



Saskatoon Regional Health Authority - Public Meeting Agenda

Date: Wednesday, August 2, 2017
Time: 2:00 – 2:30 pm
Location: SCH Boardroom, Level 2 Executive Offices
Chair: Mike Stensrud

Our Values
 Respect
 Compassion
 Excellence
 Stewardship
 Collaboration

Strategic Directions
 Better Health
 Better Care
 Better Teams
 Better Value

Our Mission
 We improve health through excellence and innovation in service, education and research, building on the strengths of our people and partnerships.

Our Promise
 Every moment is an opportunity to create a positive experience in the way we treat and care for people, in how we work and interact with each other, and in how we deliver quality service. We promise to seize every opportunity.

SRHA Members: Mike Stensrud, Chairperson Frank Lukowich, Vice Chairperson Gary Beaudin Michael Couros Malcolm Eaton Ghislaine McLeod Bobbylynn Stewart Glenn Wig	SHR Administration Members: Dan Florizone, President and CEO Dr. George Pylypchuk, Vice President Jackie Mann, Vice President Diane Shendruk, Vice President Petrina McGrath, Vice President Lori Frank, Director Brenda Zuk for Julie Beres, Executive Assistant to the President and CEO (recorder)
	SRMA Representative: Dr. John Gjevre

Time	Agenda Item (purpose: information, discussion, decision)	Attach ment	Lead
GENERAL AGENDA ITEMS			
2:00 pm	1. Call to Order		M. Stensrud
	1.1. Approval of Agenda	✓	
	1.2. Disclosure of any conflicts of interest		
DECISION			
2:05 pm	2. 2017-18 Operating Balancing Proposal Plan and Capital Budget (Decision)	✓	D. Florizone/ K. Unger
2:25 pm	3. Approval of Audited Financial Statements – June 30, 2017		N. Marushak- Clay
2:30 pm	4. Adjournment		M. Stensrud



Submission to Saskatoon Regional Health Authority

DATE OF MEETING: August 2, 2017

SUBMITTED BY: Dan Florizone, President and CEO
Ken Unger, Director, Financial Planning and Advisory Services

TOPIC: 2017-18 Operating Budget, Balancing Proposal Plan and Capital Budget

PURPOSE OF SUBMISSION: Information Decision/Approval

SITUATION

- On March 22, 2017 the Ministry of Health outlined the Region's funding for 2017-18 which included:
- Operating:
 - \$5.6 million (incremental) for collective bargaining increases for HSAS and SUN
 - \$4.9 million (incremental) for service pressures
 - \$4.4 million for Jim Pattison Children's Hospital operating costs
 - \$12.5 million (not incremental) annualization for surgical volumes rolled into base funding.
 - \$0.650 million (not incremental) for Cardiac Cath Lab volumes rolled into base funding.
 - \$17.1 million for Physician Academic Clinical Funding Plan implementation.
 - \$0.977 million (not incremental) for other items rolled into base funding.
- Balancing Plan:
- The Region is forecasting a gap between 2017-18 revenues and expenses of \$34.316 million but has developed a balancing plan in order to target a balanced 2017-18 operating budget. This plan of 14 key initiatives has been shared with the Ministry of Health and we await their feedback; discussions expected over the coming months.
- The balancing plan includes initiatives such as accelerated implementation of the provincial Connected Care strategy and the Region's health and wellness initiative.
- Capital:
- The 2017-18 capital budget focuses on facilities infrastructure, information technology infrastructure (IT), eHealth related capital projects, renovations and equipment.

