



Indigenous and
Northern Affairs Canada

Affaires autochtones
et du Nord Canada

Final Report

Evaluation of 4.1.1 – Grants to the Government of the Northwest Territories and the Government of Nunavut for Health Care of Indians and Inuit

Project Number: 1570-7/16123

March 2017

Evaluation, Performance Measurement
and Review Branch
Audit and Evaluation Sector



Canada

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List of Acronyms

EPMRB Evaluation, Performance Measurement and Review Branch

GNWT Government of the Northwest Territories

INAC Indigenous and Northern Affairs Canada

Executive Summary

This report constitutes the Evaluation of Indigenous and Northern Affairs Canada's (INAC's) *Grants to the Government of the Northwest Territories and Grants to the Government of Nunavut for Health Care of Indians and Inuit* (the Healthcare Grants) in accordance with Treasury Board's *Policy on Results* and *Section 42.1 of the Financial Administration Act*.

The Healthcare Grants transfer is designed to aid the governments of the Northwest Territories and Nunavut with the cost of insured healthcare services for First Nations and Inuit.

The evaluation focuses on the grant transfer process and examines the continued relevance and effectiveness of the mechanism of the transfer from fiscal year 2011-12 to fiscal year 2015-16.

Supporting evidence for the evaluation comes from a combination of the following: document, historical document, literature and administrative data review; key informant interviews with INAC, Finance Canada and Health Canada staff, as well as representatives from the governments of Nunavut and the Northwest Territories.

The resulting findings are intended to inform INAC senior management and program staff of the effectiveness and efficiency of the Grants transfer, and recommendations are designed to support improvements of the Grants transfer mechanisms.

The evaluation report highlights the following key findings:

1. A continuing and demonstrable need exists for the Health Grants funding to support health care costs in the Northwest Territories and Nunavut.
2. The Grants are clear in respect to eligibility and the mechanism of delivery.
3. The Grants are financial transfers related to the delivery of health services, and are currently administered by INAC because of their connection to Indigenous issues.
4. Conditions of accountability and reporting in territorial public accounts are being fulfilled.
5. The Grants are delivered from INAC to the Government of Nunavut and the Government of the Northwest Territories in a timely and efficient manner.

In this context, the following recommendation is put forward to support program improvements and ensure that the Grants are transferred as efficiently as possible:

- The Northern Affairs Organization of INAC continue to explore the possibility of transferring the administration of the Grants to other existing mechanisms that deliver federal funding to the Government of the Northwest Territories and Government of Nunavut.

Management Response and Action Plan

Project Title: Evaluation of the 4.1.1 – Grants to the Government of the Northwest Territories and the Government of Nunavut for Health Care of Indians and Inuit

Project #: 1570-7/16123

Recommendations	Actions	Responsible Manager (Title / Sector)	Planned Start and Completion Dates
1. Northern Affairs Organization continue to explore the possibility of transferring the administration of the Grants to other existing mechanisms that deliver federal funding to the Government of the Northwest Territories and the Government of Nunavut.	We __do__ concur.	Director General, Northern Governance Branch	<small>Start Date:</small> March 2017
	In light of this evaluation, Northern Affairs Organization will continue to successfully deliver the grants in a manner consistent with the current approach. As per the evaluation's recommendation, INAC will consider other alternative delivery mechanisms and will consult with appropriate federal central agencies and departments. INAC will also initiate discussions at the strategically appropriate times with the governments of the Northwest Territories and Nunavut on possible design and delivery alternatives.		<small>Completion:</small> June 21, 2017 Completed

I recommend this Management Response and Action Plan for approval by the Evaluation, Performance Measurement and Review Committee

Original signed by:

Michel Burrowes
Senior Director, Evaluation, Performance Measurement and Review Branch

I approve the above Management Response and Action Plan

Original signed by:

Stephen Van Dine
Assistant Deputy Minister, Northern Affairs Organization

1. Introduction

1.1 Overview

In accordance with Treasury Board's *Policy on Results*¹ and *Section 42.1 of the Financial Administration Act*, that requires all ongoing programs of grants and contributions to be reviewed every five years, the Evaluation, Performance Measurement and Review Branch (EPMRB) of Indigenous and Northern Affairs Canada (INAC) undertook an evaluation of *Grants to the Government of the Northwest Territories and Grants to the Government of Nunavut for Health Care of Indians and Inuit*, (henceforth also referred to as the Health Grants or the Grants).

The purpose of this evaluation is to describe the relevance and historical context for the Health Grants and to assess the effectiveness and efficiency of their transfer from the Northern Affairs Organization of INAC to the Government of the Northwest Territories (GNWT) and the Government of Nunavut. Therefore, this evaluation focuses on the grant transfer process rather than the Grants as part of an administration of a program, and therefore does not investigate the management of the funding once it is received by the territories. Rather, it examines the continued relevance and effectiveness of the mechanism of the transfer from INAC.

The Grants were examined as part of a 2008 Special Study on INAC's Funding Arrangements but have not been, until now, the subject of an evaluation. The decision for EPMRB to evaluate the Grants, separate from the rest of the sub-program areas, speaks to their unique situation and their historical roots.

This report provides a description of the historical context for the grants, including lessons learned from the devolution of health care responsibilities in the North, and provides findings with respect to the Grants' continued relevance as well as the effectiveness and efficiency of the delivery of the Grants to the governments of the Northwest Territories and Nunavut. It provides one recommendation in the area of the consideration of alternatives delivery mechanisms.

