

Wakeham, Tony

From: Keats, Don
Sent: Thursday, February 12, 2009 4:53 PM
To: 'Louise Jones'
Cc: Strong, Jim; Wakeham, Tony
Subject: Budget Scenario

Louise,

This is to follow-up on our conversation yesterday re. the 2009-10 budget allocation. The allocation for Eastern Health in 2008-09 was \$890,953,827. 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 EH 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



Eastern Health

26 February 2009

Honourable Minister Ross Wiseman
Department of Health & Community Services
Government of Newfoundland and Labrador
P.O. Box 8700
St. John's, NL
A1B 4J6

Office of the Board Chair
Eastern Health
Executive Office
Waterford Bridge Road
St. John's, NL
Canada A1E 4J8
T: 709-777-1330
F: 709-777-1302
www.easternhealth.ca

Dear Minister Wiseman:

This correspondence is in response to your request for Eastern Health to identify the implications of operating this coming year (2009 – 2010) at the 2008-2009 budget level (exclusive of negotiated salary increases, severance and CYFS deficit). The implication of such a request is that Eastern Health must identify savings in the range of:

Inflation	\$10.0 M
Budget pressure (i.e. rent increase, insurance increase, etc.)	\$4.1 M
Anticipated deficit 2008 - 2009 (excluding CYFS & severance)	\$8.0 M
TOTAL	<u>\$22.1 M</u>

Firstly, let me restate that for its first three years, through very prudent fiscal management, Eastern Health had maintained a balanced budget. We had in fact small surpluses resulting in an overall decrease in accumulated debt of \$9.0 M.

Shortly after receiving the approved 2008 - 2009 Budget, Eastern Health officials alerted your department of an anticipated \$4M deficit. When the 2008 - 2009 budget was reviewed by the Board concerns were expressed with respect to safety and risk issues that had been requested but unable to be funded in the 2008 – 2009 budget. We requested the Department's permission to use \$6.0M deferred revenue to address these priority issues. Given this request, the anticipated 2008 - 2009 deficit for Eastern Health was therefore projected and communicated to your department to be \$10 M.

During discussions with your department officials, initiatives were identified that could address a portion of the 2008- 2009 projected deficit.

- Use of deferred revenue (one time) to fund areas that were determined to be risk/safety issues that were not approved by government in 2008 - 2009 budget \$6 M
- Fuel/electricity deficit to be addressed by government. Estimated cost \$2.4 M \$2.4 M
- Severance costs overruns to be incurred by government consistent with how government treats internal departments. Estimated cost \$2.0 M \$2.0 M

- Service activity to remain at 2007-2008 levels
- Annualized cash flow for new initiatives to be made available for entire year \$0.9 m

To date no formal response has been received from your department. In October and November 2008 based on the overruns in CYFS budget YTD, Eastern Health revised and communicated its estimated deficit to now be \$12 - \$14 M.

Minister, I want now to address your most recent request. Senior Executive has performed a high level review of the organization to identify initiatives that could be undertaken to achieve savings in the range of \$22M based on the current budget. These include identifying efficiencies, reviewing expenditure and identifying initiatives that would need to be pursued.

I draw to your attention the assumptions that Executive used as it reviewed its current operations.

- Inflation on drugs/supplies is predicted to be consistent with previous year – total impact: \$10 M
- Service/volumes will be maintained at 2008-2009 level regardless of the increased demand and increasing wait-list
- Initiatives identified that result in savings due to initiatives implemented by Eastern Health in other areas of the health budget, i.e. physician reimbursement for the purpose of this budget exercise will be deemed to be savings attributed to Eastern Health.
- Savings associated with each initiative will be identified on a yearly basis; timeline to implement will also be identified.
- Initiatives are put forward regardless of location of such services.
- All items negotiated and approved by Treasury Board will be funded by Treasury Board.

Please refer to the attached presentation that the Board received last evening which identified the initiatives (and implications) that are required in order to operate within the 2008-2009 budget allocation (exclusive of salary increase, severance and CYFS deficit).

Initiatives have been categorized into the following:

- Initiatives – Minimal impact on staff or service delivery - \$8.2 M
- Initiatives – Impact staff but no impact on service delivery - \$2.4 M
- Initiatives – Impact current service delivery and potentially decrease access and increase risk - \$7.75 M
- Initiatives which require policy and planning consideration by government - \$2.15 M
- Initiatives – Service delivery model changes - \$3.95 M

Mr. Ross Wiseman, Minister
Department of Health & Community Services

Minister, as you know Eastern Health, in keeping with its mandate, is quite prepared to work with government to action initiatives that are required to maintain a balanced budget. However, it is also our responsibility to clearly identify for you implications of any initiatives which may have negative impact on access and the delivery of health and community services. Many of the initiatives provided in this document are similar to those identified and discussed with your department over this past year to address the 2008 – 2009 budget shortfall.