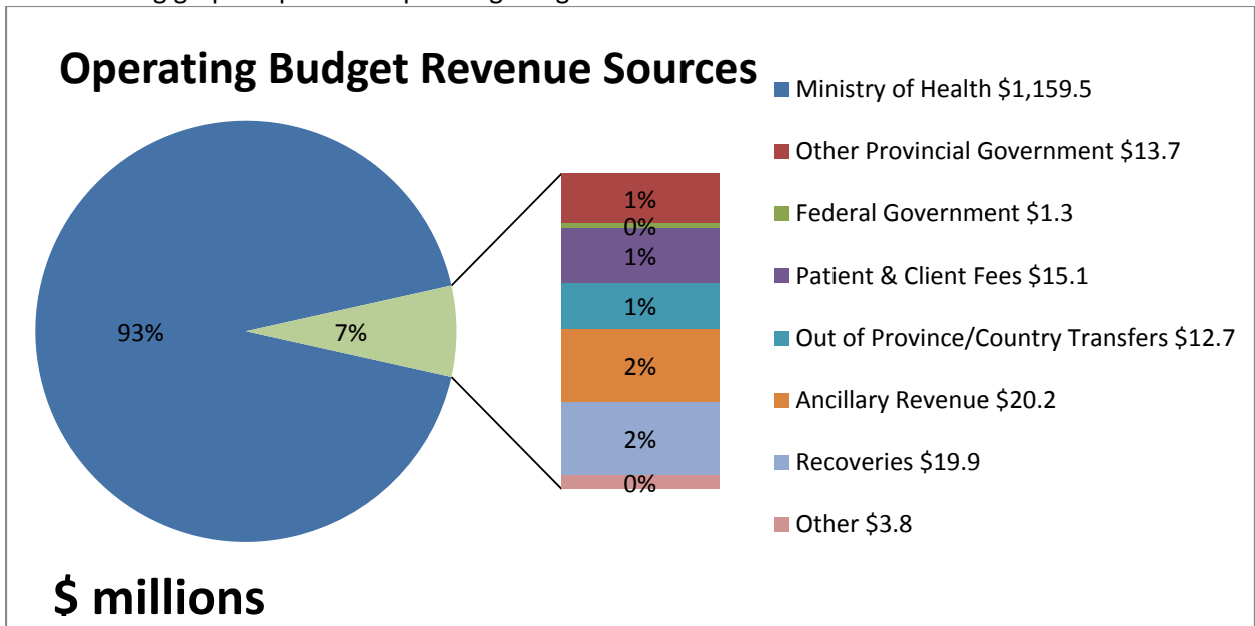
BACKGROUND

- Over the past five years, the Region has experienced:
 - 13% growth in population
 - 1.3% growth in emergency department visits (visits decreased 3.1% last year)
 - 4.8% growth in surgical cases
 - 6.4% growth in hospital days since 2014-15
 - 8.8% growth in delivery of babies
 - 14% growth in pediatric intensive care unit (PICU) days since 2014-15
- Going into 2016/17:
 - Facing a potential gap between annual revenue and expenses as high as \$65.4 million (up to \$5 million each month)
 - The Region developed over 170 sustainability initiatives in 2016/17 with a forecast of \$23.3 million in savings – actual savings from the initiatives were \$23.6 million
 - Staff and physicians worked extremely hard to realize these savings, which included reducing overtime costs by nearly 20 percent in the face of increased service pressures.
 - The largest savings realized were from the reduction in out of scope positions and a targeted reduction to paid hours.

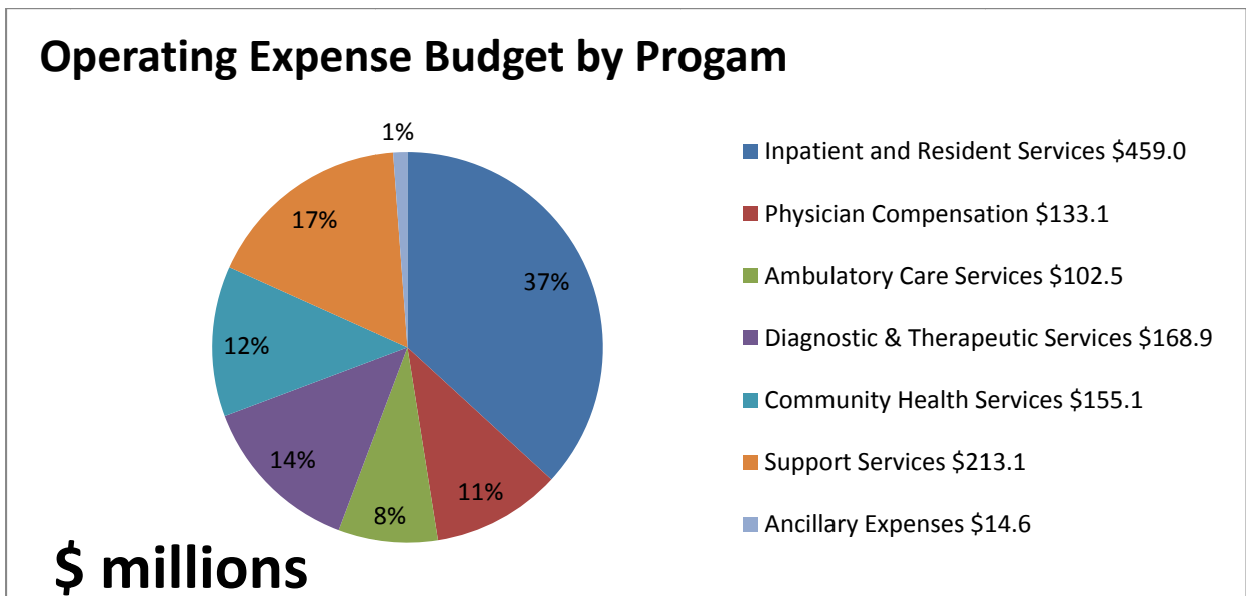
- The Region received \$20.9 million injection of one-time funding from the Ministry of Health in March 2017 – in recognition of service and volume pressures.
- The Region finished the year with a budget surplus of \$4.28 million.

