Agenda

- Introduction
- Audit Committee
- Resource Planning & Utilization Committee
- Funding/Expenditure Overview
- Operating/Capital Budget Process
- Support Provided
- Enterprise Risk Management
- Q&A
Audit Committee

Objectives from the Terms of Reference:

• Purpose: To review the audited financial statements, the Auditors’ findings, fiscal reporting processes and internal control processes within St. Mary’s General Hospital and to report to the Board of Trustees thereon.

• 3 Meetings
  • December, February, May
Audit Committee Objectives

- Ensure the financial presentation of financial performance, policies and internal controls are appropriate
- Recommendations for internal control improvements
- Monitor management’s progress
- Changing regulatory and statutory directives
- Compliance of the Hospital
- Review risk (typically the financial risk and risk of ethical misconduct and fraud)
- Review insurance coverage
Deliverables

**Deliverable to Board**
- Report on COMMITTEE meeting, updates on internal controls, compliance, and other deliverables
- Recommendation for the BOARD to motion for approval on:
  - Audited financial statements
  - Report on the findings of the Audit
  - Change in accounting policies or material estimates
  - BOARD policies

**Deliverable to Committee**
- Auditors’ plan
- Auditors’ report on findings
- Annual review of legal claims and coverage
- Policy changes: as they relate to BOARD policies
- Compliance certificate to ensure that the regulations and requirements are met
- Educational updates
Objectives from the Terms of Reference:

- Purpose: To monitor, evaluate and recommend to the Board, mechanisms by which the Board can ensure that the Hospital’s resource utilization plans will meet the future needs of St. Mary's General Hospital, using our Mission, Vision, and Values as our guiding principle.

7 meetings annually

- September, October, December, February, March May, June
RPU Objectives

• Ensure that finances, workplace safety, human resources, equipment, building, volumes committed to service, IT, capital projects and other assets are appropriately planned for, utilized and monitored

• Review and report on
  • operating and capital plans,
  • financial statements,
  • key performance indicators and
  • enterprise risk management in the areas of finance, HR, IT and engineering (building).

• Goal of increasing value (quality over cost).
Report from the Chair

- Highlights meetings, financial statements and other deliverables with a recommendation for the BOARD to motion for approval
- Internal financial statements
- Audited financial statements
- Capital budget
- Operating budget and or HAPS and CAPS
- HSAA
- MSAA
- Enterprise risk management report
- Attestations
- BOARD policies
Deliverables to RPU

- Hospital Annual Planning Submission (HAPS):
  - planning document submitted to the LHIN
- Hospital Service Accountability Agreement (HSAA):
  - addresses funding, volumes of service, wait times, current ratio and operating margin
- Community Accountability Planning Submission (CAPS) is similar to the HAPS
  - planning document submitted to the LHIN
- Multi-Sectoral Accountability Agreement (MSAA) is similar to the HSAA
  - programs that are considered to be community based
- Approval of the Quality Improvement Plan (QIP)
  - the payment of salary to senior management
Deliverables to RPU cont.

- Operating budget presented with any enhancements greater than 200K for review and recommendation to the BOARD for approval.
- Funding letters as they impact operations.
- Key performance indicators.
- Financial statements are reviewed and recommended to the BOARD for approval.
- Cash flow and cash management is reviewed.
- Review the 3 year and annual capital equipment plan.
- Review action plans for any shortfalls.
Deliverables to RPU cont.

