



Northumberland Hills Hospital Update

Presentation to Central East LHIN
Board

June 27, 2018

Hospital Improvement Plan (HIP)

- Developed following an Operational Review conducted by the Hay Group in 2015.
- The Hay Report identified the following:
 - Northumberland Hills Hospital (NHH) is an efficient hospital
 - No service reductions nor reductions in service volumes recommended
 - 54 recommendations involving :
 - Board & management
 - Utilization of services
 - Clinical efficiencies
 - Operating efficiencies
 - Integration
- The Hay Report suggested:
 - Internal clinical and operating efficiency opportunities = \$2.8 million
 - Opportunities to further reduce costs through integration = \$2.2 million
 - \$5 million will help NHH address a portion of our financial pressures, but not enough to resolve financial challenge, ensure sustainability

HIP Progress June 2018

The Hospital Improvement Plan (HIP) developed to address recommendations:

- All 54 recommendations have been reviewed thoroughly and discussed with the NHH Board and the CE LHIN
- Over the past 2.5 years, recommendations have been implemented or reported to CE LHIN when not feasible
- All Board and Management recommendations have been met including the ability to budget to 1% surplus
- All Utilization of Services recommendations have been reviewed and implemented with targets achieved

HIP Progress June 2018 (cont.)

- All Clinical Efficiency recommendations have been reviewed and implemented with the exception of those identified to the CE LHIN as not feasible (including reduction in ED staff, savings related to reduced admissions and length of stay totaling \$1.5M)
- Ongoing work on two Clinical Efficiency recommendations:
 - Patients seen and comprehensive discharge plan documented by Home and Community Care within 48 hours of admission
 - Reduction of C-section rates to 27.9% - This rate has been achieved for a short time but ongoing effort is required to ensure it is sustained
- All Operating Efficiency recommendations have been reviewed and implemented with the exception of those identified to the CE LHIN as not feasible (including implementing point of care testing)
- Ongoing work on one Operating Efficiency recommendation:
 - Reduce costs of clinical engineering maintenance contracts

Clinical and Operating Savings Achieved

- Clinical and operating savings of \$1.67 M have been implemented since the beginning of the HIP and these savings have been maintained
- Given the original target of \$2.8 M in efficiency savings through the HIP and recognizing that \$1.5 M is not attainable as described above, NHH has exceeded the target in other areas by capturing \$1.67 M

Integration Savings Achieved

- Hay recommendation to find \$2.2M savings or 25% of administrative and back office costs on a \$60M operation - unrealistic and unprecedented.
- To date over \$650,000 worth of savings have been found through integration. This is 7.4% of total administrative and back office costs.
- Integration opportunities continue to be explored

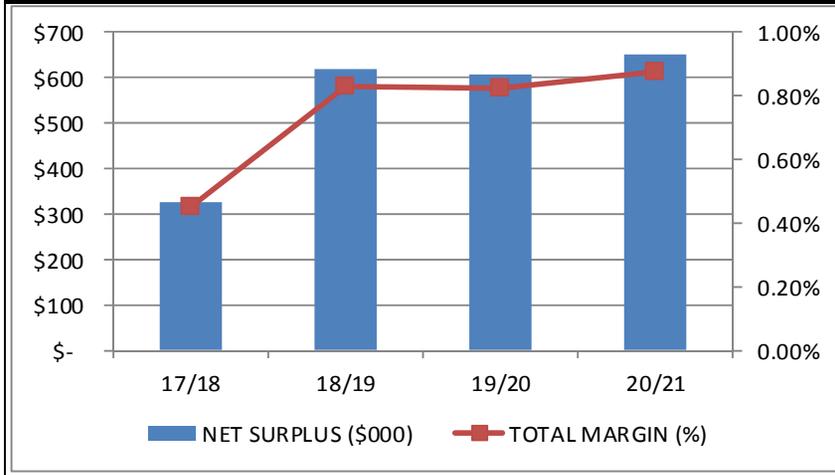
Financial Status

- Given ongoing saving found through the Hospital Improvement Plan and one time funding to support operating pressures in 2017/18 – NHH ended 2017/18 with a surplus
- With the May 2018 increase in base funding to resolve a long standing structural deficit, NHH is now forecasting a balanced budget for 2018/19
- Given assumptions regarding revenue, expenses and patient activity, NHH is forecasting a balanced operating budget and positive working capital for the next three years
- Key risks include no or negative annual base adjustments moving forward and failure to achieve ALC improvements due to lack of resources in community.

