

Financial Overview

Presentation to Citizen's Advisory Panel
Presented by Cheryl Turk, VP Finance & Information Services,
Chief Financial Officer & Chief Privacy Officer
November 7, 2009

Agenda

- How are hospitals funded?
- What financial pressures do we face?
- What is our budget process?
- What is our current level of performance?

Financial Summary

- Operating Deficits
 - 2007/2008 \$ 559,544
 - 2008/2009 \$2,035,016
 - 2009/2010 \$1,200,000 forecast
- Debt
 - Short term working capital deficit ~ \$3.2 million @ Mar 31/2009
 - Long term bank loans ~ \$2.1 million @ Mar 31/2009
 - Operating line of credit ~ \$3.3 million forecast @ Feb 26/2010
- **Not a sustainable future!**

THE CANADIAN PRESS



Maria Babbage

Toronto — The Canadian Press Published on Monday, Oct. 12, 2009

More than one-third of Ontario hospitals didn't balance books

Health care groups say provincial funding hasn't kept pace with inflation as hospitals struggle with rising costs

Sixty-one of the province's 159 public hospitals, or 38 per cent, were in deficit in the last fiscal year ending March 31, according to the Ministry of Health and Long-Term Care.

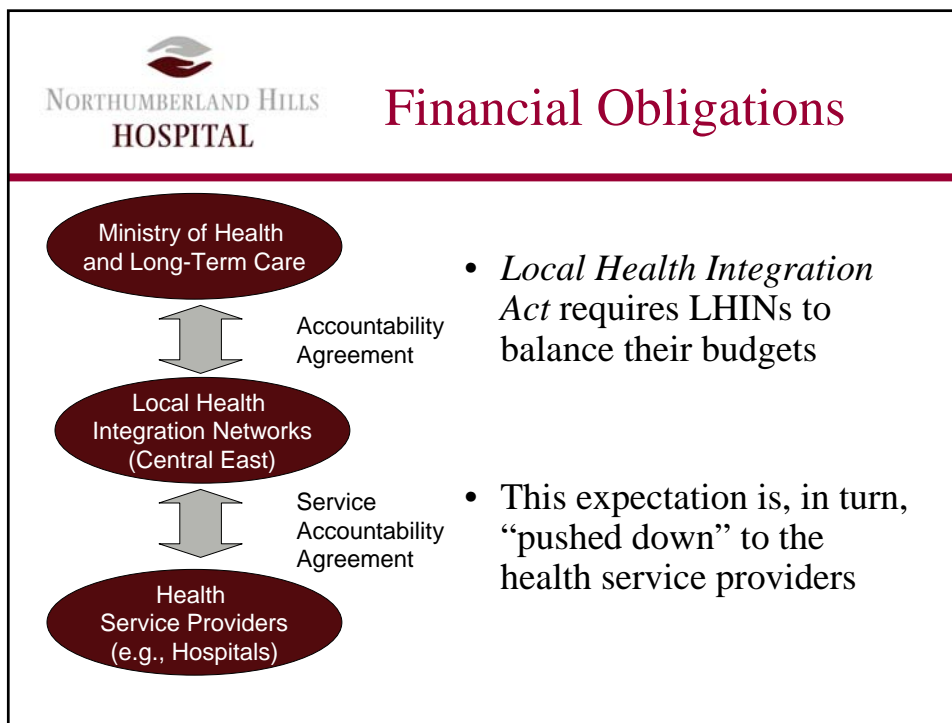
VOICED at the GTA

TORONTO STAR

Struggling hospitals won't get handouts; Despite funding crisis, facilities are expected to balance budgets, health minister says

The Toronto Star Wed 04 Feb 2009 Page: GT05 Section: Gta

"We want hospitals to fund their operation with the existing resources and we do not want them to run a deficit" – Health Minister David Caplan