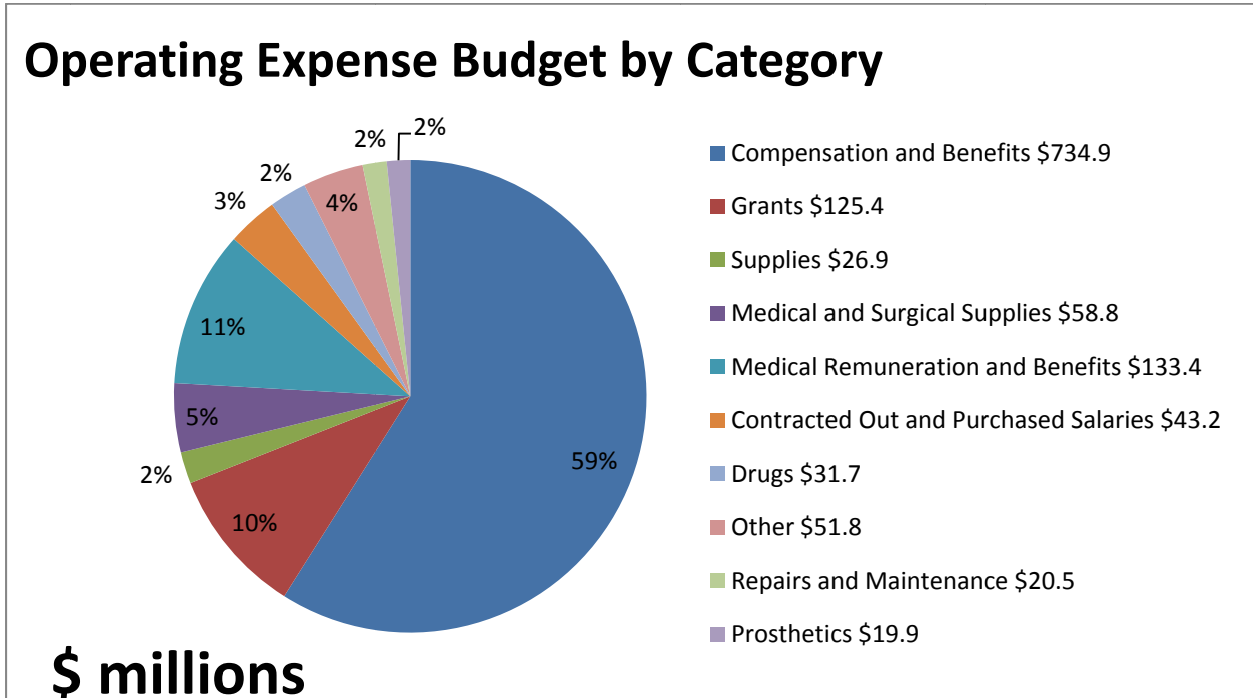
ASSESSMENT

- The operating budget for 2017-18 has projected revenue and expenses of \$1,246,422,400. See attached for detailed operating budget.
- The following graph depicts the operating budget revenue sources:



- The following graphs show the operating expense budget by program and category:





- Risks:
 - A delay or rejection of any balancing proposal items will negatively impact the projected revenue-expense gap.
 - All targeted funding has equivalent offsetting expenses.
 - Utility costs are budgeted based on a “normal” year for heating/cooling.
 - Savings from energy consumption reductions at Royal University Hospital fund Energy Performance Contract loan repayments.
 - Volume and demographic pressures are budgeted.
 - Incremental inflation funding has been applied to cover pressures.
 - Compensation is based on current payroll with approved vacancies.
 - Overtime premium has been budgeted based on prior year actual dollars with a proposed reduction plan.
 - The orientation budget is based on the prior year actual cost.
 - The vacation budget is based on an average of the past 3 years.
 - Medical remuneration budget was budgeted line by line.
 - Salary increases (Collective Bargaining Agreements and Physician) are cost neutral.

- 2017/18 Financial Outlook:
 - The Region entered 2017/18 with a projected annual gap estimated at \$34.316 million.
 - Based on three months of 2017/18 operations:
 - There has been a reduction in patient days by 3,325 from last year
 - Length of patient stay at St. Paul’s Hospital has decreased by 0.62 days (the implementation of the accountable care unit is a contributing factor)
 - Paid hours have decreased by 0.7% compared to the prior year
 - Early results are encouraging.



