

MANAGEMENT REPORT

Management of Manitoba Health, Seniors and Active Living is responsible to the Minister of Health, Seniors and Active Living for the integrity and objectivity of the financial statements of the Manitoba Health Services Insurance Plan. The financial statements for the year ended March 31, 2020 have been prepared in accordance with Canadian public sector accounting standards.

Manitoba Health, Seniors and Active Living maintains a system of internal control designed to provide management with reasonable assurance that confidential data and other assets are safeguarded and that reliable operating and financial records are maintained. This system includes written policies and procedures, and an organization structure which provides for appropriate delegation of authority and segregation of responsibilities.

The Office of the Auditor General is responsible to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Management has reviewed and approved these financial statements. To assist in meeting its responsibility, an audit committee (equivalent) meets to review audit, financial reporting and related matters.

On behalf of the management,

Original document signed

Karen Herd, CA
Deputy Minister of Health, Seniors and Active Living

Original document signed

Dan Skwarchuk, CPA, CGA
Assistant Deputy Minister and
Chief Financial Officer

Winnipeg, Manitoba
July 28, 2020



Auditor General
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

To the Minister of Health, Seniors and Active Living

Opinion

We have audited the financial statements of the Manitoba Health Services Insurance Plan (the Plan), which comprise the statement of financial position as at March 31, 2020, and the statement of operations and accumulated surplus and net debt, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at March 31, 2020, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Plan or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Manitoba Health Services Insurance Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
July 28, 2020

MANITOBA HEALTH SERVICES INSURANCE PLAN
Statement of Financial Position
As at March 31, 2020
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash	\$ 40,898	\$ 26,108
Funds on deposit with the Province of Manitoba	596	126,730
Due from:		
Province of Manitoba	92,267	-
Province of Manitoba - vacation pay (Note 4)	121,663	121,663
Province of Manitoba - post-employment benefits (Note 4)	128,177	128,177
Other Provinces and Territories	25,275	13,752
Other	1,270	2,029
	<u>410,146</u>	<u>418,459</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	160,306	104,485
Due to:		
Province of Manitoba	-	64,134
Province of Manitoba - vacation pay (Note 4)	121,663	121,663
Province of Manitoba - post-employment benefits (Note 4)	128,177	128,177
	<u>410,146</u>	<u>418,459</u>
Accumulated Surplus and Net Debt	<u>\$ -</u>	<u>\$ -</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH SERVICES INSURANCE PLAN
Statement of Operations and Accumulated Surplus and Net Debt
For the Year Ended March 31, 2020
(in thousands of dollars)

	Budget 2020	Actual 2020	Actual 2019
Revenue			
Province of Manitoba - Grants (Note 6)	\$ 6,115,950	\$ 6,134,870	\$ 6,012,243
Inter-provincial reciprocal recoveries - Hospital	64,477	64,720	66,126
Inter-provincial reciprocal recoveries - Medical	16,121	18,328	18,222
Third party recoveries	27,388	58,242	60,635
Miscellaneous	-	503	398
	<u>6,223,936</u>	<u>6,276,663</u>	<u>6,157,624</u>
Expenses			
Health Authorities and Facilities	4,205,548	4,183,165	4,137,724
Medical	1,453,505	1,478,653	1,424,416
Provincial programs	219,937	228,873	225,129
Pharmacare	344,946	385,972	370,355
	<u>6,223,936</u>	<u>6,276,663</u>	<u>6,157,624</u>
Annual Surplus and Net Debt	-	-	-
Accumulated Surplus and Net Debt, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated Surplus and Net Debt, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH SERVICES INSURANCE PLAN