1.2 Grants Profile

1.2.1 Historical Context

Health care in the territories largely developed in 1945 when the Federal Department of National Health and Welfare (now Health Canada) became responsible for delivering health care services to the Northwest Territories and Yukon. These responsibilities expanded with the creation of the Medical Services Branch in 1954². Originally, the intent was to divide the cost of insured healthcare services between the federal government and the territorial governments equally (50/50). The GNWT and the Government of Yukon, however, struggled to meet their commitments due to a large Aboriginal population and the high expense of reaching isolated communities. In 1959, for

¹ The Treasury Board of Canada introduced on July 1, 2016 new policy instruments for evaluation, in particular, the Policy on Results, which replaces the Policy on Evaluation. A new Directive on Results replaces the Directive on the Evaluation Function as well as the Standard on Evaluation, both dating from 2009.

² Geoffrey R. Weller "The Devolution of Authority for Health Care Services to the Governments of the Yukon and Northwest Territories". Litigation folder E5440-2 / N136 (6).

Northwest Territories and 1960 for the Yukon, Cabinet approved annual Grants to the territories to cover 95 percent of insured hospital services costs for status First Nation and Inuit residents. In 1970, the Grant Agreements expanded to also cover 100 percent of costs for physician services.

It should be noted that insured hospital services include those that are medically necessary to maintaining health, preventing disease, or diagnosing or treating an injury, illness, or disability.³ The Agreements do not include non-insured services such as dental, eye care, or mental health counseling.⁴

In addition to the Grants, the Northwest Territories (in 1970) and the Yukon (in 1972), joined the national medical insurance plan, which provides doctor services to all residents, whether Indigenous or not.

The Grants continued until 1977 when changes to the *Financial Administration Act* changed the grant arrangements into contribution agreements.⁵ These agreements continued for both territories until 1992-1993 when National Health and Welfare devolved responsibilities to the Government of Yukon, moving all associated funding, including the Contribution from INAC, into the more general base of Territorial Formula Financing.⁶ With this devolution process, the federal government no longer had responsibility for funding hospital and physician services in the Yukon. This continues to be the present situation in the Yukon.

As for the Northwest Territories, National Health and Welfare devolved responsibility for health care services slightly sooner, in 1986-1988. Unlike the Yukon, however, the GNWT did not incorporate the INAC contribution into its Territorial Formula Financing arrangement. At that time, agreement could not be reached with GNWT on the amount of INAC funding to be incorporated into the Territorial Formula Financing. Instead, the parties choose to keep INAC's funding as a separate contribution.

Between 1986 and 1988, National Health and Welfare devolved responsibilities for the administration of health care to the GNWT. It was devolved by region of the Northwest Territories, including a separate agreement for the devolution in the Baffin region. While responsibility for administration now belongs to the GNWT, the responsibility for funding remains with INAC.

³ "INAC. "Grants to the Government of the Northwest Territories and the Government of Nunavut for Health Care of Indians and Inuit". May 28. 2014. <https://www.aadnc-aandc.gc.ca/eng/1386259926294/1386259977033>

⁴ Eligible First Nations and Inuit, who do not receive coverage from a private insurance plan, may be eligible for Non-Insured Health Benefits offered by Health Canada. <http://www.hc-sc.gc.ca/fniah-spnia/nihb-ssna/benefit-prestation/crisis-urgence/index-eng.php>

⁵ Institute on Governance. "Special Study on INAC Funding Arrangements. Annex 2". INAC. 2008. <https://www.aadnc-aandc.gc.ca/eng/1100100011584/1100100011589#apb>

⁶ Territorial Formula Financing is an annual unconditional transfer from Finance Canada to each territorial government. It allows the territories to provide programs and services at comparable levels to those offered by provincial governments, at comparable levels of taxation. Territorial Formula Financing can be used by the territory for services such as education, infrastructure, or health care, and is dispersed as the territory sees fit. (Department of Finance Canada. "Backgrounder on Territorial Formula Financing". 16 Feb. 2016 https://www.fin.gc.ca/n16/data/16-024_1-eng.asp)

Shortly after this devolution, INAC noticed an increase in claims during fiscal years 1987-1988 and 1988-1989. The increase has been attributed to three principle factors: the creation of new positions and the costs to maintain them after the transfer of Baffin region health care responsibilities to the GNWT⁷; the outstanding issue of an undetermined increase in nurses' salaries, which was not resolved before the transfer; and the rising costs of the program, which extended beyond the annual contribution amount.

By September 1992, the GNWT claimed Canada owed \$110.9 million over the five-year period from 1986-1987 to 1990-1991, while Canada claimed its debt was a much smaller \$78.1 million⁸. After a failed period of negotiations, the GNWT pursued legal action against Canada in 1992.

An out of court settlement was reached in 1995 with the agreement that Canada would pay the GNWT a one-time payment of \$24 million. Due to this settlement, the Contribution Agreement was amended to include a two percent annual escalator applied to a base amount of \$33.5 million in 1995. These remain characteristics of the present 2016-2017 Grant Agreements.

