
The President's Letter

Dr. G.N. (Gerry) Kiefer



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Dear Member:

Negotiations 2006

Alberta's booming economy may be a bonanza for the oil-and-gas and related sectors. But this isn't necessarily the case for physicians who are seeing overhead costs threaten the viability of their offices and the future of their medical practices.

As reported in the July 10 *President's Letter*, nearly 250 physicians from all nine regions used the Alberta Medical Association's (AMA) June quarterly tracking survey to comment on rising overhead costs and their impact on recruitment and retention.

The basis for this concern is detailed in the economic numbers.

Alberta is in the midst of the strongest period of economic growth ever recorded by any Canadian province, according to a study recently released by the *Canadian Economic Observer*, a Statistics Canada publication.

In fact, Alberta's 12.7% average annual growth rate since 2002 compares favorably with China's 14.8%. Moreover, the boom in business investment shows no sign of ending any time soon. Alberta's population has grown faster than any other province, every year since 1996.

This astonishing economic tsunami has obvious implications for the health care sector. The Calgary Chamber of Commerce has stated: "Alberta's publicly-funded health care system is important for the Alberta Advantage and the competitiveness of Alberta business."

Consumer Price Index (CPI)

Calgary (5.9%) and Alberta (4.7%) have had the highest price gains in the country as of August 2006. According to Statistics Canada, Alberta's inflation surged to an annual rate of 4.7% in August from 4.3% in July, continuing a pattern of high inflation here that began in early 2006.

Rental increases

Calgary – At the end of the third quarter of 2005, office vacancy rates in Calgary were a record low at 5.5%. Downtown vacancy was 3.9% with Class AA properties listing rental rates of \$38 per square foot.

At the end of the second quarter of 2006, the overall office vacancy rate had further decreased to 1.8%. Class B and C buildings downtown are now renting at \$30-\$40 per square foot. This is up from about \$20 per square foot at the end of the third quarter in 2005: approximately a 100% increase in less than one year!

Edmonton – In 2005 the overall vacancy rate for offices decreased from 7.8% to 5.5%. By December 2005, the downtown core had reached as high as \$16 per square foot in some Class AAA office towers, up from \$10 per square foot at the beginning of 2005. This represents a 60% increase in 12 months. The suburban market increased 20% during this time period with rental rates increasing from \$9.50 per square foot to \$11.25 per square foot.

As of June 2006, the downtown Class A vacancy rate has further decreased to 2.8%. Rental rates are now in the \$18-\$20 range per square foot. Rental rates in the downtown core are projected to rise to just above \$20 per square foot and suburban rental rates to the mid-to-high teens.

Current Alberta wages

According to the *2005 Alberta Wage and Salary Survey*, the overall average wage increase went from \$19.68 per hour in 2003 to \$21.39 per hour in 2005, an increase of 8.7%.

As a Calgary Health Region physician said: "The overhead is so high that we are having lots of problems retaining office staff. The payment (Alberta Health and Wellness fees) is too low to allow physicians to compete for good workers in the hot job market."

Labor market information

The percentage of employers who indicated difficulty in hiring in one or more occupational groups increased from 51.5% in 2003 to 56.3% in 2005. Over the same period, the percentage of employers that had at least one position unfilled for over four months increased from 21% to 28.2%.

Trying to achieve an agreement

It's important to remember that physicians – unlike businesses – do not have the option of raising their fees to meet higher overhead costs and inflation. Instead, we must negotiate with government.

Although the three parties are not formally meeting at the negotiating table, they are expending considerable effort to try and achieve a two-year agreement (April 1, 2006–March 31, 2008) within the eight-year master agreement (April 1, 2003–March 31, 2011).

The AMA's 115-delegate Representative Forum (RF) and 13-member Board of Directors – all of whom are practising physicians – understand the impact of:

- Inflation and overhead costs
- The importance of Alberta being competitive
- Attracting and keeping physicians
- Computerizing physician offices through the Physician Office System Program (POSP)
- The special circumstances facing physicians in the two most northern regions, Peace Country Health and Northern Lights
- Population growth on physician workloads and on patient access

The AMA's approach is to have general policies and principles to guide the implementation of the trilateral agreement. The challenge in establishing a provincial framework is to recognize the different circumstances in different parts of the province and the need for local flexibility.

This is reflected in a resolution on physician resources that the fall RF approved. It calls on the AMA to “work towards implementing market modifiers to address differences in practice circumstances and operating costs that deter recruitment and retention of physicians.”

Of course, Negotiations 2006 are complicated by the current leadership race for the Progressive Conservative Association of Alberta. The attention of government MLAs is, understandably, elsewhere and they are not as focused as we might wish on the negotiations between the AMA, Alberta Health and Wellness and the regional health authorities.

However, I am impressed by the ongoing endeavors to reach an agreement as soon as possible.

Northern Alberta

Physicians from Peace Country Health and the Northern Lights Health Region continue to make MLAs aware of their circumstances. On behalf of the Northern Lights Medical Staff Association, Dr. E. Sandra Corbett presented a written brief to the government's Oil Sands Consultation Group Multi-stakeholder Committee. An excerpt will be published in the November/December *Alberta Doctors' Digest*.

Both Dr. Corbett and Dr. Miloslav B. Bozdech, President of the Peace Country Health Medical Staff Association, wrote to the eight leadership candidates. Grande Prairie physicians met recently with Liberal health critic Laurie Blakeman. They also met with local officials including both the mayor and the reeve from Grande Prairie and the chair from the Grande Prairie Chamber of Commerce.

Progressive Conservative (PC) leadership

I have written to the PC leadership candidates, asking them to respond to the 10 questions posted on our website. AMA representatives have also met with all seven who were the first to announce their candidacy.

Yours truly,

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President