

Northumberland Hills Hospital: Revised Hospital Improvement Plan

Central East Local Health Integration Network Board of Directors
January 13, 2016

Presented By: System Finance & Performance Management

Overview

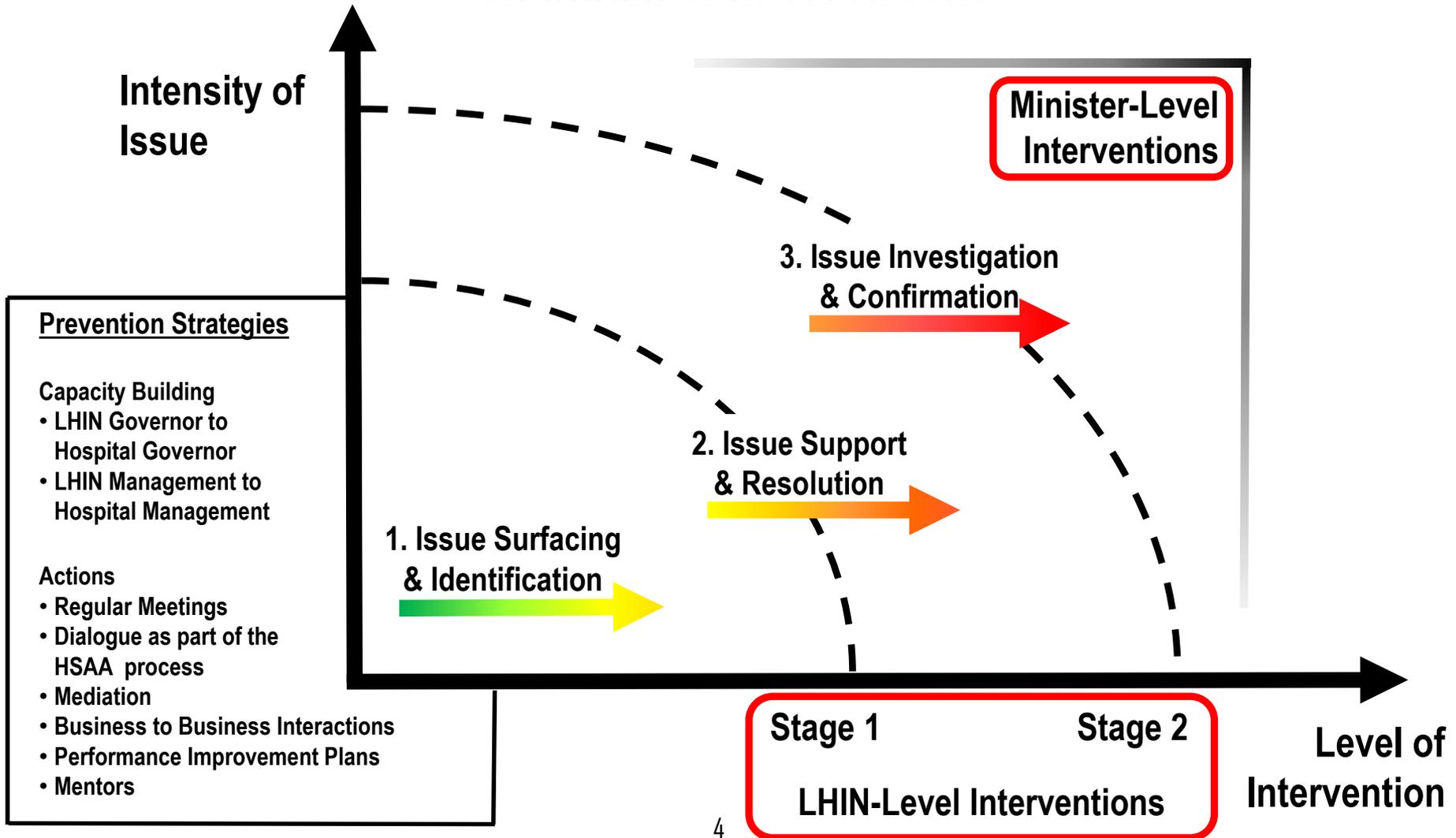
- Context
- Outline of Revised Hospital Improvement Plan
- LHIN Assessment
- Recommendation

Context

- Since August 2014, Northumberland Hills Hospital (NHH) and the Central East Local Health Integration Network (LHIN) have been engaged in a performance management process.
- The performance management process is common to all LHINs and public Hospitals in Ontario and forms an integral part of the current 2008-2016 Hospital Service Accountability Agreement (HSAA).
- The performance management process is intended to resolve or fully mitigate the effects of a Hospital's performance factors.
- Based on extensive engagement of and input from affected stakeholders, the Ministry of Health and Long-Term Care released the *Guidelines for Hospitals Audits and Reviews* in June 2011 to assist all LHINs and Hospitals.
- Support for NHH has been managed in the context of a continuum of interventions detailed in the *Guidelines*.
- NHH has faced and continues to face a number of performance factors, including projected operating and working capital deficits, which create risk for its long-term sustainability.