With the creation of Nunavut in 1999, INAC Contribution funding to the GNWT for hospital and physician services was divided, with 56.3 percent devoted to the Government of Northwest Territories and 43.7 percent to the Government of Nunavut, thereby resulting in two separate contribution agreements. Due to the creation of Nunavut, Canada, the GNWT, and Nunavut re-opened discussions on how to amend the general federal funding base of the Territorial Formula Financing. However, both the GNWT and Nunavut requested the INAC funding arrangement be continued. They expressed concern that the Northwest Territories Aboriginal Groups and Nunavut Tunngavik Incorporated would oppose having the funding incorporated into the Territorial Formula Financing.⁹

To respect the original Grant Agreements, the Contribution Agreements were converted back to Grants in 2005, with agreed upon terms and conditions. Currently (2016-2017), the GNWT and the Government of Nunavut continue to receive Grants on an annual agreement cycle.

1.2.2 The Grants Today

Presently, INAC provides Grants for insured hospital and physician services to the GNWT and the Government of Nunavut on an annual agreement basis. At the beginning of each fiscal year, the GNWT and the Government of Nunavut submit cost estimates to INAC to demonstrate that the Grants' funds are being applied to hospital and physician services. The estimates, however, have no impact on the Grants' funding levels, which increase by a set two percent annual escalator. As the transfer is a grant, it is the responsibility of the territory to administer the funds to the facilities and services listed in the Agreement and report on the Grant in their Public Account statements.

⁷ According to the Government of Nunavut, the Medical Services Branch transferred enough funds to cover the 1988 level of staff, but any new hires after the transfer date would need to be funded through other means. (Department of Finance. "Financial Impact of Devolution from Canada." Litigation Support, GNWT Health Care Dispute Vol 2. File Number 2-N-136. September 1992 – October 1995.)

⁸ Indian and Northern Affairs Canada. Government of Nunavut: Options for Resolving the Financing Dispute Between Canada and the GNWT." September 3, 1992 (litigation Folder E5440-2/N136 (3) - from 9/92 to 10/95)

⁹ Institute on Governance. "Special Study on INAC Funding Arrangements. Annex 2". 2008. <https://www.aadnc-aandc.gc.ca/eng/1100100011584/1100100011589#apb>

1.2.3 Objectives and Expected Outcomes

The *Grants to the Government of the Northwest Territories and the Government of Nunavut for Health Care of Indians and Inuit* are situated under The North's 4.1.1 sub-program: Political Development and Intergovernmental Relations. This program also supports the devolution of land and resource responsibilities to territorial governments and ensures that circumpolar cooperation activities reflect Canadian interests. The Grants connect to the Program Result: "Community health and safety in the North is strengthened".¹⁰ The services offered by the Grants are intended to lead to better health outcomes for Indigenous and Inuit residents in the Northwest Territories and Nunavut.

The Performance Measurement Strategy for 4.1.1 Political Development and Intergovernmental Relations does not specify immediate outcomes for the Grants to Northern Hospitals. However, the final program result in the strategy states that "Community health and safety in the North is strengthened". While the purpose of the Grant is to assist in obtaining this result, without outputs to measure or Immediate Outcomes to pinpoint, it is difficult to determine if the Grants are on track to achieve the final program result. However, INAC key informants and territorial key informants both confirm that the Grants are in line with INAC priorities and the priorities of the GNWT and the Government of Nunavut.

1.2.4 Program Management, Key Stakeholders, and Beneficiaries

INAC's Northern Affairs Organization manages the Grants under the Northern Governance Branch, which ensures timely delivery of the Grants to the GNWT and Government of Nunavut.

The governments of the Northwest Territories and Nunavut are responsible for receiving and distributing the Grants to the appropriate facilities, based on a series of agreed upon terms and conditions. However, due to the nature of it being a grant rather than a contribution, INAC does not require detailed reporting from the GNWT or the Government of Nunavut to justify spending.

The intended target beneficiaries of the Grants are the applicable health care facilities and Indigenous residents.

1.2.5 Program Resources

The Northern Affairs Organization has designated one full time equivalent to manage and administer the Grants in addition to other duties.

INAC's Grant payments increase by a two percent annual escalator. The costs of the Grants, separated by territory, are demonstrated in Table 1, which shows the annual Grant amounts transferred from INAC to the GNWT and Nunavut over the past five fiscal years.¹¹

¹⁰ 4.1.1 Performance Measurement Strategy

¹¹ INAC. "Grant Agreement with the Northwest Territories for Hospital and Physician Services" and, "Grant Agreement with Nunavut for Hospital and Physician Services". Fiscal years 2011-2012 to 2015-2016.

Table 1: Total Health Grant Spending Per Year for the GNWT and Nunavut

Fiscal Year	Health Grant Total (per Fiscal Year)	Division of Health Grant by Fiscal Year	
		GNWT (56.3%)	Nunavut (43.7%)
2011-2012	\$49,241,000	\$27,722,683	\$21,518,317
2012-2013	\$50,226,000	\$28,277,238	\$21,948,762
2013-2014	\$51,231,000	\$28,843,053	\$22,387,947
2014-2015	\$52,256,000	\$29,420,128	\$22,835,872
2015-2016	\$53,301,000	\$30,008,463	\$23,292,537

2. Evaluation Methodology

2.1 Evaluation Scope

The scope of the evaluation covers from 2011-2012 to 2015-2016. As the Grants are specifically for the GNWT and the Government of Nunavut, this report focuses on these two territories.

Given that this evaluation is of a grant rather than a program, and considering the Grants' formulaic calculation and two percent annual escalator, there are few program elements to evaluate. The evaluation therefore focused on the continued need for the Grants and the efficiency of the transfer process. It also examined possible design and delivery alternatives.

The Terms of Reference for this evaluation were developed by the Evaluation, Performance Measurement and Review Branch with input from key INAC representatives responsible for the delivery of the Grants. They were presented and approved by INAC's Evaluation, Performance Measurement and Review Committee in June 2016.

