gap in Resources (Community Need - Net New Resources)**

<b>Non-isolated</b>	\$60,947	\$91,411	\$176,704	\$333,936
<b>Semi-isolated</b>	\$64,983	\$96,920	\$187,141	\$355,637
<b>Isolated</b>	\$68,689	\$103,214	\$200,250	\$375,565
<b>Remote</b>	\$72,806	\$108,725	\$211,685	

**The Gap expressed as a percentage of the 06/07 estimated community budget**

<b>Non-isolated</b>	9.7%	9.5%	9.1%	9.1%
<b>Semi-isolated</b>	9.7%	9.5%	9.1%	9.1%
<b>Isolated</b>	9.7%	9.5%	9.1%	9.1%
<b>Remote</b>	9.7%	9.4%	9.1%	

**06/07 Community Budgets with addition of net new resources (above)**

<b>Non-isolated</b>	\$629,113	\$965,939	\$1,937,996	\$3,672,864
<b>Semi-isolated</b>	\$671,311	\$1,024,929	\$2,054,442	\$3,915,612
<b>Isolated</b>	\$709,574	\$1,091,554	\$2,198,243	\$4,134,874
<b>Remote</b>	\$752,151	\$1,150,561	\$2,323,522	

**First Nations Community Scenarios: 2007/08**

***Hypothetical Health Budgets***

*(includes the carryover - adjusted budget - from 06/07 scenarios)*

Pop of Scenario	0 to 500	501 to 1,000	1,001 to 3,000	over 3,000
<b>Non-isolated</b>	\$652,125	\$1,006,189	\$2,033,946	\$3,856,864
<b>Semi-isolated</b>	\$695,986	\$1,067,804	\$2,156,567	\$4,112,612
<b>Isolated</b>	\$735,649	\$1,137,229	\$2,307,493	\$4,342,874
<b>Remote</b>	\$779,801	\$1,198,861	\$2,438,947	

***3% increase***

<b>Non-isolated</b>	\$19,564	\$30,186	\$61,018	\$115,706
<b>Semi-isolated</b>	\$20,880	\$32,034	\$64,697	\$123,378
<b>Isolated</b>	\$22,069	\$34,117	\$69,225	\$130,286
<b>Remote</b>	\$23,394	\$35,966	\$73,168	

***Allocating the Health Promotion and Disease Prevention Component of \$63.0 million in 07/08; suicide, MCH, ADI and AHSOR***

<b>Non-isolated</b>	\$57,992	\$101,430	\$241,794	\$463,680
<b>Semi-isolated</b>	\$62,181	\$108,045	\$257,355	\$496,440
<b>Isolated</b>	\$65,709	\$115,101	\$275,310	\$524,160
<b>Remote</b>	\$69,678	\$121,716	\$290,871	

***The Budget 2005 clawback of \$68.4 million in 07/08***

<b>Non-isolated</b>	\$62,962	\$110,124	\$262,519	\$503,424
<b>Semi-isolated</b>	\$67,511	\$117,306	\$279,414	\$538,992
<b>Isolated</b>	\$71,341	\$124,967	\$298,908	\$569,088
<b>Remote</b>	\$75,650	\$132,149	\$315,803	

***The estimated HC share of the \$1 Billion Program Review for 07/08 of \$25.0 million***

<b>Non-isolated</b>	\$23,013	\$40,250	\$95,950	\$184,000
<b>Semi-isolated</b>	\$24,675	\$42,875	\$102,125	\$197,000
<b>Isolated</b>	\$26,075	\$45,675	\$109,250	\$208,000
<b>Remote</b>	\$27,650	\$48,300	\$115,425	

***Bottom line for net new resources (increases minus decreases)***

<b>Non-isolated</b>	-\$8,419	-\$18,758	-\$55,657	-\$108,038
<b>Semi-isolated</b>	-\$9,125	-\$20,102	-\$59,487	-\$116,174
<b>Isolated</b>	-\$9,638	-\$21,424	-\$63,623	-\$122,642
<b>Remote</b>	-\$10,228	-\$22,767	-\$67,188	

***Community need (11.3% increase annually)***

<b>Non-isolated</b>	\$73,690	\$113,699	\$229,836	\$435,826
<b>Semi-isolated</b>	\$78,646	\$120,662	\$243,692	\$464,725
<b>Isolated</b>	\$83,128	\$128,507	\$260,747	\$490,745
<b>Remote</b>	\$88,118	\$135,471	\$275,601	

***Gap in Resources (Community Need - Net New Resources)***

<b>Non-isolated</b>	\$82,110	\$132,458	\$285,493	\$543,864
<b>Semi-isolated</b>	\$87,772	\$140,764	\$303,179	\$580,899
<b>Isolated</b>	\$92,766	\$149,931	\$324,370	\$613,387
<b>Remote</b>	\$98,346	\$158,238	\$342,789	

***The Gap expressed as a percentage of the 07/08 estimated community budget***

<b>Non-isolated</b>	12.8%	13.4%	14.4%	14.5%
<b>Semi-isolated</b>	12.8%	13.4%	14.5%	14.5%
<b>Isolated</b>	12.8%	13.4%	14.5%	14.5%
<b>Remote</b>	12.8%	13.5%	14.5%	

***07/08 Community Budgets with addition of net new resources (above)***

<b>Non-isolated</b>	\$643,706	\$987,431	\$1,978,289	\$3,748,826
<b>Semi-isolated</b>	\$686,861	\$1,047,702	\$2,097,080	\$3,996,438
<b>Isolated</b>	\$726,011	\$1,115,805	\$2,243,870	\$4,220,232
<b>Remote</b>	\$769,573	\$1,176,094	\$2,371,759	\$0