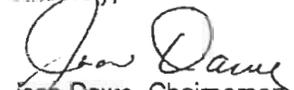
The Board wishes for the Department to understand that this is not an amendment to its budget request for 2009 – 2010 but a response to your recent request. The Board wants to ensure that you understand that the magnitude of such a reduction in funding can not be fully achieved without affecting access to health and community services and incurring job losses.

However, the Board fully supports those initiatives listed under Section A – Minimal impact on staff or service delivery and Section D – Initiatives which require policy and planning consideration by government.

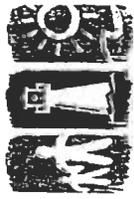
Minister, I know you are very much aware of the publically expressed concerns with access to some components of the health and community service system. Having spent many hours over these last few days reviewing the implications of a \$22M reduction in the current operating budget the Board has expressed serious concerns with respect to implications inherent in some of the initiatives put forward in Sections B, C and E. Consequently, we wish to have the opportunity to discuss the attached presentation with you so that we all clearly understand the impact some of these initiatives have on timely access to quality, safe health and community services.

I look forward to meeting with you to discuss this information.

Sincerely,


Joan Dawe, Chairperson
Eastern Health

Attachment (presentation)



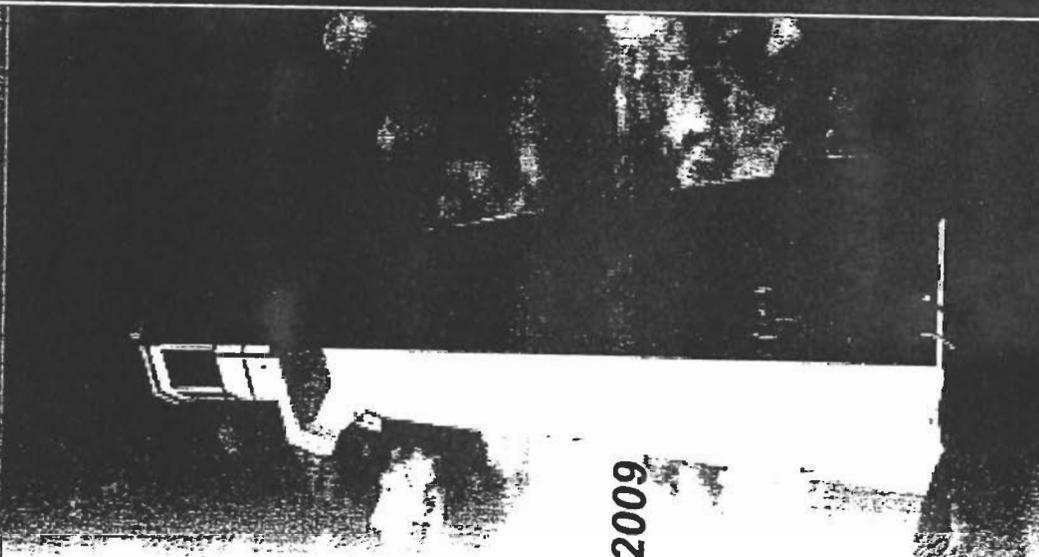
Eastern
Health

Budget 2009-2010 Submission

Presentation to Board of Trustees – February 25, 2009

Louise Jones, Interim President and CEO

www.easternhealth.ca



2008-09 Sequence of Events



Eastern
Health

• Eastern Health balanced Budget assumptions – May 12, 2008

- Projected Deficit **\$4.0 million**
- Board directed initiatives **\$6.0 million**
\$10.0 million

Assumptions:

- Fuel and fuel related costs will be supported by government (\$2.4 m)
- Service activity assumed at 2007-08 levels
- Severance payouts over budgeted amount will be supported by government (\$2.0 m)
- Annualized cashflow be available (\$0.9 m)
- Access inactive deferred revenue accounts to cover board directed initiatives.
- Active discussions with government regarding savings associated with group purchasing

2008-09 Sequence of Events



Eastern
Health

- **Multiple Letters/Discussions from Board Chair to Minister of Health**
- **Some Board directed quality/risk initiatives to be implemented despite non-response from government regarding the use of deferred revenue (\$0.8 M).**
- **Update to Department of Health and Community Services (October & November) regarding working financial position directly related to CYFS overruns (\$7.6M). Anticipated year-end deficit projected to (\$10 – \$12 M)**
- **Update sent December to indicate deficit projection of \$12 - \$14 million**
- **Currently projecting a \$17.0 million deficit inclusive of severance and fuel cost not funded by government. (\$3.2 m)**

