

Wakeham, Tony

From: Keats, Don
Sent: Thursday, February 12, 2009 4:50 PM
To: 'susangillam@westernhealth.nl.ca'
Cc: Strong, Jim; Wakeham, Tony
Subject: Budget Scenario

Susan

This is to follow-up on our conversation yesterday re. the 2009-10 budget allocation. The allocation for Western Health in 2008-09 was \$217,599,404. 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 WH 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

9/16/2009



Western Health

February 20, 2009

Mr. Don Keats, Deputy Minister
Department of Health and Community Service
P.O. Box 8700
Confederation Building
St. John's, NL, A1B 4J6

Dear Mr. Keats,

In your email dated February 12, 2009 you requested Western Health to consider what measures would be required to achieve a balanced budget for Fiscal 2009-10, if funding was annualized at the 2008-09 level and increases for salary and benefit changes approved by Government.

Because budget adjustments related to fiscal 2008-09 are still being processed, we have made several assumptions in moving forward with this analysis. These assumptions include:

1. The increase for fuel oil prices identified in Budget 2008-09 (\$378,000) will be added to the base budget, and not be considered a one time increase.
2. The additional operating funds identified, as part of the 2008-09 capital and operating budget submissions, for Diagnostic Imaging equipment approved in the current year will be funded. The funding requirement for 2009-10 is \$250,000, with a requirement to be annualized to \$430,000 in subsequent years.
3. The incremental funding of \$300,000 required for the Eye Care Centre approved in September 2008 will be provided. This will need to be annualized to \$565,000 in subsequent years.
4. The incremental operating funds identified as part of the Electronic Health Records budget submission in 2008-09, for which the capital component has been approved, will be funded. This amounts to \$350,000 base and one time funding of \$350,000 and \$172,000 in fiscal 2009-10 and 2010-11 respectively.

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5. The additional resources identified as being required to prepare for and implement the new Personal Health Information Act will be provided. For Western Health this amounts to \$318,000 in fiscal 2009-10, annualized to \$358,000 in subsequent years. If funding is not available in fiscal 2009-10, then implementation should be deferred.
6. During the past couple of years Western Health has been paying its pharmacists a market differential of \$12,000 per year for a total cost of approximately \$200,000. With the current collective agreements containing a clause to address the approval of market differential, it is expected that this cost will be funded on a go forward basis.
7. The Province, in partnership with the four Regional Health Authorities is currently in the process of designing and implementing a CRMS Client Pay Module. This module is currently being piloted in Central Health. The initial experience with this pilot is that additional human resources will be required to ensure its successful implementation and ongoing operation. It is assumed that the additional resources required for this initiative will be funded.
8. Several communities in the Western Region are changing the method used to assess health facilities for water taxes. Prior to the current year, most communities charge a flat rate for water services. They are now switching to assessment based on assessed value and mill rate, a move which we understand is supported by the Department of Municipal Affairs. This change will cost Western Health an additional \$300,000 in 2009-10. Considering that this change in practice is sanctioned by another government department, we would expect a funding transfer to offset the increased cost.

Based on these assumptions, Western Health is currently projecting a deficit of \$2.5 M for fiscal 2009-10, after allowing for savings of \$750,000 to be achieved through staff vacancies.

Before considering possible actions which could be initiated to address this projected deficit, consideration must be given to the cost reduction measures Western Health has implemented over the past couple of years. In its early days as a new organization, Western Health was tasked with assessing the many recommendations contained in the HAY Best Practice report which had been commissioned by government on behalf of the former Board. Very early in the process Government decided that many of the recommendations were not acceptable and were not to be implemented. Many other

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recommendations were implemented resulting in a reduction of \$9.9M. While some of these savings were reinvested to address gaps in service, the majority went directly towards reducing expenditures.

Western Health has also implemented the Managed Care Appropriate Protocol (MCAP). This resulted in the institution of a "first available bed policy" and now we are developing a "first available choice" option which will include first available bed, placement in a personal care home and/or acceptance of home support. Through these measures Western Health not only reduced cost, we addressed some gaps in service and were successful in eliminating corridor beds at Western Memorial Regional Hospital and the many risks associated with them.

Because of the initiatives referenced above and the resources that have been removed from the system at the time of Board restructuring, there are very few remaining efficiencies to be achieved in the areas of Administration and Support Services. Any true savings will have to be achieved through reductions in the activities that drive cost, patient care. Following are the options being put forward for consideration by Western Health to reduce cost and achieve a balanced budget for fiscal 2009-10. These options have not been reviewed or approved by the Board of Trustees of Western Health.

1. Reduce Travel

Many staff from Western Health participate in provincial committees, attend educational conferences and participate in provincial planning exercises. Participation in these activities would be limited to attendance by teleconference or videoconference, or non participation. The result of this could be lost educational opportunities, delay in implementing new initiatives and programs or inadequate planning.

2. Reduce Maintenance Activities

While this is often a convenient short term measure it can lead to problems in terms of fire life safety and Occupational Health and Safety issues. Western Health currently has significant challenges in physical infrastructure and meeting the standards, as outlined with OHS and the Fire Commissioner's Office.

3. Medical Staff Vacancy Management

As existing medical staff leave, recruitment efforts will be delayed. Again, this will

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result in increased waitlists, extra workload for the remaining physicians, and/or patients having to travel to other regions to access service. This may impact on physician retention. Western Health is currently challenged in providing specialty services such as Cardiology, Urology, Ophthalmology, etc.

4. Reduction in Surgical Services

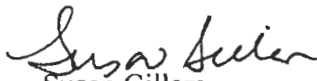
Western Health could implement an enforced cap on Operating Room days available at Western Memorial Regional Hospital and Sir Thomas Roddick Hospital. This alternative would have serious implications, some of which are:

- Increased waitlists for residents of the Western Region, and others who travel from outside the region, needing surgery.
- Cost of delaying Surgery. Recent studies show that treatment cost can increase if there is a delay in providing that care, and the level of required care may become more complex.
- Unacceptable reduction in income levels for FFS physicians which will probably adversely impact recruitment and retention.
- Limit the ability for Western Health to respond to the critical shortage in specialty groups, for example Urology.
- Impact on the surgical wait times, as established by the provincial wait times initiative.
- Inability to proceed with the implementation of a Regional Surgical Services Plan which is currently under development.

You will note that we have not attached dollar values to these measures. As more information becomes available on what our funding level will be, and clarification is received in the assumptions we have made, the proposed options will be revisited to determine the severity of reductions required. Furthermore, consultation will be required with the Board of Trustees of Western Health before any of these options can be enacted.

Should you have any questions or require clarification on the points presented please contact me at your convenience.

Yours sincerely,



Susan Gillam

Chief Executive Officer

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