

Northumberland Hills Hospital Update

Presented to
Central East LHIN Board
September 26, 2018

Rationale for this Presentation

- To report on the expectations previously identified by the Central East Local Health Integration Network Board of Directors intended to facilitate the resolution of the NHH Hospital Improvement Plan (HIP):

“That the Central East Local Health Integration Network Board of Directors approves the allocation of in-year base operating funding to Northumberland Hills Hospital (NHH) on three conditions intended to facilitate its resolution of its Hospital Improvement Plan (HIP). NHH will:

- 1. as part of the peer review of Campbellford Memorial Hospital, table as a subject for facilitation its HIP obligations to identify and implement integration opportunities and to make changes to clinical practice;*
- 2. prepare a Board-approved multi-year working capital deficit plan and submit it for the Central East LHIN Board's review and approval at its September 2018 meeting; and*
- 3. share a Board-approved assessment of the status of its HIP and submit it for the Central East LHIN Board's review and approval at its September 2018 meeting.”*

Assessment of the Status of the HIP

- In June 2018 NHH considered the vast majority of the recommendations to have been fully explored and implemented to the degree deemed feasible given hospital occupancy and acuity levels
- At this time, it was noted that four (4) recommendations required ongoing work including integration
- It was also understood that, as a normal course of business, attention would continue to focus on efficiencies and quality targets that were not fully realized through the HIP
- In the past month, a thorough review and discussion of all recommendations was undertaken with members of the Central East LHIN senior staff
- Through this helpful dialogue it was agreed that a further ten (10) metrics, bringing the total to fourteen (14), would continue to be monitored through regular HSAA reporting processes

Outcomes of the HIP

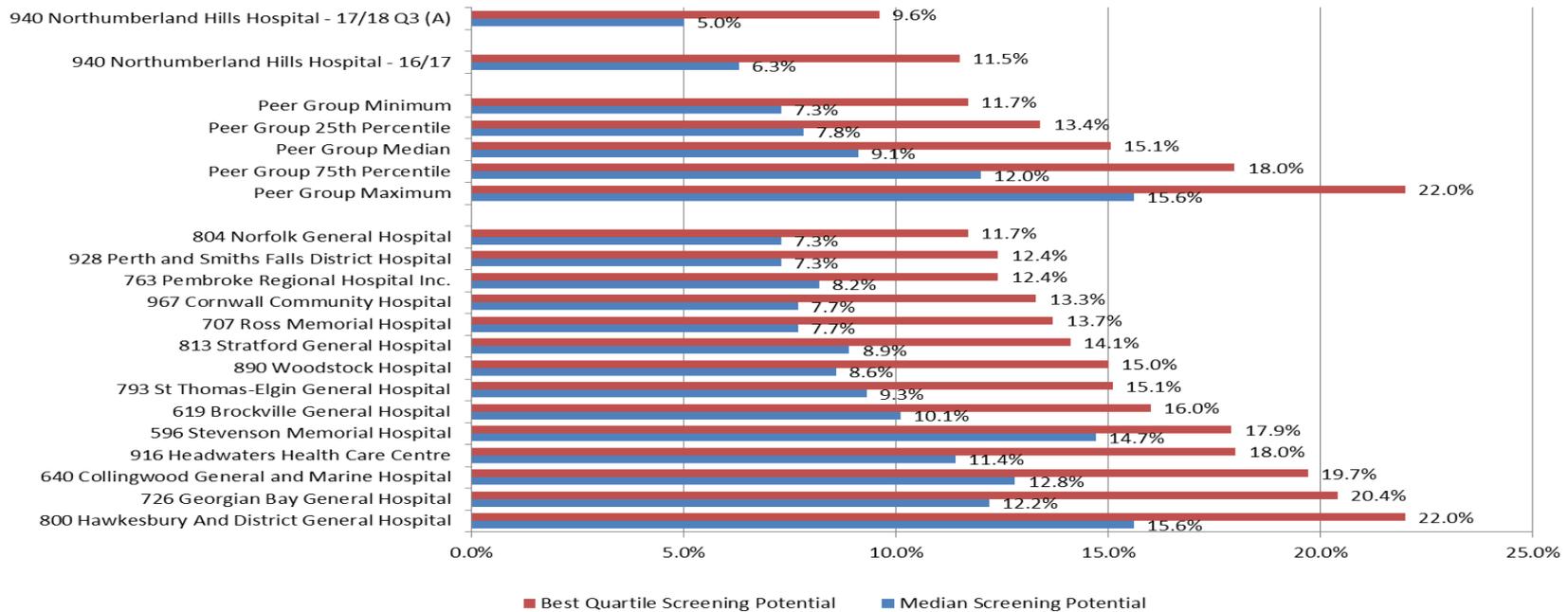
- Implementation of many of the HIP recommendations strengthen processes and structures to support Board and management oversight, clinical efficiencies and operational efficiencies
- Ongoing cost reduction of \$1.6 M or 51% of planned efficiency savings were achieved despite being unable to implement several recommendations regarding ED and Length of Stay due to occupancy and acuity levels
- The integration target of \$2.2M on a \$10M budget (or a 25% reduction) for admin and support services was felt to be unrealistic.
- NHH has been able to attain approx. \$650,000 (representing a 7% reduction in cost in admin and support services) in savings through integration initiatives over the past two years. Integration initiatives include:
 - Shared Health Information Manager
 - Regional Chief Information Officer
 - Shared Information Management (Director and Manager)
 - Shared Chief Financial Officer
 - Shared Payroll Clerk
- NHH has improved its benchmarking position relative to peers (see next two slides)