Statement of Cash Flow

For the Year Ended March 31, 2020

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Operating Activities		
Annual Surplus (Deficit)	\$ -	\$ -
Changes in Working Capital:		
Due from:		
Province of Manitoba	(92,267)	-
Other Provinces and Territories	(11,523)	(3,124)
Other	759	870
Accounts Payable and Accrued Liabilities	55,821	(63,391)
Due to:		
Province of Manitoba	(64,134)	(50,655)
	<u>(111,344)</u>	<u>(116,300)</u>
 Decrease in Cash and Funds on deposit	 (111,344)	 (116,300)
 Cash and Funds on deposit with the Province, Beginning of year	 152,838	 269,138
 Cash and Funds on deposit with the Province, End of year	 <u>\$ 41,494</u>	 <u>\$ 152,838</u>
 Consists of:		
Cash	\$ 40,898	\$ 26,108
Funds on deposit with Province of Manitoba	596	126,730
	<u>\$ 41,494</u>	<u>\$ 152,838</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH SERVICES INSURANCE PLAN

Notes to the Financial Statements

For the Year Ended March 31, 2020

(in thousands of dollars)

1. Nature of Operations

The Manitoba Health Services Insurance Plan (the Plan) operates under the authority of the Health Services Insurance Act. The Plan is not a separate entity with the power to contract in its own name and cannot sue or be sued. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

b. Revenue Recognition

Funds drawn from Province of Manitoba appropriations (including supplementary estimates or special warrants), net of any funds to be repaid, are recognized as revenue. Revenue from the Province of Manitoba appropriations is accrued when further eligible expenses were incurred or recoveries from provincial departments are due.

Under inter-provincial reciprocal agreements, Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Revenue related to reciprocal recoveries is recognized in the year that the services are provided.

Manitoba Health, Seniors and Active Living recovers amounts for hospital and medical services provided to individuals who are covered under other insurance plans, primarily Manitoba Public Insurance. Revenue related to third party recoveries is recognized in the year that the services are provided.

All other revenues are recognized at a gross amount on an accrual basis.

c. Expenses

All expenses incurred for services received and pharmacare are recognized at a gross amount on an accrual basis.

Grants paid to the Health Authorities are recognized as expenses in the period the transfer is authorized, any eligibility criteria are met, and the amount can be reasonably estimated.

See Note 7 for details.

d. Financial Instruments

The financial instruments of the Plan consist of cash, funds on deposit, accounts receivable, accounts payable and accrued liabilities, and amounts due to or from the Province of Manitoba. All of the Plan's financial instruments are carried at cost.

Impaired financial assets are written down to their net recoverable value, with the write-down being recognized in the statement of operations.

MANITOBA HEALTH SERVICES INSURANCE PLAN

Notes to the Financial Statements

For the Year Ended March 31, 2020

(in thousands of dollars)

e. Net Debt

Net debt is equivalent to accumulated surplus, as there are no non-financial assets.

f. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include any allowance for doubtful accounts related to accounts receivable, and the estimation of accrued liabilities related to Health Authorities, Medical Service Claims, Pharmacare Claims, and General.

Actual results could differ from these estimates.

g. Related Party Transactions

All Province of Manitoba created departments, agencies and crown corporations are related parties of the Plan based on common control. The Plan enters into transactions with these entities in the normal course of business.

Key management personnel and their close family members are related parties. They are identified as the Minister and Deputy Minister of Manitoba Health, Seniors and Active Living, and their spouses, and any controlled businesses.

Related party transactions are recorded at the exchange amount. Material transactions, in aggregate, or balances are disclosed separately.

Manitoba Health, Seniors and Active Living provides administrative services to the Plan at no charge. The cost of these services include a portion of the salaries and benefits of departmental staff and other expenses. Management has not estimated the cost of these services and these unallocated costs are not recognized in the financial statements.

3. Financial Instrument Risk Management

The Plan has exposure to the following risks from its use of financial instruments: interest rate, credit and liquidity risk. Based on the Plan's small amount of foreign currency denominated assets, a change in exchange rates would not have a material effect on its Statement of Operations. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the risk that arises from differences in the timing and amount of cash flows due to changes in interest rates. The financial instrument which potentially subjects the Plan to interest rate risk is funds on deposit.

As funds on deposit are redeemable on demand, the Plan is not subject to significant interest rate risk.

MANITOBA HEALTH SERVICES INSURANCE PLAN

Notes to the Financial Statements

For the Year Ended March 31, 2020

(in thousands of dollars)

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Plan to credit risk include cash, funds on deposit, and accounts receivable.