A working group was established, which included representatives from Northern Affairs Organization, the GNWT, and the Government of Nunavut. Members of the Working Group met once to guide the evaluation process and affirm the development of the evaluation's methodology.

Information was primarily collected through a review of program documents and interviews with representatives from INAC, Health Canada, Finance Canada, the GNWT, and the Government of Nunavut. This information was collected between June 2016 and January 2017, with interviews conducted between October 2016 and January 2017.

Site visits to the Northwest Territories and Nunavut were initially envisioned as forming an in-depth exploration of the results and impacts associated with the Grants; however, stakeholders regarded the timing of the visits as well as the purpose of the visits (to assess the impacts of the Grants) to be extending beyond INAC's responsibilities and the evaluations' purpose of assessing the Grants' funding mechanism.

2.2 Evaluation Issues and Questions

In an effort to assess the relevance, effectiveness and efficiency of the Grants as a funding mechanism, the evaluation addressed the following questions:

<i>Evaluation Issue</i>	<i>Evaluation Question</i>
<i>Relevance</i>	
Continued Need for the Grants	<ul style="list-style-type: none"> • Is there a continued need for the Grants?
Alignment with Government Priorities/Federal Roles and Responsibilities	<ul style="list-style-type: none"> • Do the Grants align with the current strategic outcomes of the federal and territorial governments?
<i>Performance – Effectiveness, Efficiency, and Economy</i>	
Achievement of Expected Outcomes	<ul style="list-style-type: none"> • Are the Terms and Conditions associated with the Grants clear? Are the facilities identified in the Agreements receiving funding? • To what extent is data being collected to report on the outcomes associated with the Grants?
Demonstration of Efficiency and Economy	<ul style="list-style-type: none"> • How effective has INAC been in delivering the Grants? • Is the current delivery structure of the Health Grants the best funding approach to support insured health care benefits for Indigenous populations in the Northwest Territories and Nunavut? • Are there alternative or more efficient, effective, and economical ways of delivering components of these Grants, which would achieve similar or better results?
Other Evaluation Issues (Best Practices and Lessons Learned)	<ul style="list-style-type: none"> • Are there lessons learned or best practices from the devolution of the Yukon and the Northwest Territories which might enhance the efficiency and effectiveness of the delivery of these Grants?

2.3 Evaluation Methodology

2.3.1 Data Sources

Data was collected using multiple lines of evidence, including:

- **Historical Documents:** Research and background information used during the 1992-1995 legal dispute was reviewed to provide a historical context of the Grants. This information supported an improved understanding of the origins of the Grants, the extent of medical services in the North, the devolution of National Health and Welfare to the GNWT, as well as the political environment that led to the 1992 dispute between the GNWT and Canada over health care funding levels and the contribution amount.
- **Document Review:** The document review included the Grant Agreements with the GNWT and the Government of Nunavut from 2011-2012 to 2016-2017, Office of the Auditor General Reports from 2009-2011, GNWT and Government of Nunavut Auditor's Reports on Compliance from 2003-2005, a Special Study on INAC's Funding Arrangements, a report from the Expert Panel on Equalization and Territorial Formula Financing, and Annual Business Plans

and Public Accounts of the GNWT and the Government of Nunavut from 2014-2016. The information was reviewed in line with the evaluation issues and questions and searched for consistency between the agreements, the audit reports, and the territorial Public Accounts statements.

- **Media Review:** News articles were reviewed to situate the Grants in the 2016-2017 northern health context as well as monitor the 2016-2017 changes to the Canada Health Transfer.
- **Key Informant Interviews:** From October 2016 to January 2017, 16 interviews were planned and 13 were successfully completed. Their numbers were comprised of the following groups:

Organization	Number of Interviewees
INAC	6
Finance Canada	2
Health Canada	1
GNWT	3
Government of Nunavut	1
TOTAL:	13

2.3.2 Considerations, Strengths and Limitations

It should be noted that there are limited program elements to evaluate due to the formulaic, two percent annual increase to the Grants. Similarly, since the Grants require minimal management, there are a limited number of experts who are aware of the Grants and available for interview.

Those who do manage the Grants, however, are very knowledgeable and were valuable information resources for this evaluation.

While the Grants are detailed in terms of their history, the present administrative duties are relatively small in scale and therefore require minimal management.

3. Evaluation Findings - Relevance

3.1 Relevance

Key Finding:

A continuing and demonstrable need exists for the Health Grants funding to support hospital and physician services costs in the Northwest Territories and Nunavut.

The Grants for insured hospital and physician services for Indigenous residents have, since 1959, responded to the high costs of healthcare in the North. They are meant as additions to other federal transfers, such as the Canada Health Transfer¹² and Territorial Formula Financing¹³. The INAC Grants are not meant to carry 100 percent of health care costs to northern Indigenous residents, however, even as a top-up to the other transfers, Tables 2.1 and 2.2 demonstrate that the INAC Grants represent a significant percentage of the overall funding for healthcare services in the Northwest Territories and Nunavut.