- Attestations on
  - executive compensation,
  - executive office expenses,
  - procurement policies,
  - use of consultants, use of lobbyist and
  - expense reporting for BOARD and senior team are reviewed
- Applications for capital projects, business cases and updates on progress
- Policy changes, departmental updates, Educational updates
Funding

- The Ministry requires that the hospital submit a BALANCED annual budget Hospital Annual Planning Submission” (HAPS)

- Funding is a “pie-sharing” concept

- Additional funding is only provided by the LHIN for approved new programs or through program transfers from other hospitals.
Health System Funding Reform (HSFR)

- Significant change to our funding methodology

- Transition from a global funding to a patient based funding model

- LHIN/MOH/LTC/CCO: A funding announcement is expected to be made at the beginning of each fiscal year representing 90% of the hospital’s funding
LHIN Funding Percentages

Organizational, 30%
Patient Specific, 70%

QBP, 30%
HBAM, 40%
Organization Funding

Base funding (30%)
- A fixed amount used to fund the ongoing day-to-day operations of the hospital.
- May be reallocated to other programs based on hospital initiatives and strategies.

Inflationary Allocation:
- Added to Base Funding for the upcoming budget year.
- Anticipated to be zero until provincial budget is balanced.
Health Based Allocation Model (HBAM) (40%): HBAM estimates expected health care expenses based on:

- expected volume of activity (using patient demographics and clinical data)
- expected cost per unit of activity (actual expense adjusted for specific factors – impact cost structures)
- HBAM includes 5 care types: Acute & DS, CCC, Rehab, Emergency, Mental Health Inpatient
- Funding is based on efficient operations (Activity/Cost) relative to other hospitals
Quality Based Procedures (30%): This funding is based on achieving specified volumes for specific procedures that are identified by the Ministry of Health (Congestive Heart Failure, Chronic Obstructive Pulmonary Disease, Cataracts & Stroke, Cardiac and others).

- Price based on provincial average procedural cost

Variable funding: This is also based on achieving specified volumes for specific initiatives as identified by the LHIN, CCO & MOHLTC such as Wait-Times (Cancer Surgeries, Colonoscopies, General Surgery, CT) and Cardiac Pacemakers etc

- Typically priority funding, priority to improve access
Other Funding Sources

• **One-Time funding**: This is for one-time initiatives (Nursing Late Career, Physician Assistant) or new programs such as the Rapid Assessment Clinic (IMRAC at St Joes). Performance for new programs is monitored by the LHIN.

• **Fund 2**: This is funding for Community based programs where unspent funds cannot be used for other hospital operations and any unspent funds are recovered.
Hospital Generated Revenue

- As part of each year’s budget process, the hospital examines all revenue sources
  - Non-Patient Care revenue includes parking and cafeteria.
  - Patient Care revenue consists of Preferred Accommodation (private/semi-private rooms),
    - Co-payments (ALC, Complex Care)
    - OHIP revenue; generated mainly from out-patient diagnostic activity.
    - Other outpatient revenue is collected from fees for uninsured residents or WSIB patients.
- However, after all costs are considered, the hospital is able to keep only an extremely small portion.
Approximate SMGH Source

Budget Revenue / Cash Sources

- Ministry of Health/LHIN, 80.25%
- OHIP & Other, 12.23%
- Miscellaneous, 1.40%
- Donations, 4.26%
- Recoveries, 3.23%
- Other, 0.02%
Percent Expenditures

- Main OR – 11.67%
- Chest MSICU Respiratory – 11.43%
- Quality & Performance – 10.46%
- Corporate Services – 10.43%
- Cardiology & Cath Lab – 10.10%
- Budget allocation 100%

- Other clinics / programs - 7.15%
- Diagnostic Imaging – 2.69%
- Pharmacy – 3.63%
- Inpt. Surgery & Day Surgery – 4.37%
- CVOR & Perfusion – 4.41%
- Executive – 5.47%
- Laboratory – 6.37%
- Medicine & Endoscopy – 6.42%
- Emergency – 7.50%
- Cardiac Surgery & CVICU – 8.17%
## Volume Impact to Funding