Cash and funds on deposit are not exposed to significant credit risk. Cash is held with a large reputable financial institution and funds on deposit are held by the Province of Manitoba.

Accounts receivable are not exposed to significant credit risk. The majority of the amount is due from the Province of Manitoba and other provinces and territories; both typically pay in full. No allowance for doubtful accounts is required.

Liquidity risk

Liquidity risk is the risk that the Plan will not be able to meet its financial obligations as they come due.

The Plan manages liquidity risk by maintaining adequate cash balances and by review from Manitoba Health, Seniors and Active Living to ensure adequate funding will be received to meet its obligations.

4. Employee Benefits

The Plan revised, in 2005, its funding arrangements related to vacation pay and post employment benefits. Prior to 2005, the Plan did not fund the annual vacation leave earned by employees of the Regional Health Authorities (Health Authorities) and Health Care Facilities (Facilities) until the year vacations were taken. As well, the Plan did not fund post-employment benefits earned by employees of Health Authorities and Facilities until those post-employment benefits were paid. Funding is now provided as vacation pay and post-employment benefits are earned by employees subsequent to March 31, 2004.

The amount recorded as due from the Province – vacation pay was initially based on the estimated value of the corresponding liability as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Plan, an amount equal to the current year's expense for vacation pay entitlements.

The amount recorded as due from the Province – post-employment benefits is the value of the corresponding actuarial liability for post employment costs as at March 31, 2004. There has been no change to the value subsequent to March 31, 2004 because the Province has provided, in its ongoing annual funding to the Plan, an amount equivalent to the change in the post-employment liability including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related post-employment liabilities.

MANITOBA HEALTH SERVICES INSURANCE PLAN

Notes to the Financial Statements

For the Year Ended March 31, 2020

(in thousands of dollars)

5. Accounts Payable and Accrued Liabilities

	2020	2019
Health Authorities and Facilities	\$44,944	\$4,067
Provincial Health Services	5,360	6,655
Medical Service Claims	80,738	77,294
Pharmacare Claims	3,006	9,939
General	26,258	6,530
	\$160,306	\$104,485

6. Province of Manitoba – Grants

	Budget 2020	Actual 2020	Actual 2019
Department of Health, Seniors and Active Living	\$6,041,046 *	\$6,062,865	\$5,938,916
Department of Families – Pharmacare Expense			
Recoveries	74,904	72,005	73,327
	\$6,115,950	\$6,134,870	\$6,012,243

* The special warrant for supplementary funding of \$59,531 and internal service adjustments of \$11,283 are not included in the 2020 Budget figures presented.

7. Expenditures for Hospital, Medical, and Other Health Services

The following table summarizes expenditures including accrual impact during the fiscal year.

Hospital service payments include services that an insured person is entitled under the Plan to receive at any hospital, surgical facility or personal care home without payment except for any authorized charges that he or she may be liable to pay are:

- in-patient services and out-patient services in a hospital and out-patient services in a surgical facility;
- such services in a hospital as may be specified in the regulations as being additional hospital services that an insured person is entitled to receive under the Plan; and
- subject to any special waiting period in respect of personal care prescribed in the regulations, and subject to meeting the admission requirements for the personal care home personal care provided in premises designated as personal care homes.

Medical service payments include all services rendered by a medical practitioner that are medically required, but does not include services excepted by the regulations.

Other health service payments include chiropractic, optometric, or midwifery services, or to services provided in hospitals by certified oral surgeons, or to the provision of prosthetic or orthotic devices, or to any or all of those services.

	2020	2019
Hospital Services	\$3,308,773	\$3,313,005
Medical Services	1,444,192	1,390,566
Other Health Services	45,963	46,382

MANITOBA HEALTH SERVICES INSURANCE PLAN

Notes to the Financial Statements

For the Year Ended March 31, 2020

(in thousands of dollars)

8. The Public Sector Compensation Disclosure Act

The Schedule of Payments, pursuant to the provisions of The Public Sector Compensation Disclosure Act, is included as part of the Annual Report of Manitoba Health, Seniors and Active Living.

9. Comparative Figures

Certain of the 2019 comparative figures have been reclassified to conform with the presentation adopted for 2020.