Table 2.1: INAC Health Grant Compared to the Canada Health Transfer for the Northwest Territories

Health Care Funding to the GNWT				
Fiscal Year	INAC Health Grant	Canada Health Transfer	Total Insured Health Care Funding	Percentage of INAC Health Grant Representing Total Federal Insured Health Care funding
2011-2012	\$27,722,683	\$26,000,000	\$53,722,683	52%
2012-2013	\$28,277,238	\$30,000,000	\$58,277,238	49%
2013-2014	\$28,843,053	\$32,000,000	\$60,843,053	47%
2014-2015	\$29,420,128	\$40,000,000	\$69,420,128	42%
2015-2016	\$30,008,463	\$42,000,000	\$72,008,463	42%

Table 2.1 compares the INAC Grant transfer to the GNWT to Finance Canada's Canada Health Transfer. The Territorial Formula Financing is not included due to the unconditional nature of this transfer.¹⁴

¹² The Canada Health Transfer supports health care in all provinces and territories. It grows annually by a guaranteed three percent escalator (slightly more than the two percent annual escalator set in the INAC Grant agreements). <https://www.fin.gc.ca/fedprov/his-eng.asp>

¹³ Territorial Formula Financing is a general, unconditional grant to each territory and is used to funds services such as education, infrastructure, and health care, based on the territory's discretion. (Department of Finance Canada. "Backgrounder on Territorial Formula Financing". 16 Feb. 2016 https://www.fin.gc.ca/n16/data/16-024_1-eng.asp)

¹⁴ Department of Finance Canada. "Federal Support to Provinces and Territories". 2 Feb. 2017. www.fin.gc.ca/fedprov/mtp-eng.asp#NorthwestTerritories.

Table 2.2: INAC Health Grant Compared to the Canada Health Transfer for Nunavut

Health Care Funding to the Government of Nunavut				
Fiscal Year	INAC Health Grant	Canada Health Transfer	Total Insured Health Care Funding	Percentage of INAC Health Grant Representing Total Federal Insured Health Care funding
2011-2012	\$21,518,317	\$29,000,000	\$50,518,317	43%
2012-2013	\$21,948,762	\$31,000,000	\$52,948,762	41%
2013-2014	\$22,387,947	\$34,000,000	\$56,387,947	40%
2014-2015	\$22,835,872	\$34,000,000	\$56,835,872	40%
2015-2016	\$23,292,537	\$35,000,000	\$58,292,537	40%

Table 2.2 compares the INAC Grant transfer to the Government of Nunavut to Finance Canada's Canada Health Transfer. Territorial Formula Financing is not included due to the unconditional nature of this transfer.¹⁵

It should be noted that as the Canada Health Transfer increases by a guaranteed three percent per year and the INAC Grants increase annually by a set two percent, the Canada Health Transfer is gradually surpassing the INAC Grants in terms of percentage of overall funding. In 2011-2012, in the GNWT, between the Grant and the Canada Health Transfer, INAC's Grant represented 52 percent of health care funding. In 2015-2016, however, that margin dropped to 42 percent as the Canada Health Transfer surpassed the INAC Grant. Similarly, in Nunavut, INAC's Grant decreased from 43 percent of funding to 40 percent.

However, even with the Grants designed as a top-up, key informants from the GNWT and from the Government of Nunavut indicated that the planned cost as estimated at the beginning of a fiscal year to provide hospital and physician services to northern Indigenous residents continues to exceed the maximum limit of the Grant. Tables 3.1 and 3.2 demonstrate the difference between the Grants' annual funding and the expenditure plans for hospital and physician services in the Northwest Territories and Nunavut.

Table 3.1: GNWT Grant Funds to Annual Health Costs

GNWT Grant Payments vs. Health Care Cost			
Fiscal Year	Grant Payment Amount	GNWT Reported Amount Spent on Health Care	Difference
2011-2012	\$27,722,683	\$40,780,000	\$13,057,317
2012-2013	\$28,277,238	\$39,813,891	\$11,536,653
2013-2014	\$28,843,053	\$40,300,655	\$11,457,602
2014-2015	\$29,420,128	\$44,279,506	\$14,859,378
2015-2016	\$30,008,463	\$45,034,980	\$15,026,517

Table 3.1 illustrates the GNWT's difference in planned spending compared to what the INAC Grant provides.¹⁶

¹⁵ Ibid.

Table 3.2: Government of Nunavut Grant Funds to Annual Health Costs

Government of Nunavut Grant Payments vs. Health Care Cost			
Fiscal Year	Grant Payment Amount	Nunavut Reported Amount Spent on Health Care	Difference
2011-2012	\$21,518,317	\$65,853,398	\$44,335,081
2012-2013	\$21,948,762	\$67,627,358	\$45,681,596
2013-2014	\$22,387,947	\$72,384,708	\$49,996,761
2014-2015	\$22,835,872	\$54,296,721	\$31,460,849
2015-2016	\$23,292,537	\$66,092,705	\$42,800,168

Table 3.2 illustrates the Government of Nunavut's difference in planned spending compared to what the INAC Grant provides.¹⁷

In 2015-2016, the GNWT's planned hospital and physician services costs for Indigenous residents were estimated at \$15,026,517 more than what was provided in the INAC Grant, while Nunavut's estimate for the same fiscal year exceeded the Grant by \$42,800,168. The GNWT's Annual Business Plan 2016-2017 reveals that, "the demand for health services and social programs continues to grow, driven primarily by high rates of chronic disease, an ageing population, and impacts related to lifestyle choices often stemming from historical factors such as colonization, residential schools and rapid culture change."¹⁸ Clearly, a demonstrable need for the Grants continues to exist.