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Revenue Source</th>
<th>Volume Increase</th>
<th>Volume Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Funding</td>
<td>MOHLTC/LHIN</td>
<td>No Change</td>
<td>No Change</td>
</tr>
<tr>
<td>HBAM Inpatient</td>
<td>MOHLTC/LHIN</td>
<td>Increase if efficient</td>
<td>Decrease if inefficient</td>
</tr>
<tr>
<td>HBAM Emergency</td>
<td>MOHLTC/LHIN</td>
<td>Increase if efficient</td>
<td>Decrease if inefficient</td>
</tr>
<tr>
<td>Quality Based Procedure</td>
<td>MOHLTC/LHIN</td>
<td>Increases to cap</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Priority Programs</td>
<td>MOHLTC/LHIN</td>
<td>Increases to cap</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Wait Time (non-cancer)</td>
<td>MOHLTC/LHIN</td>
<td>Increases to cap</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Wait Time (Cancer)</td>
<td>Cancer Care On.</td>
<td>Increases to cap</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Pay for Performance</td>
<td>MOHLTC/LHIN</td>
<td>Undetermined</td>
<td>Undetermined</td>
</tr>
<tr>
<td>Post Construction Operating Plan</td>
<td>MOHLTC/LHIN</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
</tbody>
</table>
## Volume Impact to Funding

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Revenue Source</th>
<th>Volume Increase</th>
<th>Volume Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnostic Fees</td>
<td>OHIP</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Workplace Safety Insurance Board</td>
<td>WSIB</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Federal</td>
<td>Gov’t of Canada</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Out of Province</td>
<td>Province</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Out of Country</td>
<td>Patient/Insurance</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Co-payment</td>
<td>Patient</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Preferred Accommodations</td>
<td>Patient/Insurance</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Miscellaneous:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parking</td>
<td>General Public</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
<tr>
<td>Cafeteria</td>
<td>General Public</td>
<td>Increase in funding</td>
<td>Decrease in funding</td>
</tr>
</tbody>
</table>
Budget Process

1. Funding Announcement
2. Preliminary Budget Approval
3. Action Plan
4. Meeting with Managers & Budget Consolidation
5. Final Executive Allocation Process
6. Ongoing Budget Analysis
Budget Process

Meetings/ Communications are held with Directors/Managers to review and/or update:

- Staffing Schedules including staffing ratios, premiums and full-time, part-time mix for each job class based on the departments master staffing schedule
- Non-Labour Expenses including Drugs, Medical Surgical Supplies and other General Supplies
- Departmental Activity (Visits, Attendance Days, Patient Days, Exams and Procedures, etc.)
- Finance also reviews budgets to ensure financial resources are comparable with peer hospitals
- Any additional cost pressures must be found through efficiencies within the program
Budget Approval Process

• High level annual budget to the Executive Team

• Incremental Increase to Base Funding is typically not enough to cover all cost pressures, the budget shortfall must be funded through other means.

• Senior Management Team evaluates and approves a strategy for the next course of action. The strategy is then sent to the Board of Directors for approval

• The final BALANCED budget is submitted to the Board of Trustees for approval, and then submitted to the LHIN.
Shortfall Action Plan

• Finance, program Directors and Managers develop appropriate plans to address the operational challenges and determine potential efficiencies/strategies to help balance the budget and support strategic initiatives.

• This is then submitted to the Executive Team to review and approve.

• All plans are done in accordance with the hospital’s four corner risk approach, operational goals and strategic initiatives, while also working with a decision-making Prioritization Framework mandated by the LHIN.
## Four Corner Risk Approach

<table>
<thead>
<tr>
<th>Organizational Health</th>
<th>Quality of Care/Patient Safety/Service Provision/Community Support</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>How well the Hospital Board and Leadership is functioning within commonly accepted best practices</em></td>
<td><em>How well the Hospital in performing in areas related to quality of care, patient care etc</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee Health and Safety</th>
<th>Finance/Operational Health</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>How well the Hospital is performing in areas related to employee satisfaction, safety, health and performance</em></td>
<td><em>How well the Hospital is performing in commonly accepted financial elements</em></td>
</tr>
</tbody>
</table>
LHIN Prioritization Framework

- Revenue generation is the first consideration and program consolidations are the last resort.
Operating Revenue: Received every year from the ministry and supports patient care and the day-to-day operations.