Content (cont'd)

Continuum of Interventions



Context (cont'd)

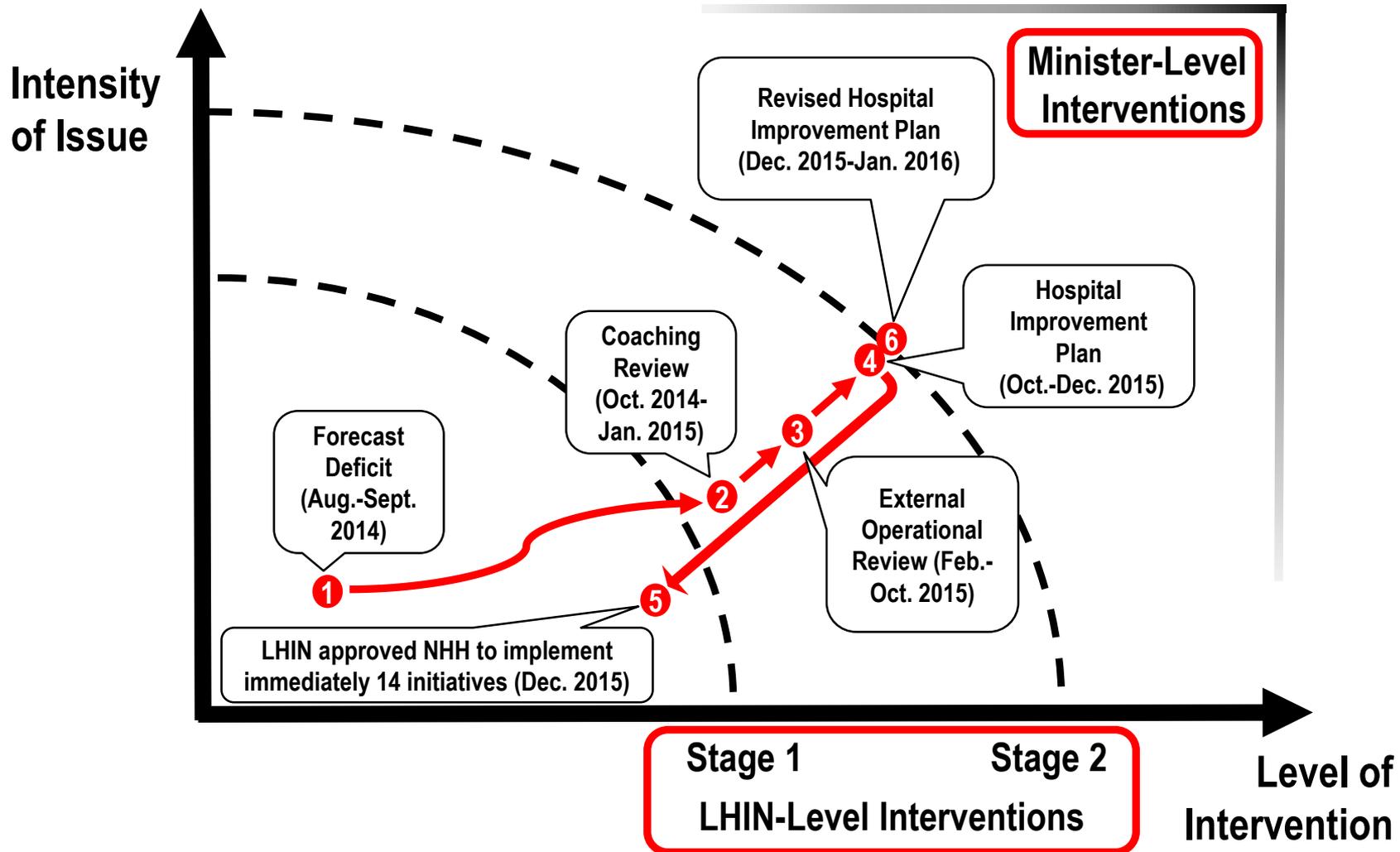
- Consistent with the continuum of interventions, NHH and the Central East LHIN have collaborated since August 2014 in exercising successive options in attempting to resolve the Hospital's performance factors.
- In October 2015, the Final Report of the External Operational Review of NHH was completed and submitted to the Hospital and LHIN Boards.
- The main purpose of the External Operational Review was to have an independent third party facilitate NHH's development of a satisfactory Hospital Improvement Plan (HIP).
- A satisfactory HIP will:
 - assure the sustainable provision of appropriate and accessible high-quality acute care services in the context of the local health system, local strategic aims and priorities, applicable provincial legislation, and Health System Funding Reform; and
 - be comprehensive, evidence-based, implementable, and in the best interests of Central East LHIN residents.

