

Wakeham, Tony

From: Keats, Don
Sent: Thursday, February 12, 2009 4:57 PM
To: boyd.rowe@lghealth.ca
Cc: Strong, Jim; Wakeham, Tony
Subject: Budget Scenario

This is to follow-up on our conversation yesterday re. the 2009-10 budget allocation. The allocation for Lab-Grenfell in 2008-09 was \$105,301,063. There were a number of adjustments to this number throughout the year. If we were to provide the 08-09 budget along with the approved adjustments, the annualization of the approved adjustments relevant to the current fiscal year and the salary and benefits changes approved by Government through the collective bargaining process, what would the implications be for L-G in 09-10? What measures would have to be put in place if we were to proceed in this direction? Questions/clarifications should be addressed to Jim S. or Tony W..
Don



Labrador-Grenfell Health

2009 02 20

Mr. Don Keats
Deputy Minister (Acting)
Department of Health and Community Services
P. O. Box 8700
St. John's, NL A1B 4J6

Dear Mr. Keats:

Further to the meetings last week between the Ministers of Finance and Health and the Board Chairs and CEO's, as well as your email dated February 12th, we have considered the implications of your 2009-10 budget scenarios:

1. 2008-09 funding levels maintained
2. Negotiated salary increases
3. Annualization of previously approved budget initiatives
4. No inflationary increases for supplies

As you are aware, we have a current year budgeted deficit of \$995,000. If we do not receive an inflationary increase for non-salaried costs, our budget gap for 2009-10 is approximately \$2,000,000. Proposed initiatives to address this budget gap are attached in an Appendix to this letter. Many of the opportunities we have identified are preliminary estimates and will require further analysis and refinement by staff.

Please be aware that we have not discussed this objective with our Board of Directors, and it is not safe to assume that they would support any of these cost reduction or revenue enhancement measures.

As a consequence of ongoing deficit issues, Labrador-Grenfell Health has undertaken a number of short-term fiscal restraint measures, including restricting all non-essential travel and deferring maintenance. We see limited opportunities to undertake further such measures in 2009-10. However, it will continue to be a focus area for us.

It should be noted that our focus over the last few years has been to enhance services in areas of Child, Youth and Family Services and Mental Health to address the significant needs in the Labrador-Grenfell region particularly to address issues in aboriginal communities. We see limited opportunity to reduce expenditures in these areas.

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Executive and Board Offices

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Mr. Don Keats
2009 02 20
Page 2

A few other observations are worthy of mention:

1. Severance and other termination costs will reduce the benefit derived from many of these initiatives.
2. Our budget request included the cost of operating new facilities currently under construction totaling \$381,895. If we do not receive this funding we may not be able to take occupancy.
3. Our 2009-10 budget request included \$466,309 for the cost of operating PACS. If this funding is not forthcoming, our deficit will be impacted accordingly.
4. We requested budgetary funding of \$779,126 for the operation of our new King Air. If the funding is not provided, serious questions surrounding the sustainability of the Provincial air ambulance and Labrador-Grenfell Health's participation must be considered.
5. We are incurring significant costs to provide fire wardens at the Captain William Jackman Memorial Hospital. These costs are driven by government directive. Failure to provide either funding or relief from this directive will necessitate cuts in further areas in order to arrive at a balanced budget.
6. The major themes of our budget requests were sustainability and risk management. There were minimal new initiatives requested. Failure to address these issues increases the overall risk faced by Labrador-Grenfell Health. Furthermore, Labrador-Grenfell Health will not be able to participate in many provincial initiatives (i.e. IM&T: Panorama, InterRAI/MDS, Meditech consolidation) and we may not be able to meet certain legislative requirements of other government agencies, such as Occupational Health and Safety and PRIME.
7. There has been significant discussion surrounding the consolidation of administration functions currently being undertaken individually by the four health authorities; including Payroll, Materials Management and certain IM&T functions. We have not assumed any savings from such initiatives, but suggest that for the provincial health system as a whole, such savings may be significant.
8. There is opportunity to materially reduce costs in St. Anthony for both Labrador-Grenfell Health and the system as a whole, by reducing the range of specialist services provided. Further discussion with your staff would be required before we could quantify savings.

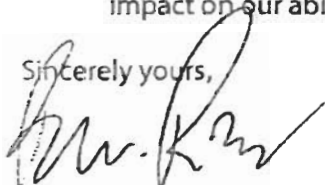
Mr. Don Keats

2009 02 20

Page 3

9. We would like to endorse the continued funding of the NLHBA Provincial Bursary and Incentives Program. If this does not continue in 2009-10, Labrador-Grenfell Health will not be able to continue offering bursaries and sign-on bonuses for difficult-to-fill positions. This program has had a definite positive impact on our ability to recruit and retain staff.