For both the Northwest Territories and Nunavut, one significant contributor to the high cost of healthcare is the remoteness of its population. The GNWT Annual Business Plan 2016-2017 also discloses that medical travel alone represents four percent to five percent of the total healthcare budget annually¹⁹. While this is a significant amount to note, key informants and a review of the Grant Agreements indicate that the Grants do not cover travel costs.

When the GNWT and the Government of Nunavut expenditures exceed the funding provided by the Grants – and key informants suggest that they often do – their solution is to take funds from other revenue sources such as the Territorial Formula Financing. INAC does not provide funds in excess to the agreed upon limit in the Grants. Key informants from the GNWT, the Government of Nunavut, INAC, and other government departments all recognized that the INAC Grants do not cover the full costs of insured health care services for Indigenous residents in the GNWT and the Government of Nunavut. As such, they affirm that the Grants continue to be needed to support insured health care services.

¹⁶ INAC. "Grant Agreement with the Northwest Territories for Hospital and Physician Services". Fiscal years 2011-2012 to 2015-2016.

¹⁷ INAC. "Grant Agreement with Nunavut for Hospital and Physician Services". Fiscal years 2011-2012 to 2015-2016.

¹⁸ Government of the Northwest Territories. "Annual Business Plan 2016-2017: Health and Social Services." P 2

¹⁹ Ibid, P. 49

4. Evaluation Findings – Design, Delivery, and Effectiveness

4.1 Design and Delivery

Key Finding:

The Grants are clear in respect to eligibility and the mechanism of delivery.

Key informants from INAC, the GNWT, and the Government of Nunavut expressed no concerns over the clarity of the agreements as well as their terms and conditions.

The Grant Agreements change little from year to year. They begin by defining what is meant by hospital, hospital services, Indian, Inuit, applicable recipients, medical practitioner, and physician services. The Agreement also states its duration, the monthly payment schedule, the amounts to be paid each month, and the maximum limit of payment for the specified year (see Table 1). The agreements are signed by representatives of the territory and Canada. Finally, they include a list of facilities that benefit from the Grants and the program budget and expenditure plan.

4.2 Design and Delivery

Key Finding:

The Grants are financial transfers related to the delivery of hospital and physician services, and are currently administered by INAC because of their connection to Indigenous issues.

4.2.1 Territorial Formula Financing

The Territorial Formula Financing is the current conduit for most federal funding to the territories. It is an unconditional transfer that helps the Yukon, the Northwest Territories, and Nunavut fund essential public services such as hospitals, schools, and infrastructure²⁰. Finance Canada calculates the transfer based on the territory's eligible revenues (what the territory could have raised if it taxed according to the national average), its Gross Expenditure Base, relative population growth to the rest of Canada, and spending growth across Canada. Depending on the territory's economic circumstances, the eligible revenues can change from year to year and with it the total amount in the Territorial Formula Financing. While the INAC Health Grant grows at a set two percent every year, the Territorial Formula Financing can increase or decrease depending on these factors.

²⁰ Finance Canada. "Backgrounder on Territorial Formula Financing." February 16, 2016. https://www.fin.gc.ca/n16/data/16-024_1-eng.asp

Throughout the evaluation, key informants indicated that, from the perspective of relevance, INAC may not be the best fit to manage these Grants. As a Grant dedicated to health in which the federal role is principally to calculate the annual transfer amounts, some key informants questioned why the Grants are not managed by a body who either has experience administering health programs or one that is accustomed to calculating Grants and Contributions. The Grants' history is the best response to INAC's involvement.

When the responsibility for National Health and Welfare devolved to the GNWT in 1988, there was a discussion between Canada and the GNWT around moving INAC's funding into the Territorial Formula Financing. However, an agreement concerning the amount to roll into the Territorial Formula Financing could not be reached so the funding arrangements remained under the responsibility of INAC. In 1998 (GNWT) and 1999 (Government of Nunavut), discussions on whether to include INAC'S funds in the Territorial Formula Financing arose again. However, being unable to obtain a consensus among territorial Indigenous groups, who favour the Indigenous-specific label of INAC's transfer, the funds were once again excluded from the Territorial Formula Financing.²¹

The period from 1986-1988 was the ideal time to move INAC's hospital and physician services funding for the GNWT into the Territorial Formula Financing since Canada was in the process of amending the Territorial Formula Financing transfer to account for devolving health care responsibilities to the GNWT and their associated costs. This was the perfect opportunity to devolve the INAC funding in parallel with other health care related programs and to add the equivalent costs to the Territorial Formula Financing. It becomes more of a challenge to amend and adjust the Territorial Formula Financing without the opening that devolution provides. While it is true that Nunavut is approaching a devolution period, this is a devolution of land and resource responsibilities rather than a devolution of health care services.

The appeal of the Territorial Formula Financing, however, still exists. It is currently one of the principle contributors to health care funding in the North, and includes the amount deemed necessary in 1988 to support health care services (with the exception of the INAC funding) after devolution. Finance Canada delivers the Territorial Formula Financing as a condition-free, grant-like fund, leaving the responsibility with the territories to decide where best to allocate the funds. It should be noted, however, that if INAC's funds are included into the Territorial Formula Financing, there is nothing to prevent the GNWT or the Government of Nunavut from allocating increased the Territorial Formula Financing funds to other government priorities. The only great deterrent is the GNWT's and Government of Nunavut's consistent spending patterns on health care, which calls for the need for dedicated funding.

Territorial key informants recognized a risk to including the INAC Grants into Territorial Formula Financing in that it would remove the Grants' Indigenous-specific labels. This is one concern which kept the funding from being rolled into Territorial Formula Financing in 1998-1999. Officials from the Northwest Territories, however, felt it important to indicate that the present Grant Agreement divides health care services by ethnicity.

