



NEWS RELEASE – FOR IMMEDIATE RELEASE

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

NORTHUMBERLAND COUNTY, Monday, January 26th, 2015—Highlights from the third-party review of Northumberland Hills Hospital's financial challenges were presented to staff and physicians last week in advance of a presentation to the next meeting of the Central East Local Health Integration Network Board (Central East LHIN) on January 28th. The findings—coupled with the rising demand for local services, and demographic pressures—confirm a need for short- and long-term strategies to incorporate greater partnership, integration and clinical change.

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. The review work, which began December 1st, 2014, was completed on schedule with findings and recommendations delivered to hospital leadership January 16th, 2015 and a written report expected early next month.

"Our Steering Committee received the team's recommendations late last week, as did our 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.

"With expertise in hospital operations, accounting and recent Health System Funding Reform, the coaching team brought an objective, impartial eye to the very serious financial challenges NHH has been grappling with for many years," said Davis. "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."

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 dealing with significant demographic pressures—pressures that will only 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.

Financial position

In terms of NHH’s 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 M), based on recent benchmarking results, 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 M. 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,” 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,” said Jack Russell, NHH Board Chair.

“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. We look forward to the opportunity to bring the team’s findings forward to the LHIN Board later this week. With their support, 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 as we move forward,” said Linda Davis. “We will be sharing the written report from the review team in the coming weeks and further details on our engagement plan. We thank everyone in our community for their continued support as we move forward together.”

For more information, please contact: Jennifer Gillard, Director, NHH Communications and Community Engagement, jgillard@nhh.ca or 905-377-7757.

About Northumberland Hills Hospital – Located approximately 100 kilometres east of Toronto, NHH delivers a broad range of acute, post-acute, outpatient and diagnostic services. Acute services include emergency and intensive care, medical/surgical care, and obstetrical care. Post-acute specialty services (PASS) include restorative care, rehabilitation and palliative care. Mental health care, chemotherapy, dialysis and 16 other ambulatory care clinics are offered on an outpatient basis through partnerships with regional centres and nearby specialists. NHH offers a full range of diagnostic services, including magnetic resonance imaging (MRI), computed tomography (CT) and mammography. The hospital serves the catchment area of west Northumberland County. A mixed urban and rural population of approximately 60,000 residents, west Northumberland comprises the Town of Cobourg, the Municipality of Port Hope and the townships of Hamilton, Cramahe and Alnwick/Haldimand. NHH employs approximately 600 people and relies on the additional support provided by physicians and volunteers. NHH is an active member of the Central East Local Health Integration Network. For more information, please visit www.nhh.ca or follow us on Twitter [@NorHillsHosp](https://twitter.com/NorHillsHosp).

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