Sincerely yours,



Boyd Rowe
Chief Executive Officer

BWR/tb

APPENDIX A

EXPENSE MEASURES IDENTIFIED TO BALANCE 2009/10 BUDGETARY DEFICIT

| Item # | Description | Approximate Annualized Savings | Primary Impacts | |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| | | | + | - |
| 1 | Labrador-Griffith Health does not provide clinic services at Volsey's Bay. For the same reasons we should not be providing services for Churchill Falls, a company owned town. A precedent has been set in that the company runs the school without support from the Labrador School Board. It is a true company town where a private individual cannot purchase property. | 400,000 | - Cost saving measure. | - Opposition from CPLCs. |
| 2 | Effective April 1, 2009 cease outpatient operations at Mani Ashini Clinic which serves residents of North West River and Sheshatshiu. | 240,000 | - Residents of North West River and Sheshatshiu are within 40 km of the Labrador Health Centre. Given that Sheshatshiu has reserve status, Health Canada may assume responsibility for the clinic as it relates to Sheshatshiu. | - Opposition from local communities. - Increased numbers being seen at Outpatients and Emergency at the Labrador Health Centre. |
| 3 | Realignment of Clinic/Emergency services for the four communities on the southeast coast of Labrador. This realignment would involve providing services, from two of the existing four community clinics. One of the other buildings could be used to house a range of community services currently scattered throughout the four communities. This change would result in the elimination of 2.5 Regional Nurses, 2 Maintenance and 1.4 PCA positions. The longer term plan is to invest in one community health centre, consolidating the four community clinics. A commitment to maintaining acceptable levels of snow clearing of the highway by Transportation and Works will be necessary in either scenario. This concept was suggested in the Hay Report. | 400,000 | - Cost saving measure. - With the opening of the roads these communities are now separated by approximately 50 kilometers of road. | - Opposition from local communities. - Increased travel for clients to the clinics. |
| 4 | Elimination of a Project Management position in St. Anthony. | 55,000 | - Cost saving measure. | - Increased workload for remaining staff. A barrier to moving projects forward effectively. |
| 5 | Elimination of emergency room coverage from 0001-0800 at the Roddickton and Flower's Cove community health centres, to be replaced by on-call coverage by RN. Averaging less than 1 visit during this shift at these health centres. | 200,000 | - Emergency services will continue to be available. | - Opposition from the local communities. |

EXPENSE MEASURES IDENTIFIED TO BALANCE 2009/10 BUDGETARY DEFICIT CON'D

| Item # | Description | Approximate Annualized Savings | Primary Impacts | |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | + | - |
| 6 | Reduce specialist visits to the region by 10%. Will result in reduced costs for locum travel, accommodation and reduced cost incurred by Labrador-Grenfell Health for patient transport. | 120,000 | - Cost saving measure. | - Increased wait times. - Some transfer of patient travel cost to the patient. - Opposition from communities. |
| 7 | Elimination of Perioperative Nurse Specialist. This position was added as a result of an instrument sterilization court case at CWJMH. No funding received from DOHCS for the position. | 90,000 | - Cost saving measure. | - Increases risk. |
| 8 | Elimination of 1 HR Manager for CYFS and 1 Recruiting Officer. Funding received only for 0.5 CYFS position. Unable to fill part-time position, filled fulltime. Propose to terminate both positions if full funding is not provided. | 110,000 | - Cost saving measure. | - Reduced recruitment activity for Social Workers and Nurses where a critical need exists. |
| 9 | Eliminate Regional Blood Transfusion position. Funded at 0.5 but only able to fill on a full-time basis. Propose to terminate if full funding is not provided. We would attempt to recruit part-time. | 30,000 | - Cost saving measure. | - Laboratory safety issue. |
| 10 | Eliminate Social Worker at Paddon Home. Funded 0.5, but could only fill a full-time position. Propose to terminate if full funding is not provided. Attempt to fill part-time. | 40,000 | - Cost saving measure. | - Reduced client services. |
| 11 | Labrador-Grenfell Health inherited from GRHS the responsibility of heating and providing services to a number of buildings in St. Anthony that are not within our health care mandate including: the Grenfell Interpretation Centre, Grenfell House, space accommodating the Boys and Girls Club and CYN. Propose to cease this activity. | 30,000 | - Cost saving measure. | - Opposition from community. |
| 12 | Elimination of Project Manager, Goose Bay responsible for major capital projects including the new hospital in Labrador City and the long term care facility in Goose Bay. It was indicated that funding for this position would be forthcoming, but it has not materialized for the current year. | 80,000 | - Cost saving measure. | - Reduced project management capability in the region. - This work would have to be taken over by the Dept. of Works Services and Transportation. |
| EXPENSE REDUCTION | | 1,795,000 | | |

APPENDIX B

REVENUE MEASURES IDENTIFIED TO BALANCE 2009/10 BUDGETARY DEFICIT

| Item # | Description | Approximate Annualized Savings | Primary Impacts | |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| | | | + | - |
| 1 | Effective April 1, 2009 charge patients traveling for uninsured services one half of the commercial airfare rate. Currently patients traveling for uninsured services travel on a space available basis. | 290,000 | - Most of the additional cost for the former HLC region would be picked up by the aboriginal health authorities. | - The major areas impacted would be patients traveling for dental/orthodontic care. |
| 2 | Effective 1 April 2009, increase the Medical Flight Authorization (MFA) fee from \$40 to \$80 for patients traveling for insured medical services. | 130,000 | - The current MFA fee of \$40 represents 6% of a commercial airline ticket in the region. The current fee of \$40 has not been increased in over a decade. | - Increased cost of travel for patients which may result in financial hardship and public outcry. |
| 3 | Presently, the Medical Flight Authorization fee of \$40 covers the cost of air transportation for both the patient and escort if necessary. Effective 1 April 2009, charge a MFA fee of \$80 for escorts traveling with patients. | 100,000 | - Presently escorts travel for free as the MFA fee is only charged to patients. Most of the increased cost of travel by the aboriginal health agencies. | - Increased cost to patients requiring an escort to travel with them. - Public outcry throughout the entire region. |
| | REVENUE GENERATION | 520,000 | | |