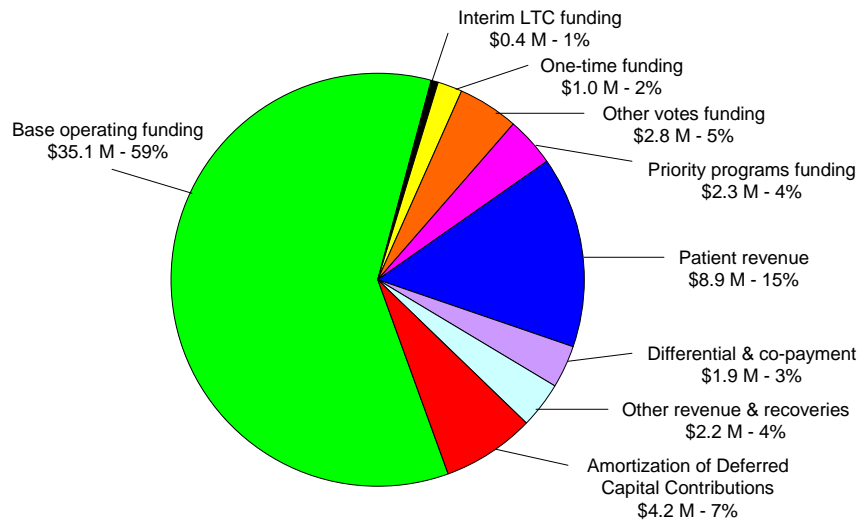
HAPS & H-SAA

- Hospital Accountability Planning Submission
 - The plan showing how hospitals and LHINs will work to
“Ensure high quality, safe, accessible and sustainable hospital services within the resources available”
- Hospital Service Accountability Agreement
 - Legal contractual agreement signed by the Hospital
 - Must have a balanced budget

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Sources of Revenue



Sources of Revenue

- Multiple sources of funding
- Different terms and conditions for different programs
- Changes in programs and services will require negotiations with multiple partners:
 - CE LHIN
 - Ministry of Health
 - Other health care providers
 - Union groups (ONA, OPSEU, CUPE)
- Savings uncertain until impact of service changes negotiated (e.g. flow of funding with program)

Agenda

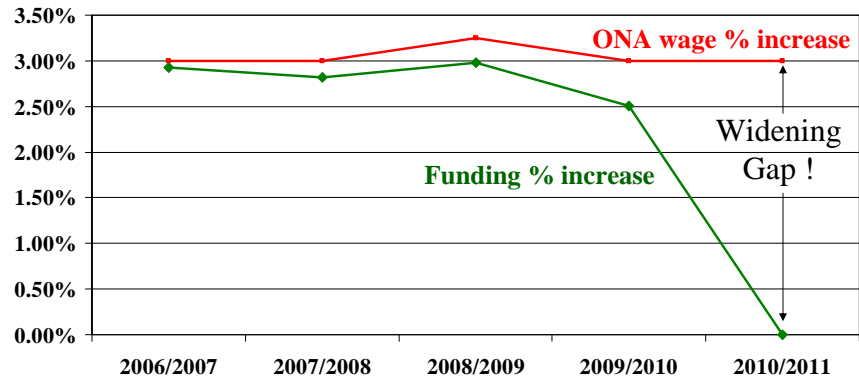
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Pressures

- Alternative Level of Care patients
- Medical staff recruitment, retention and remuneration for service coverage
- Increasing patient demands, expectations and knowledge
- Economic downturn
 - Impact on government revenues
 - Preferred accommodation revenues

Pressures

- Funding not keeping pace with inflationary pressures



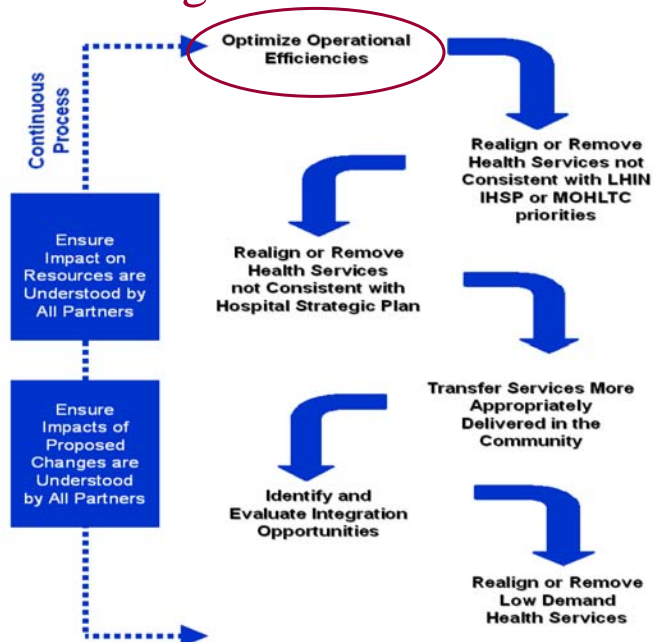
Pressures

- Planning target for Central East LHIN funding increases:
 - 0% increase in 2010/2011
 - 0% increase in 2011/2012
- 1% CE LHIN funding = ~ \$350,000
 - Hence, a 0% increase means an operating budget shortfall of ~ \$1 million in each year

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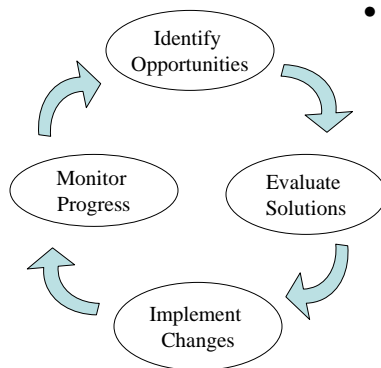
Making Choices Framework