Context (cont'd)

- At its October 2015 meeting, the Central East LHIN Board reviewed the Final Report of the External Operational Review and directed NHH to submit a HIP in December 2015.
- In December, NHH submitted its Board-approved HIP to the LHIN.
- At its meeting on December 16th, the Central East LHIN Board decided to exercise its HSAA rights to:
 - approve for immediate implementation 14 initiatives found by staff to be “be sound, action-oriented, measurable, and likely to be effective when implemented”; and
 - direct NHH to revise and resubmit its HIP to address the need for additional details and other clarifications.
- During December and January, staff collaborated with and supported NHH staff to revise and resubmit the HIP.

Context (cont'd)

Continuum of Interventions: NHH



Outline of Revised Hospital Improvement Plan

NHH Transmittal Letter

- The transmittal letter contains the wording of the NHH Board motion approving the revised HIP.
- The motion references:
 - actions the NHH Board undertook over the past year to try to resolve the Hospital's performance challenges; and
 - the magnitude of annualized savings and restructuring and one-time costs associated with implementing 55 initiatives – 53 of the 54 from the Review and 2 put forward by NHH leadership.
- The transmittal letter highlights that the HIP “envisions the achievement of a minimum 1% surplus in annual operating budgets”, while seeking the “continued collaborative support of the Central East LHIN related to our long-term sustainability.”

Outline of Revised Hospital Improvement Plan (cont'd)

Revised HIP

- Like NHH's original HIP, the revised HIP closely aligns to the Final Report of the External Operational Review with respect to its:
 - recommendations — as NHH states that it will pursue 53 of the 54 recommendations made in the Final Report;
 - readiness to pursue recommendations in the areas identified in the Final Report — Enhancing Board Governance and Management; Utilization Efficiencies; Clinical Efficiencies; Operational Efficiencies; and Integration;
 - readiness to pursue recommendations over a multi-year timeframe — including through 2019/20;
 - operational efficiencies — as NHH plans to realize total annualized savings of ~\$0.7M by the end of 2017/18 compared to the Review target of ~\$1.0M;
 - clinical efficiencies — as NHH plans to exceed the Review target of \$2.1M by realizing total annualized savings of ~\$2.2M by the end of 2017/18; and
 - overall financial position — as NHH expects to be about \$0.05M below the Review's anticipated position of \$1.56M by the end of 2017/18.