²¹ Institute on Governance. "Special Study on INAC's Funding Arrangements". *Commissioned by INAC*. 22 December 2008. P. 58

A possibility exists to shift the INAC Grants to the Territorial Formula Financing as an appendix, therefore keeping its current structure and Indigenous-specific label, but transferring management responsibilities to another authority such as Finance Canada. This seems like an ideal option from INAC's perspective, but it would be an added Grant for Finance Canada to manage with no termination date in sight. It is unrealistic to assume that Finance Canada has the capacity to administer multiple individual programs such as this one from all federal departments.

4.2.2 Other Health Transfers

The Canada Health Transfer is also administered by Finance Canada but operates under different rules than the Territorial Formula Financing. This transfer goes to all provinces and territories to provide comparable treatment to all Canadians regardless of where they live²². The Transfer is guaranteed to grow by at least three percent per year, which currently surpasses the INAC Grants' annual increase of two percent. Adding the Grants to the Canada Health Transfer, however, raises similar issues to those mentioned above for the Territorial Formula Financing. The Canada Health Transfer is calculated based on provincial and territorial spending on health. If the Northwest Territories and Nunavut were to receive funds in addition to those calculated on the nation-wide scale, it would be considered an exception to the national rule. The Grants would therefore remain add-ons to a larger transfer, much as they would for the Territorial Formula Financing.

The evaluation team spoke to key informants from Health Canada to gauge the possibility of moving the Grants in their present format to a department with a mandate more in tune with health care delivery. The idea exists that if the Grants remain as they are, without being assimilated into a larger funding mechanism, perhaps a directorate with more experience in health care would be better placed to manage the Grants. Interviewees indicated that Health Canada could be a viable option, although, it should be noted that Health Canada traditionally manages non-insured Grants and Contributions²³ such as the Non-Insured Health Benefits Program, while the INAC Grants cover insured hospital and physician services.²⁴

Recommendation 1:

Northern Affairs Organization continue to explore the possibility of transferring the administration of the Grants to other existing mechanisms that deliver federal funding to the GNWT and Government of Nunavut.

²² Finance Canada. "Canada Health Transfer." <https://www.fin.gc.ca/fedprov/cht-eng.asp>

²³ Health Canada. "About Health Canada: Grants and Contributions". 28, September, 2015. <http://www.hc-sc.gc.ca/ahc-asc/finance/contribution/index-eng.php>

²⁴ NHIB is designed for First Nations residing in Nunavut, and covers co-payment for medical travel, accommodations and meals at boarding homes, prescription drugs, dental, vision care, medical supplies and prosthetics, and other incidental services. (Health Canada. "Canada Health Act Annual Report 2014-2015". 19 February, 2016. <http://www.hc-sc.gc.ca/hcs-sss/pubs/cha-lcs/2015-cha-lcs-ar-ra/index-eng.php>)

4.3 Effectiveness

Key Finding:

Conditions of accountability and reporting in territorial public accounts are being fulfilled.

Under Section 8.0 of each Grant Agreement, there is a condition of accountability. They state that the GNWT²⁵ and the Government of Nunavut²⁶ must report on the received funds in their Public Accounts. These conditions are being fulfilled. For the GNWT, the Grant is a separate line item under *Non-Consolidated Schedule of Revenues by the Department*, is included with Health and Social Services, and is listed as “Transfer Payments: Federal cost shared”.²⁷ The Government of Nunavut is not as specific, and lists the INAC Grant under *Non-consolidated Schedule of Revenues by Source*, with funds “From the Government of Canada”, under “Other transfer payments”.²⁸

While reporting in Public Accounts may be a requirement under Section 8.0 of the Grant Agreements, there is no requirement for detailed reporting back to INAC. The agreements only require that the GNWT and the Government of Nunavut prove that the funds are being spent on hospital and physician services for Indigenous residents, which is demonstrated in the Program Budget and Expenditure Plan under Appendix A of each agreement. Each territory’s plan lists the monthly expenditures, which consistently surpass the monthly grant payments.

Section 8.0 of each Grant Agreement also includes a provision to be audited by the Auditor General of Canada. An audit was completed in 2009 for the Government of Nunavut and in 2011 for the GNWT. While the reports do not specifically reference the Grants, they do look into how the GNWT and the Government of Nunavut make financial plans when it comes to territorial health care. Key informants from the GNWT and the Government of Nunavut confirm that they maintain detailed records on health care funding and how it is distributed, but due to the nature of the INAC transfer as a grant rather than a contribution, there is no requirement for them to share this data with INAC.

Territorial key informants indicated express satisfaction with the present grant system compared to the pre-2005 contribution approach because they do not have to wait for INAC to process and close claims. The current system, according to key informants, is much more efficient and economical. In addition, it encourages territorial management of services and honours the devolution of health care responsibilities that took place in 1988.

²⁵ INAC. “Grant Agreement with the Northwest Territories for Hospital and Physician Services”. Fiscal years 2011-2012 to 2015-2016.

²⁶ INAC. “Grant Agreement with Nunavut for Hospital and Physician Services”. Fiscal years 2011-2012 to 2015-2016.

²⁷ Minister of Finance. “Public Accounts of the Government of the Northwest Territories for the Year Ended March 31, 2014: Section II Non-Consolidated Financial Statement”. GNWT. Page 44.