Budget Process

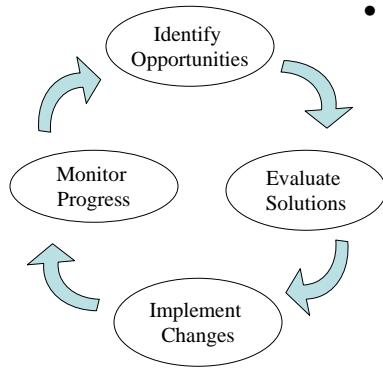
- Shared Challenge, Shared Solution
 - A collaborative budget strategy
- Before considering changes to patient services, we must:
 - Demonstrate that our Hospital is efficient across all programs and services
 - Exhaust all opportunities for efficiencies without jeopardizing quality and safety of patient care

Budget Process



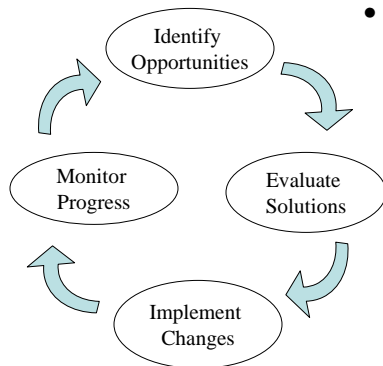
- Continuous process including:
 - Seeking new opportunities for self-generating revenue
 - E.g. expanding Diagnostic Imaging services that generate technical OHIP fees
 - Optimizing attendance management programs
 - Sick time ~ 4.5% of total compensation; improving with focused effort
 - Zero based budgeting process
 - Extensive line-by-line review by department

Budget Process



- Continuous process including:
 - Joint LHIN/OHA H-SAA review
 - Review of leading practices & opportunities to apply to NHH
 - Other hospital operational reviews
 - Applicability of lessons learned by other hospitals to NHH
 - Supply chain management review
 - Contract management, buying group penetration, Ontario Buys assistance, product standardization, etc

Budget Process



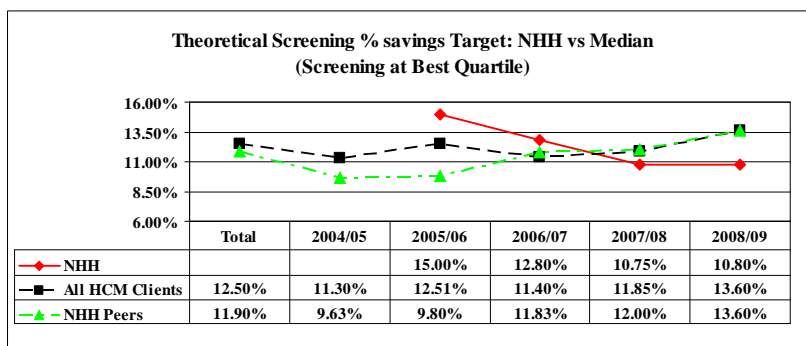
- Continuous process including:
 - Benchmarking against peer comparator hospitals
 - Operational performance efficiency analysis for all departments
 - Content of care analysis for allied health and diagnostics
 - Clinical efficiency analysis
 - Skills mix analysis re: reviewing staffing patterns and mix to ensure staff are working to maximum scope

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Operational Efficiency Performance Results

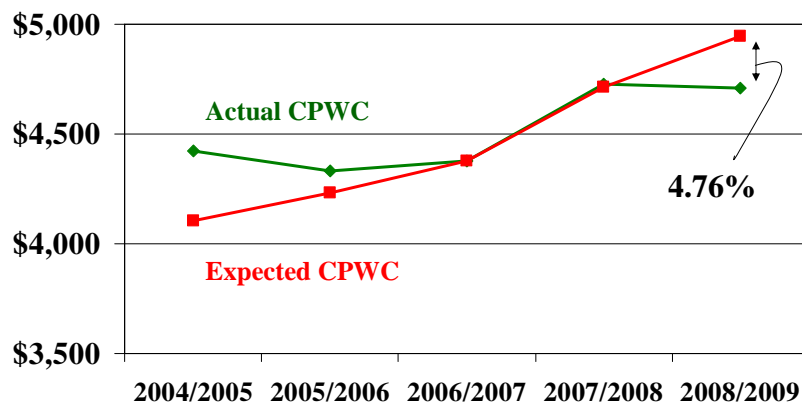
- Theoretical Screening % Savings Target
 - “NHH’s 2007/08 and 2008/09 *theoretical* screening percentages at the best quartile are better than most of our other client hospitals for whom we have done performance benchmarking”