Capital Revenue: This funding is received from another branch of the ministry and is used for:

• Hospital infrastructure, major renovations and funding for new projects or new programs.
• At SMGH we also receive capital from the Foundation
• Hospitals in Ontario are funded for equipment depreciation and these funds can be used to reinvest and replace capital equipment.
Capital Equipment Process

- Replacement of equipment > $2,000
- A Capital Equipment Committee manages annual requests and approves the allocation of this funding.
- Directors are asked to review the risk based critical items required by their departments.
- The hospital’s critical request list is then consolidated and sent to the Capital Equipment Committee (CEC) for review and approval of items based on impact to corporate goals and strategic initiatives.
Ongoing Budget Analysis & Monitoring

• Analysis is performed throughout the year
• Ongoing meetings with managers
• A collaborative approach is taken between a manager and their analyst
• Monthly and quarterly reporting to internal and external stakeholders including the Senior Team, Resource Planning and Utilization Committee, MOHLTC and the LHIN.
Organizational Engagement

QBP/HBAM Committee
• Update MOH changes
• Overview of all
• Specific HBAM/QBP
  • Volume
  • Funding/cost
  • Benchmarking
  • Constraints
• Specific Progress
  • Implemented
  • Sustainability
  • Forecast
• Next phase

HSFR Committee
• Update MOH Changes
• HBAM/QBP/One Time impact
  • Current
  • Benchmarking
  • Forecast
• Strategic Decisions
  • Investment
  • Divestment
• Operational goal impact
  • Lean impact
  • Operational effectiveness
• Direction to QBP/HBAM
Organizational Engagement

Program Quality & Operations Committee
- Interdisciplinary teams
- Review all program requirements including finance
- Discuss future state, improvements, best practice

Physician Councils
- Each physician group meets to discuss their programs
- Have shown interest and commitment to improve performance
- Discussions around process, supplies, documentation
Ensure that St. Mary’s General Hospital’s Management adhere to an enterprise risk management and the Board of Trustees ensure that adequate monitoring and risk mitigation is in place.

This approach identifies potential organizational risk under one framework, providing a corporate-wide view of the potential risk exposure of the hospital.

Enterprise risk encompasses Governance, Clinical, Research, Teaching, Financial, Human Capital, Physical Environment, and Information Technology.
ERM - Scope

- Management (encompasses all Managers, Supervisors, Directors, Vice Presidents and president) is responsible for ensuring that procedures are in place to protect the assets of St. Mary’s General Hospital.

- Board responsibility includes the various Board Committees and the Board of Trustees
ERM - Process

Management is responsible for ensuring that procedures are in place to protect the assets of St. Mary’s General Hospital. These procedures include, but are not limited to:

- Performance of biannual (annual as a minimum) risk management assessment across the organization to uncover explicit and implicit risks and report to the Board of Trustees the status of the risk mitigation plans identified in the respective enterprise risk categories.
- Adequate insurance coverage, including coverage for liabilities, malpractice suits, assets and trustee responsibilities.
- Adequate internal controls over all transactions, and change management plans.
## Risk Universe

### SMGH: Risk Universe

Risks and action plans for high risks are monitored at Board Committees: reporting to Board of Trustees semi-annually

- **Governance**
  - Organizational Ethics & Culture
  - Healthcare Transformation
  - Organizational Structure
  - Governance, Oversight & Accountability
  - Alliance, Contract & Agreement Management
  - Corporate Responsibility & Sustainability
  - Enterprise Risk Management & Control Environment
  - Business Continuity
  - Stakeholder Relationships & Communication
  - Compliance and Disclosures
  - Strategic Planning & Monitoring