Summary of Benchmarking Results

- As compared to peers NHH has 25 (68%) of cost centers operating below median of which 18 (49%) are below the 25th percentile
- The net impact of benchmarking NHH to the median demonstrates that NHH is cost effective and operating with 40 fewer FTE's and \$4.6M savings as compared to peers

BENCHMARKING RESULTS					
	Savings already achieved by being below the Median				
	# of Programs	FTE's	Salary	Expenses	Total
Savings already achieved by operating below the median	25	54.5	\$4,830	\$2,517	\$7,347
Opportunities for savings by reducing costs to the Median	12	(14.5)	(\$1,443)	(\$1,236)	(\$2,679)
NET IMPACT	37	40.0	\$3,387	\$1,281	\$4,668

Improvement in 17/18



Conclusion – in 16/17 NHH had the least opportunity to find efficiencies at both the Best Quartile and the Median when compared to it's peers. In 17/18 NHH continued to make improvements and again had the least opportunity as compared to peers.

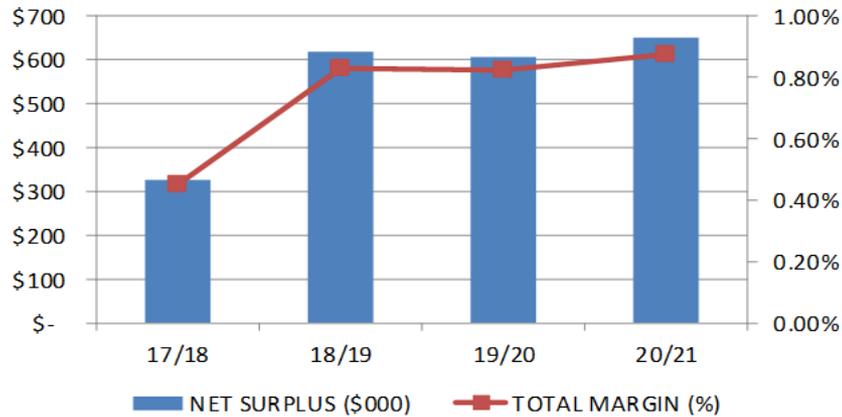
Forecasted Operating Position

- Assumptions used to forecast for next three years are consistent with peers (e.g. funding increases, wage increases, inflation, etc.)
- Identified risks also similar to peers and will be felt by all hospitals (e.g. zero funding increases, continued ALC pressures, etc.)
- NHH will proceed with caution and ensure capital expenditures are resourced prior to moving forward

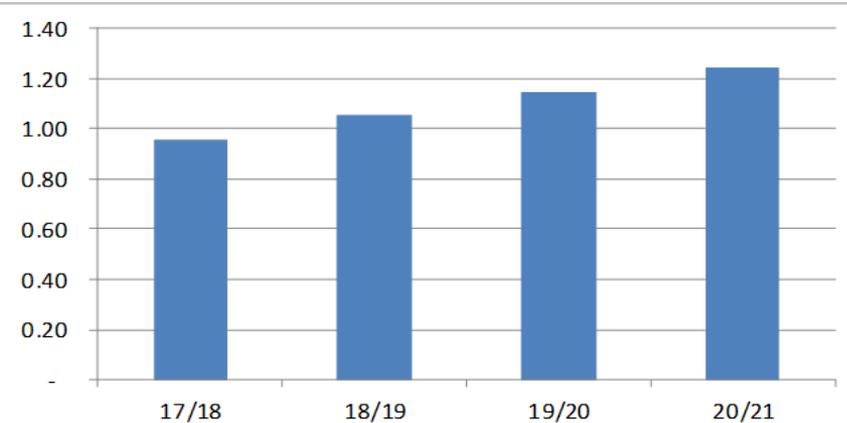
Forecast—18/19 to 21/22

	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



Three Year Working Capital Forecast

- Major acquisition of CIS in next two to three years
 - To date have approximately 1/3 of estimated costs raised by Foundation
 - This will continue over next two to three years with goal to have 2/3 to 3/4 raised by time of purchase
 - Will need to borrow from the bank but anticipate payback will occur rapidly through funds raised by the Foundation

Moving Beyond the HIP

- A given that NHH will continue to strive for ongoing efficiencies, partnerships and integrations
- NHH has supported leadership functions at Campbellford Memorial Hospital (CMH) for the past year and will continue to do so while the peer review is completed.
- NHH will be an active participant of the peer review and looks forward to exploring potential strategic and clinical partnerships with CMH
- NHH also continues to engage other regional partners to discuss clinical programs (PRHC and Lakeridge Health)
- Look forward to sharing with the Central East LHIN Board the progress surrounding these initiatives

Thank you for your on-going support!