2009-10 Budget meeting



Eastern
Health

- **Minister of Treasury Board requested with Board Chairs and CEO's regarding fiscal projections 2009-10.**
- **Minister of Treasury Board provided financial update projecting a provincial deficit ranging from \$400 million to \$1.2 billion as a result of oil price fluctuations and decreases in federal transfer payments.**
- **Regional Health Authorities were told that new programming would likely be limited to specific initiatives in 2009-10 budget.**
- **RHAs were asked to identify the implications of living within current budget allocation.**



Current Budget Implications

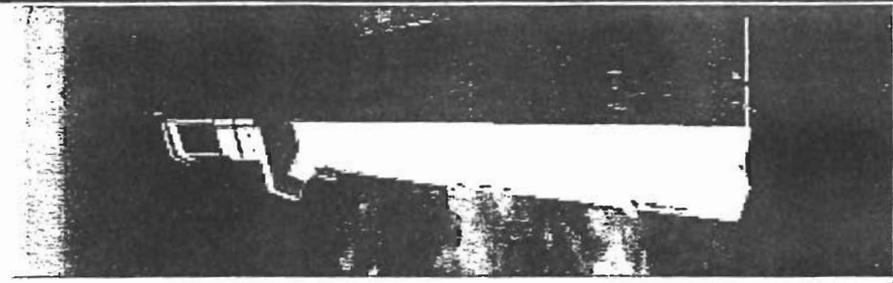


Eastern
Health

- **Implications of operating within 2008-09 budget allocation (exclusive of negotiated salary increases and severance) translates into the following:**

– Inflation	\$10.0 m
– Budget Pressures	\$4.1 m
– Anticipated Deficit*	<u>\$8.0 m</u>
	<u>\$22.1 m</u>

*Anticipated Deficit exclusive of CYFS issues and severance - \$17.6 m - \$7.6 m - \$2.0 m = \$8.0 m



A. Initiatives – Minimal impact on Staff or Service Delivery

A.	Initiative	Annualized Savings	Timeframe	2009-10 Savings	Implications
1.	Use of Group Purchasing	\$3,000,000	Immediate	\$3,000,000	Time limited window of participation under Public Tender Act
2.	ESCO savings redirected to operations	\$800,000	Immediate	\$800,000	Infrastructure project work will be deferred
3.	Cafeterias- no longer subsidized and caterings reduced	\$450,000	July 1, 2009	\$300,000	Increased cafeteria prices and potential reduction in hours of operation – affects staff and public
4.	Courier & Delivery costs reduced	\$450,000	July 1, 2009	\$300,000	Minimal impact on service – potential delays in turnaround times
5.	Consulting/Professional Fees reduced	\$500,000	Immediate	\$500,000	Access to external expertise will be curtailed
6.	Discretion to utilize Deferred Revenue	\$3,000,000	Immediate	\$3,000,000	Requires permission of DHCS
	Total	\$8,200,000		\$7,900,000	

B. Initiatives – Impact Staff but minimal impact on Service Delivery

B.	Initiative	Annualized Savings	Timeframe	2009-10 Savings	Implications
1.	Discontinue Hoyles-Escasoni on-site cold food production - 5.9 fe's	317,000	June 1, 2009	\$200,000	Requires consolidated bargaining unit or private agreement with Nape HS
2.	Adjust support staff levels in Rural in accordance with Aramark targets- 8 fe's	\$315,000	June 1, 2009	\$315,000	Layoffs required. Staff may potentially bump into other positions.
3.	Discontinue Full-time Medical Director in Clarenville	\$100,000	June 1, 2009	\$100,000	Decreased access to Medical Director
4.	Bulk Laundry Consolidation – Eastern Health – 9.2 fe's	\$363,000	July 1, 2009	\$275,000	Decreases need to replace current equipment that is beyond its useful life. Layoffs required.

**B. Initiatives – Impact Staff but minimal impact on Service Delivery
(continued)**

B.	Initiative	Annualized Savings	Timeframe	2009-10 Savings	Implications
5.	Close 8 Long Term Care Beds – Rural Avalon	\$300,000	Immediate	\$300,000	Current vacancies-bed will be realigned in the region. Potential staff reduction.
6.	Hold vacancies throughout Eastern Health	\$600,000	Immediate	\$600,000	Work delayed throughout organization based upon individual vacancies. Some positions may be permanently reduced.
7.	Attendance Management initiatives	\$400,000	Immediate	\$400,000	Targeted aggressive follow-up with staff who are high users of leave benefits
	Total	\$2,395,000		\$2,190,000	