- **Clinical**
  - Program & Service Alignment
  - Access to Programs and Services
  - Clinical Policies and Procedures
  - Quality of Care
  - Workload, Staffing & Productivity
  - Drug Administration Management
  - Dietary Admin/Food Services
  - Clinical Laboratories
  - Medical Equipment, Products, Instruments
  - Health Records Management
  - Adverse Event Reporting
  - Infection Control

- **Research**
  - Research Quality
  - Research Funding/Grants
  - Innovative Practices
  - Research Integrity

- **Teaching**
  - Recruiting Opportunity
  - Patient Care
  - Quality Assurance

- **Financial**
  - Operating Funding
  - Capital Funding
  - Financial & Statistical Reporting
  - Funding Optimization
  - Spending Optimization

- **Human Capital**
  - Workplace Safety
  - Recruitment
  - Retention
  - Succession Planning
  - Harrassment/Discrimination
  - Performance Management
  - Professional Accreditation & Certification

- **Physical Environment**
  - Physical Security
  - Maintenance
  - Utilization
  - Construction
  - Cleanliness

- **Information Technology**
  - Strategic Alignment
  - System Reliability & Availability
  - Security and Access
  - IT Policies and Procedures

- **Communication & Culture**
  - Brand strength & recognition
  - Integration & collaboration
  - Professional responsibility & accountability
  - Privacy
  - internal & external communication
  - Respect, innovation & compassion

- **Mission and Governance Committee: Governance**
- Quality Committee: Clinical, Research and Teaching
- Resource Planning and Utilization and Audit Committees: Financial, Human Capital, Physical Environment and Information Technology, Communication & Culture

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*Jul-14*
# Risk Register - Financial

<table>
<thead>
<tr>
<th><strong>Areas of Focus</strong></th>
<th>Significance Impact</th>
<th>Likelihood Probability</th>
<th>Inherent Risk</th>
<th>Residual 2014/15 Q1</th>
<th>Residual 2014/15 Q4</th>
<th>Goal</th>
<th>Performance to Goal</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F1 Operating Fund</td>
<td>10</td>
<td>10</td>
<td>100</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>0</td>
<td>Appropriate use of funds is monitored, lobby for funding increases</td>
</tr>
<tr>
<td>F2 Capital Fundin</td>
<td>9</td>
<td>8</td>
<td>72</td>
<td>35</td>
<td>35</td>
<td>30</td>
<td>-5</td>
<td>Adequately monitored and managed, looking for ways to extend buying dollar releases, rental</td>
</tr>
<tr>
<td>F3 Financial &amp; Statistical Reporting</td>
<td>9</td>
<td>8</td>
<td>72</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>0</td>
<td>Continuous data quality initiatives and improvements</td>
</tr>
<tr>
<td>F4 Funding Optimiz</td>
<td>9</td>
<td>7</td>
<td>63</td>
<td>50</td>
<td>50</td>
<td>40</td>
<td>-10</td>
<td>Benchmarking, planning, mth/qtr reviews, HBAM &amp; QBP analysis and interprofessional committees</td>
</tr>
<tr>
<td>F5 Spending Optimiz</td>
<td>10</td>
<td>10</td>
<td>100</td>
<td>55</td>
<td>55</td>
<td>40</td>
<td>-15</td>
<td></td>
</tr>
<tr>
<td>F6 Financial Markets</td>
<td>6</td>
<td>7</td>
<td>42</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>0</td>
<td>Rates are tied to Swap</td>
</tr>
<tr>
<td>F7 Financial Policies &amp; Procedures</td>
<td>9</td>
<td>8</td>
<td>72</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>0</td>
<td>Policies have been reviewed and updated</td>
</tr>
<tr>
<td>F8 Insurance Management</td>
<td>8</td>
<td>6</td>
<td>48</td>
<td>20</td>
<td>20</td>
<td>30</td>
<td>10</td>
<td>Insurance is regularly monitored</td>
</tr>
</tbody>
</table>
Q&A
You have Questions
We have Answers