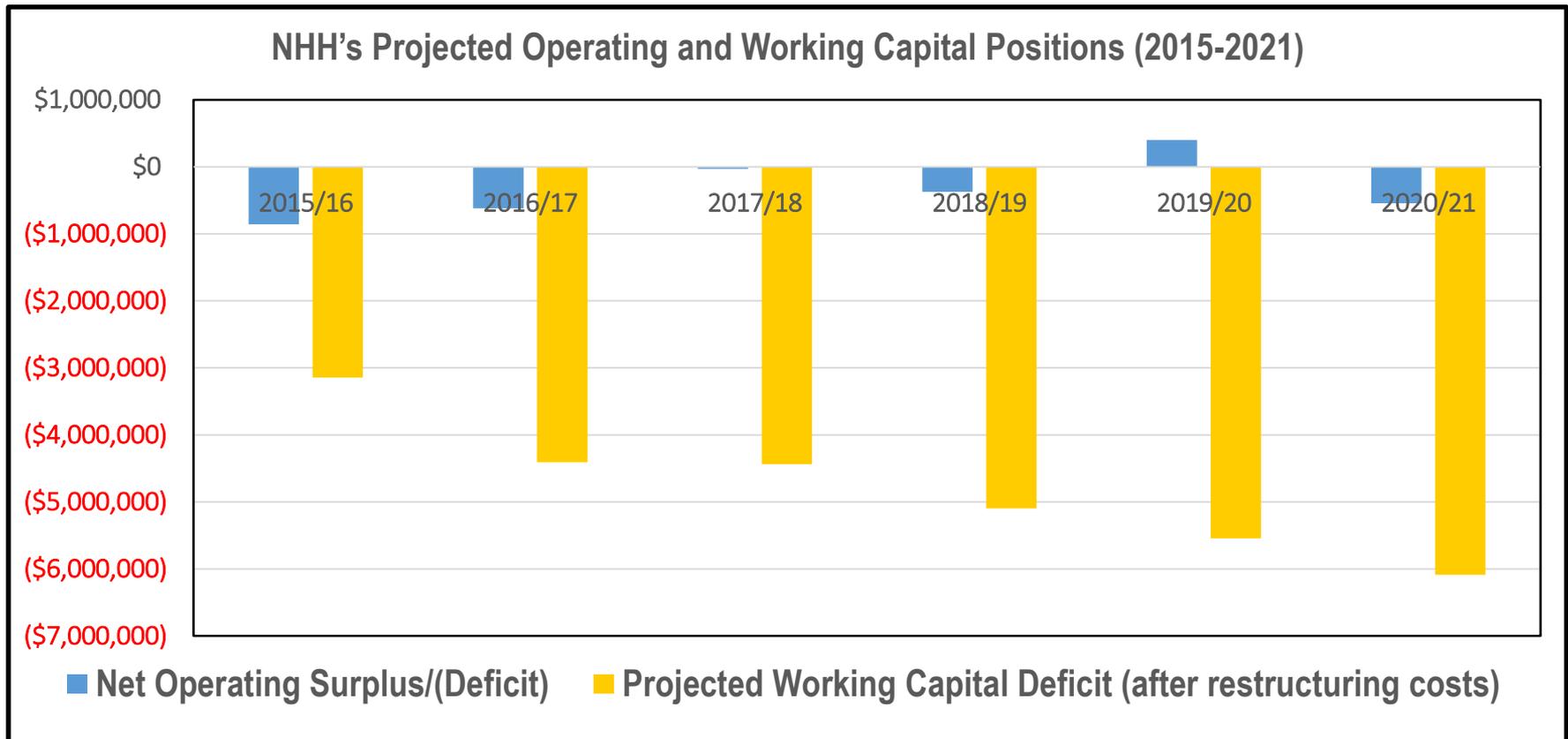
Outline of Revised Hospital Improvement Plan (cont'd)

Revised HIP

- In general, the revised HIP closely aligns to the Final Report of the External Operational Review with respect to:
 - integration — where NHH identifies savings of ~\$0.6M in 2018/19 and ~\$2.3M in 2019/20, and restructuring costs of \$0.3M in 2018/19 and ~\$0.9M in 2019/20.
 - the planned impact of all the efficiency and integration initiatives and restructuring and integration costs — where NHH shows it will be \$0.5M better than the Review outlook.
 - hospital services — as NHH contemplates no reductions to its current volumes or types of services.

Outline of Revised Hospital Improvement Plan (cont'd)

- Notwithstanding the appearance that NHH's revised HIP continues to meet, if not exceed, the expectations of the Review, the Hospital's overall financial situation remains both serious (in its size) and challenging (in its duration).