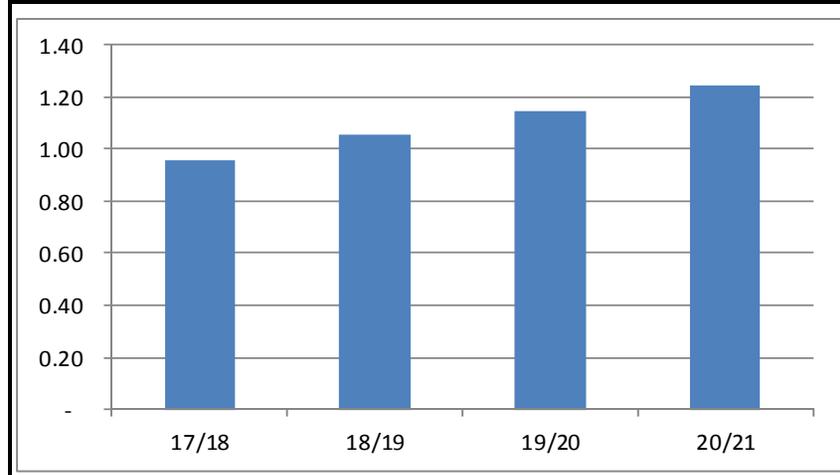
Forecast–2018/19 to 2021/22

	17/18	18/19	19/20	20/21
REVENUE	\$ 71,799,914	\$ 74,411,947	\$ 73,631,094	\$ 74,671,058
EXPENSES	71,473,808	73,794,752	73,022,718	74,018,671
NET SURPLUS	\$ 326,106	\$ 617,195	\$ 608,376	\$ 652,387
TOTAL MARGIN	0.45%	0.83%	0.83%	0.87%
WORKING CAPITAL RATIO	0.96	1.05	1.15	1.24

Trend in Total Net Surplus & Total Margin



Trend in Working Capital - Current Ratio



NHH Board Motion - June 7th, 2018

Preamble:

The Northumberland Hills Hospital (NHH) experienced financial challenges for a number of years, despite having favourable performance to peers as determined by regular benchmarking reviews. This has been due in large part to a long standing structural deficit. At the request of the Hospital, the CE LHIN commissioned an Operational Review which was conducted by the Hay Group in October 2015.

In response to the recommendations provided in the Operational Review, NHH developed and began implementing a Hospital Improvement Plan (HIP) in January 2016, and has continued through this process for close to 30 months now. All fifty-four recommendations have been fully reviewed and all feasible recommendations have been implemented resulting in annual on-going cost reductions of \$1.67 M. There remain four recommendations that are still in progress and these include:

- In collaboration with Home and Community Care, work continues to ensure a comprehensive discharge plan for all patients within 48 hours of admission;
- Although reduction of C-section rate to 27.9% has been achieved in the last quarter of 2017/18, work will continue to ensure this is sustained;
- Clinical engineering maintenance contract costs have been reduced (by \$41,000) and work will continue to seek further cost reductions where possible;
- Over the past two years 7% of Corporate and Support service costs have been reduced through integration opportunities. The projected target of 25% was not feasible; that said the organization will continue to look for efficiencies, cost avoidance and improved patient care through partnerships and integration opportunities.

NHH Board Motion - June 7th, 2018

Progress on the remaining four recommendations, as well as changes that have been made through the HIP; will be monitored by existing NHH Board committees and reporting frameworks including the Quality Improvement Plan, Quality Indicator report and monthly financial variance reports.

Given the cost reductions achieved through the HIP, the increase of \$2.3M in base funding announced in May 2018, as well as the \$1.8 M in one time funding to support additional beds, NHH is able to forecast a balanced budget for 2018/19.

Whereas it is recognized that fifty out of the fifty-four Hospital Improvement Plan recommendations have been completed and plans are firmly in place to support the on-going monitoring of changes achieved and the remaining four recommendations and;

Whereas as a course of normal operations, there will be on-going work aimed at seeking opportunities for efficiencies, cost avoidance and improved patient care within the organization as well as through partnerships and integration opportunities;

On a motion by J. Russell, seconded by P. Went, the Board of Directors approved acceptance of the NHH Hospital Improvement Plan as completed as at June 7, 2018.