C. Initiatives – Impact Current Service Delivery and potentially decreases access and increases risk

C.	Initiative	Annualized Savings	Timeframe	2009-10 Savings	Implications
1.	Reduce constant care in all areas of organization	\$1,300,000	June 1, 2009	\$1,000,000	Increases risk of patient elopement, falls and/or self harm. Increases risk for staff. May have to reinstitute chemical and/or physical restraint.
2.	Reduce overtime expenditures	\$3,000,000	Immediate	\$3,000,000	Requires aggressive recruitment to fill vacancies and targeted attendance management.
3.	Discontinue 15 flex beds at Chancellor Park	\$550,000	Decrease over time	\$300,000	Decreases access to acute care – patients will wait longer in Emergency department and surgeries will be canceled.
4.	Implement an additional 10 day slow-down. Includes all diagnostics, surgeries, clinics, cath lab, etc.	\$1,500,000	Easter/ Summer	\$1,500,000	Approximately 250 surgical cases and 50 cath lab procedures will not be performed; Wait times for MRI, CT and Ultrasound will increase.

C. Initiatives – Impact Current Service Delivery and decrease access and potentially increase risk (continued)

C.	Initiative	Annualized Savings	Timeframe	2009-10 Savings	Implications
5.	Eliminate positions throughout the organization School Health Liaison positions •Recreation Therapy –Hoyles •Palliative Care Coordinator •LPNs(2) Carbonear •Buyer/stock handler •WHMIS Coordinator	\$750,000	June 1, 2009	\$425,000	Work delayed or discontinued throughout organization based upon individual vacancies. Includes some Board approved 2008-09 positions associated with safety and risk.
6.	Faith-based Homes must stay within budget	\$450,000	April 2009	\$450,000	Requires new MOU based upon funding per bed and balanced budget requirement.
	Total	\$7,550,000		\$6,925,000	

D. Initiatives which require policy & planning consideration by Government

D.	Initiative	Annualized Savings	Timeframe	2009-10 Savings	Implications
1.	Revenue - increase in rates	\$500,000	April 1, 2009	\$500,000	Public reaction to increased rates.
2.	Provincial Hearing Aid program – realign cost to RHA responsibility and/or wait-list patients	\$250,000	Immediate	\$250,000	Reaction from other RHA's. Program currently supports HRLE clients only.
3.	CYFS – solution for alternate living arrangements such as purchasing service from 3 rd party for emergency placements and complex fostering	\$1,000,000	Decrease over time	\$1,000,000	Decreases cost for clients requiring foster care due to unavailability of foster families. Potentially requires legislative changes and/or guidelines for group fostering by a 3 rd party.

D. Initiatives which require policy & planning considerations by Government (continued)

D.	Initiative	Annualized Savings	Timeframe	2009-10 Savings	Implications
4.	Physician locum costs to be paid consistent with government approved rates •GP locum rate 24 hr service = \$689.00/day •Specialist locum rate 24 hour service = \$814/day	\$400,000	Immediate	\$400,000	Coverage will be sporadically unavailable throughout the region affecting access and potentially increasing risk. Clients requiring service will have to be transferred to other parts of EH where service is available.
	Total	\$2,150,000		\$2,150,000	

E. Initiatives - Service Delivery Model Changes

E.	Initiative	Annualized Savings	Timeframe	2009-10 Savings	Implications
1.	<p>Review service delivery options for 24 hour on- site emergency service. Include implications for Lab services and Diagnostic Imaging.</p> <p>a) Old Perlican \$1,800,000 b) St. Lawrence \$500,000 c) Whitbourne \$1,500,000</p>	\$3,800,0000	2009-10	\$	Provincial policy regarding distance and travel time to nearest 24 hour Emergency Services required. Review of Road Ambulance Service and capacity for ER services delivery at nearest site required.
2.	Review in-patient beds (excluding palliative care and convalescence care) on Bell Island	\$150,000	2009-10	\$	Move to a model with Acute Holding Beds only.
	Total	\$3,950,000		\$	

Summary – Initiatives A through D

	Initiative	Annualized Savings	Timeframe	2009-10 Savings
A.	Minimal Impact on Staff or Service Delivery	\$8,200,000	Immediate to July 1, 2009	\$7,900,000
B.	Impacts on Staff but no impact on Service Delivery	\$2,395,000	Immediate to July 1, 2009	\$2,190,000
C.	Impact on Current Service Delivery and potentially decreases access and increases risk	\$7,550,000	April 2009 to Summer 2009	\$6,925,000
D.	Require policy & planning consideration by Government	\$2,150,000		\$2,150,000
E.	Service Delivery Model Changes	\$3,950,000		-
	Total	\$24,245,000		\$19,165,000