<http://www.fin.gov.nt.ca/sites/default/files/documents/publicaccounts2013-2014.pdf>

²⁸ Minister of Finance. “Public Accounts of the Government of Nunavut for the Year Ended March 21, 2016”. GNWT. Page 47.

http://www.gov.nu.ca/sites/default/files/files/Finance/Public%20Accounts/public_accounts_ye_march_2016.pdf

5. Evaluation Finding – Efficiency and Economy

5.1 Efficiency and Economy

Key Finding:

The Grants are delivered from INAC to the Government of Nunavut and the Government of the Northwest Territories in a timely and efficient manner.

5.1.1 Grant Calculations

Due to the annual two percent escalator, the transfer amounts in the agreements require minimal effort to calculate each year. Key informants from the Government of Nunavut and the GNWT as well as INAC program staff indicate a high level of satisfaction regarding the approval times of the annual agreements as well as the efficiency of payment deliveries at the end of each month.

INAC begins the monthly delivery of funding shortly after the agreements have been signed. If any payments are missed while the agreements are pending approval, they will arrive alongside the first payment after the agreements have been signed. The sooner the agreements are signed, the sooner the GNWT and the Government of Nunavut begin to receive payments, which are delivered at the end of each month. The signing dates on the agreements within the last five fiscal years indicate that approval times have been decreasing, as is shown in tables 4.1 and 4.2.

Table 4.1: Grant Approval Dates for the GNWT

Fiscal Year	GNWT Approval Date	INAC Approval Date
2011-2012	October 4, 2011	October 24, 2011
2012-2013	August 1, 2012	August 9, 2012
2013-2014	June 17, 2013	July 12, 2013
2014-2015	June 27, 2014	July 2, 2014
2015-2016	May 17, 2015	May 21, 2015

Table 4.1 lists the approval dates for the Government of the Northwest Territories' Grant agreements over the past five years.²⁹

Table 4.2: Grant Approval Dates for the Government of Nunavut

Fiscal Year	Government of Nunavut Approval Date	INAC Approval Date
2011-2012	October 19, 2011	November 16, 2011
2012-2013	August 2, 2012	August 23, 2012
2013-2014	July 8, 2013	July 24, 2013
2014-2015	May 9, 2014	May 9, 2014
2015-2016	May 29, 2015	June 3, 2015

Table 4.2 lists the approval dates for the Government of Nunavut's Grant Agreements over the past five years³⁰

²⁹ INAC. "Grant Agreement with the Government of the Northwest Territories for Hospital and Physician Services". Fiscal years 2011-2012 to 2015-2016.

³⁰ INAC. "Grant Agreement with Nunavut for Hospital and Physician Services". Fiscal years 2011-2012 to 2015-2016.

As shown in Table 4.1, the GNWT's agreement for 2015-2016 was approved in May 2015, which is much faster than the 2011-2012 approval date in October 2011. For 2011-2012, the GNWT would have had to wait seven months after the start of the fiscal year to receive funding. While all back payments are delivered alongside the first payment, the GNWT would still need to fund seven months of costs to provide the hospital and physician services without INAC support. Comparatively, receiving the first payments of the 2015-2016 year in May 2015 means there was very little lag after the 2014-2015 funding ended.

INAC key informants confirm that the Grants in their current form are easy to administer. The only significant changes to each new annual agreement are the capped total amount of funding, the program budget and expenditure plan, and the payment schedule. Although the present system appears to be working efficiently, INAC program staff indicated an internal consideration to drafting multi-year agreements. Some key informants, however, noted that the time required to calculate the funding for each year would not change.

5.1.2 Current Grant Structure

When the GNWT receives INAC's Health Care Grant, they deposit it in a collection of health care funding from all sources, such as the Canada Health Transfer and the Territorial Formula Financing. From there, key informants indicate that resources are distributed to facilities as needed. Therefore, there may be facilities that indirectly receive funding from the INAC Grant, which are not listed in the agreements.

According to INAC program staff, the facilities are listed for historical reasons. Although their names have updated over time, those listed are the facilities, which remained under INAC funding when health administration devolved to the GNWT in 1988 and the Grant was omitted from the Territorial Formula Financing. Any new facility created after that date is officially funded by sources other than INAC.

INAC Grants are a portion of overall health care funding, and therefore can only fund a portion of territorial health care facilities. Although it is not INAC's responsibility to track the Grant, as per the agreement, GNWT informants affirm that the funds are delivered where they are needed. This system seems to be working efficiently and effectively, and there was no suggestion by INAC program staff of any need to update the agreements to include new facilities.

6. Conclusions and Recommendations

6.1 Conclusions

Through exploring the relevance, efficiency, and effectiveness of the INAC Grants, the evaluation team determined that they remain highly useful to the GNWT and the Government of Nunavut and are a significant resource for recipients in the North. The INAC team who manages the Grants do so as efficiently as possible, with an effective level of cooperation from the receiving staff in the GNWT and the Government of Nunavut. As for the future of the Grants, there is strong evidence supporting that they continue to exist, but perhaps not under the administration of INAC since the Grants are financial transfers for health and are managed by the GNWT and the Government of Nunavut.

6.2 Recommendations

The following recommendation is presented for consideration.

Recommendation

Northern Affairs Organization continue to explore the possibility of transferring the administration of the Grants to other existing mechanisms that deliver federal funding to the Government of the Northwest Territories and Government of Nunavut.

Appendix A – Logic Model Sub-Program 4.1.1