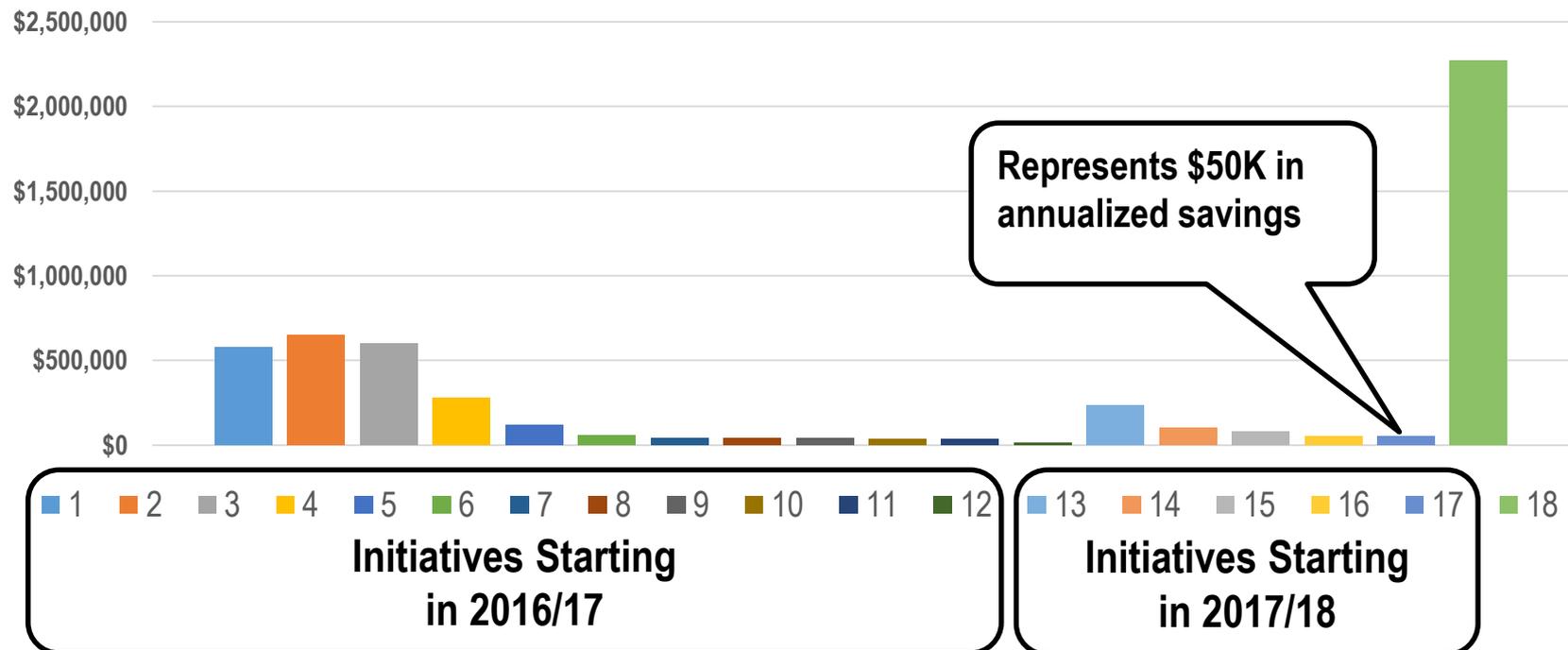
LHIN Assessment

- Like NHH, the LHIN agrees the revised HIP aligns closely to the Hospital Improvement Plan facilitated through the External Operational Review.
- Like NHH, the LHIN agrees the revised HIP does not resolve or fully mitigate the effects of its performance factors.
- Like NHH, the LHIN is now satisfied that there is enough detail in most of the Hospital Board-approved initiatives to support the measurement of the Hospital's progress as these initiatives are implemented, as well as to hold named implementation and monitoring parties (at both the staff and governance levels) accountable.
- Unlike NHH, the LHIN is not satisfied with the detail and rationale offered for not acting more completely and more quickly to realize the benefits of two initiatives.

LHIN Assessment (cont'd)

- Unlike NHH, the LHIN believes initiative #17 (funding model) can be acted upon both more completely and more quickly.
- The LHIN believes this initiative can be enacted sooner to realize the full value of savings recommended by the External Operational Review (\$150K in 2016/17 vs. the revised HIP target of \$50K in 2017/18).