Operational Efficiency Performance Results

- Achievable Savings
 - “Based on our experience with other clients and NHH’s past experience, NHH may be able to achieve savings and revenues of \$1.25 – \$2.27 million (22% - 40%)”
 - The 2009/2010 operating plan exercise in March 2009 identified \$1.4 million in annualized operating savings

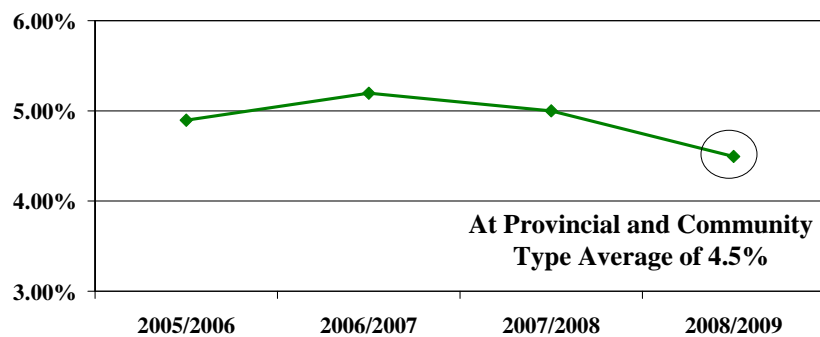
Cost Per Weighted Case



Steady improvement: NHH performed 4.76% better than expected cost per weighted case in 2008/2009

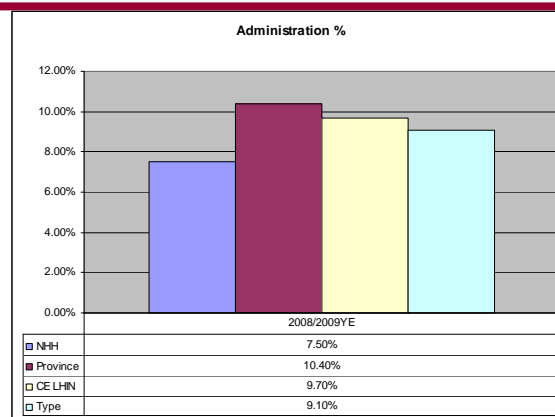
Paid Sick Time

Paid Sick Time as Percentage of Total Compensation



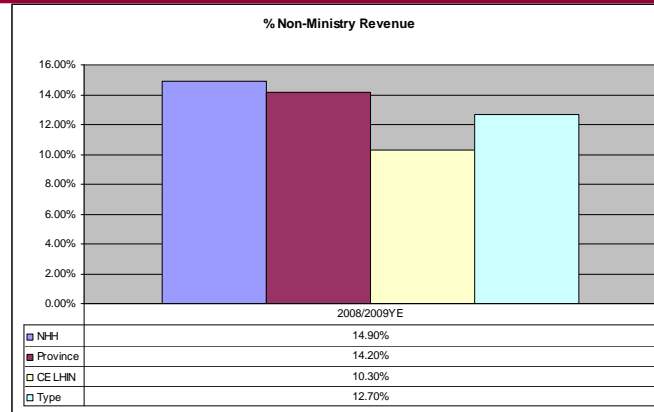
Continued improvement in reducing paid sick time through heightened attendance awareness programs

Administration Overhead



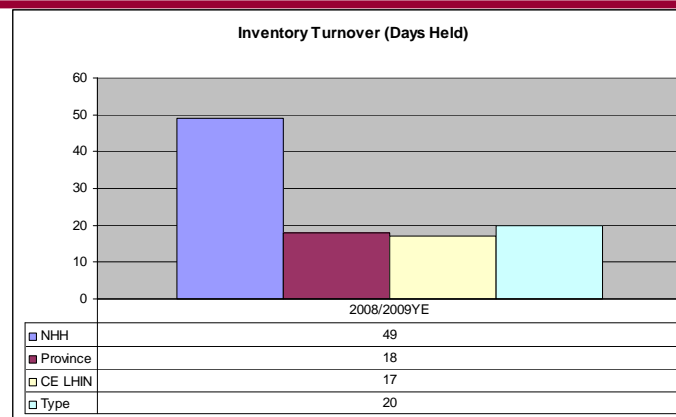
NHH spends between \$860,000 and \$1.6 million less than other hospitals for Administration

Non-Ministry Revenues



NHH performs better than other hospitals on generating non-Ministry revenue: less dependency

Supply Chain – Inventory Management



Focusing attention on achieving efficiencies from better inventory management

Our Future... Our Solutions

- Projecting a growing operating deficit and an increase in our already significant debt load as the funding gap widens
- Long-term viability is jeopardized if left unchecked
- NHH needs to find our own solutions to ensure our sustainable future

Questions

