

## Coaching team finds some capacity for further efficiencies / cost reduction, but not enough to ensure long-term financial sustainability for NHH *Greater partnership, integration and clinical change required*

The third-party review of NHH's financial challenges is complete. JD & Associates—led by Janice Dusek and supported by Norman Rees and Zenita Hirji—completed the review for the hospital following an invitational call for proposals.

Coupled with the rising demand for local services, and demographic pressures, the findings confirmed a need for the hospital to develop short- and long-term strategies that will incorporate greater partnership, integration and clinical change.

"Our Steering Committee received the team's recommendations on January 16th, as did our Board. We have shared the findings with staff, physicians and, most recently, the Central East Local Health Integration Network (Central East LHIN) Board. While it is challenging news we are satisfied with the team's work, and the insight it has provided," said Linda Davis, President and CEO of NHH.

"The team has helped to show us the work that is ours to do to ensure we are adapting to the latest health system funding reforms, highlighted some further efficiency and cost-reduction opportunities, and helped to clarify the work that lies ahead with the Central East LHIN and community partners to achieve our common goal: long-term sustainability of local acute care services," said Davis.

The review team summarized their findings for the hospital under four categories: Health System Funding Reform (HSFR), and its impact on NHH; data quality; clinical activity/costs; and financial position. Thirteen medium-sized hospitals similar in size and make-up served as the review team's peer comparators.

### **Health System Funding Reform (HSFR), and its impact on NHH**

Hospital funding has shifted in recent years away from a global, centralized budget, to three distinct funding buckets: global base funding, funding for what are called quality based procedures (QBPs) and HBAM (Health Based Allocation Model) funding.

A complex set of models informs how funds are applied in each, but in short, hospitals no longer receive an automatic inflationary increase. Instead, hospitals receive funds within the available funding envelopes, based on the profile of patients we serve.

"The opportunity to see our own funding against that of other hospitals the same size was very helpful," said Davis. "We learned that we have developed a greater-than-average reliance on one-time funding, which has affected our ability to budget for the long-term. As well, while the review confirmed that we are efficient, some of our peers are even more efficient in some areas of operations. In the current competitive funding environment, this means we may not be maximizing our funding opportunities. We have work to do to ensure we are at pace with or ahead of the pack in the areas where we choose to be, to secure the most available funding."

### **Data quality**

"Data is king in today's environment," Davis explained to staff. "If there are flaws in the way we are coding patient visits or procedures, it will have a negative impact on our funding. Fortunately, the team found no major data quality issues at NHH and this is a real tribute to the work of NHH's coders and physicians. They also found, however, that we need to be making better use of data—our own and that of our peers—to inform our long-term planning."

### **Clinical activity/costs**

NHH has seen a marked increase in service activity and acuity, particularly in ED visits and admissions. Older than the province, on average, the community is also facing significant demographic pressures—pressures that will grow in the next decade as Northumberland prepares for what is forecast to be almost double the current population of seniors.

The reviewers found that while NHH may be seeing more acute patients than it has in the past, and will continue to do so, it has a less acute patient profile than many of its peers. "Relatively high volumes of non-acute activity were found at NHH in comparison to our peers. Examples of this would be palliative care, convalescence and dementia," said Davis. "This points to a need for better coordination with community providers." A further factor affecting NHH's clinical costs is the size of its units, some of which are small and more costly to operate than larger units.

### **Overall financial position**

The review confirmed that while there is still some capacity for further efficiencies and cost reduction within NHH, the opportunity is relatively small (\$1 - \$2 million), and one-time costs to achieve these efficiencies will need to be taken into consideration. Even with these efficiencies, the projected cumulative operating deficit for NHH for the next three years was still estimated at \$3-\$5 million. Operating deficits are not permitted in Ontario hospitals.

**"For our Board, the key message delivered by the reviewers is that the status quo is not an option for NHH. We cannot focus on the current year alone, we must look ahead, five and even 10 years out. Greater partnership, integration and clinical change are required to continue to provide local acute care services." Jack Russell, NHH Board Chair.**

"For our Board, the key message delivered by the reviewers is that the status quo is not an option for NHH," said Jack Russell, NHH Board Chair. "We cannot focus on the current year alone, we must look ahead, five and even 10 years out. Greater partnership, integration and clinical change are required to continue to provide local acute care services."

"This is difficult news," continued Russell, "but it is information we needed to have to inform our steps going forward. Much work needs to be done to understand the information presented, and translate it into specific actions. I cannot stress this firmly enough: No decisions have been made. We sought the advice of external coaches—we have received the findings of the review team, and we accept them. With the LHIN's support, and increased collaboration with community partners, we intend to develop both a short-term Improvement Plan and long-term re-vision of NHH."

"Engagement with the LHIN, our community partners and all audiences will be essential," said Linda Davis. "We thank everyone in our community for their continued support as we move forward together."

For the highlights shared with the Central East LHIN Board January 28<sup>th</sup>, please see the LHIN website at [www.centraleastlin.on.ca](http://www.centraleastlin.on.ca). For more information, please contact: Jennifer Gillard, Director, NHH Communications and Community Engagement, [jgillard@nhh.ca](mailto:jgillard@nhh.ca) or 905-377-7757.



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