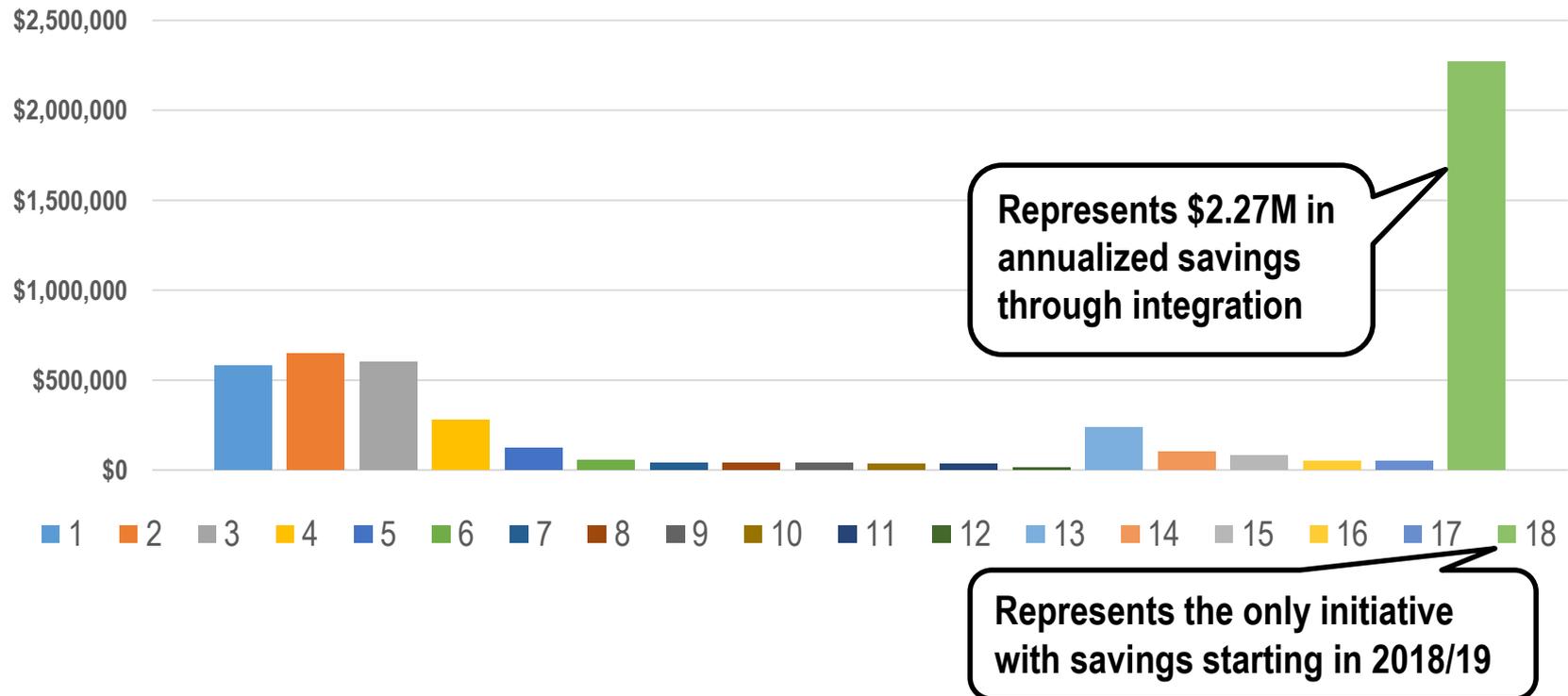
Annualized Savings in Revised HIP by Initiative #



LHIN Assessment (cont'd)

- Unlike NHH, the LHIN believes the implementation of initiative #18 (integration) should be started sooner.
- Realizing the possible savings through integration earlier would improve NHH's financial circumstances and help it meet its obligation to balance.

Annualized Savings in Revised HIP by Initiative #



LHIN Assessment (cont'd)

- The revised HIP will serve as the document of record and its content will serve to measure whether progress has been made by NHH against its claims.
- While satisfactory from the perspective of providing needed detail and clarity of NHH's intentions for all but the two aforementioned initiatives, the revised HIP remains incomplete because it does not fully address or mitigate the effects of NHH's operating and working capital pressures.
- The LHIN has options with respect to supporting the Hospital's next steps:
 - grant approval to the Hospital to enact the balance of initiatives comprising its revised HIP, noting that 14 of the 55 initiatives have already been approved by the LHIN for implementation;
 - grant approval to the Hospital to enact the balance of initiatives comprising its revised HIP, and provide one-time, in-year funding of \$1,649,600 to address fully NHH's pressures and restructuring costs to help the Hospital meet its obligation to achieve balance in 2015/16; and
 - grant approval to the Hospital to enact the balance of initiatives comprising its revised HIP, and provide one-time, in-year funding of \$1,505,967 to address fully NHH's 2015/16 pressures and working capital costs to help the Hospital meet its obligation to achieve balance in 2015/16.

Recommendation

- Based on a thorough assessment of the content of the revised HIP, staff recommend that Northumberland Hills Hospital:
 - be approved to implement immediately all the initiatives as documented in its revised NHH Board-approved Hospital Improvement Plan (HIP);
 - accelerate its implementation of initiatives #17 (funding model) and #18 (integration);
 - apply one-time funding to address pressures and restructuring costs; and
 - report back regularly to the Central East LHIN Board on the implementation of its revised HIP and its regular operations, including alternative mitigation strategies and initiatives should any initiative in the NHH Board-approved HIP falter over a period of two successive quarters.

Questions/Discussion