Submission to Saskatoon Regional Health Authority

Balancing Plan:

- A balancing plan of \$34.316 million with 14 key initiatives has been developed and components of the plan are currently under development or being implemented that:
 - Optimize use and enhance appropriateness of certain services,
 - Increase employee health and wellness,
 - Generate revenue,
 - Fully implement strategies in progress, and
 - Gain further administrative efficiencies.

- The Region continues to work with the Ministry of Health towards a sustainable financial approach.

Capital:

- The Region's capital plan investment in 2017/18 is \$145,800,000 and includes:
 - the current year estimated Jim Pattison Children's Hospital construction costs (\$81.2M),
 - parkade repairs and infrastructure projects (\$39.9M),
 - information technology (\$11.7M),
 - capital equipment replacements (\$13.0M),
 - the completion of multi-year projects. .

RECOMMENDATION(S)

- Approve the 2017/18 operating budget with revenues and expenses of \$1,246,422,400.
- Approve the 2017/18 balancing proposal plan of \$34,316,000 pending Ministry of Health support and feedback.
- Approve the 2017/18 capital plan of \$145,800,000.

SASKATOON HEALTH REGION
2017-2018 Annual Operating Budget

2017-2018
Annual Budget

REVENUES

OTHER PROVINCIAL REVENUE	13,731,428
PATIENT AND AGENCY	30,414,801
SASKATCHEWAN HEALTH	1,159,524,316
SUNDRY	42,751,855
	<u>1,246,422,400</u>

EXPENSES

Accrued Vacation	1,798,690
Ambulance Service Grants	14,355,709
Benefits	127,159,938
Board Costs	38,419
Diagnostic Imaging Supplies	3,161,972
Drugs	31,709,102
Food	8,311,777
Grants to Third Parties	116,508,999
Housekeeping and Laundry Supplies	4,517,285
Information Technology Contracts	5,170,202
Insurance	1,735,762
Interest Expense	2,949,111
Laboratory Supplies	10,339,818
Medical and Surgical Supplies	58,760,068
Medical Remuneration and Benefits	133,410,328
Office Supplies and Other Office Costs	2,910,326
Other	7,564,327
Other Referred Out Services	29,187,853
Professional Fees	1,582,347
Prosthetics	19,924,880
Purchased Services	8,494,648
Rent/Lease/Purchase	11,959,849
Repairs and Maintenance	8,399,477
Salaries	605,910,877
Service Contracts	12,051,173
Travel Expense	4,641,516
Utilities	13,867,947
	<u>1,246,422,400</u>

Total

(0)

NOTE: A balancing plan to address the budgeted revenue-expense gap of \$34.316 million with 14 key initiatives has been developed and components of the plan are currently under development or being implemented that:

- Optimize use and enhance appropriateness of certain services,
- Increase employee health and wellness,
- Generate revenue,
- Fully implement strategies in progress, and
- Gain further administrative efficiencies.

SASKATOON HEALTH REGION
VARIANCE AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
June 30, 2017

SASKATOON HEALTH REGION
Statement of Financial Position
(in thousands of dollars)
As at June 30, 2017

	<u>June 30, 2016</u>	<u>March 31, 2017</u>	<u>June 30, 2017</u>
Current Assets			
Cash and Investments	\$ 103,888	\$ 77,083	\$ 65,553
Due from Sask. Health	4,193	3,086	3,288
Other Receivables	18,059	19,530	16,574
Inventory	10,678	11,589	12,143
Prepaid Expenses	5,878	4,590	6,093
	<u>142,696</u>	<u>115,878</u>	<u>103,651</u>
Capital Assets	373,550	446,677	455,291
Total Assets	<u>\$ 516,246</u>	<u>\$ 562,555</u>	<u>\$ 558,942</u>
Liabilities and Fund Balances			
Accounts Payable and Accrued Liabilities	\$ 54,891	\$ 76,561	\$ 63,420
Accrued Salaries	14,586	29,818	16,772
Accrued Vacation Pay	60,510	56,491	60,783
Deferred Revenue	18,965	14,997	43,853
	<u>148,952</u>	<u>177,867</u>	<u>184,828</u>
Long Term Debt	47,775	50,442	50,539
Employee Future Benefits	27,311	28,101	28,101
Fund Balances			
Operating	(160,599)	(149,322)	(153,656)
Capital and Community Trusts	455,448	457,011	450,674
	<u>294,849</u>	<u>307,689</u>	<u>297,018</u>
Accumulated Remeasurement gain (loss)	(2641)	(1544)	(1544)
Total Liabilities and Fund Balances	<u>\$ 516,246</u>	<u>\$ 562,555</u>	<u>\$ 558,942</u>

REVISED
SASKATOON HEALTH REGION
Consolidated Statement of Operations
For the Period Ended June 30, 2017

	Current Year Actual	Current Year Budget	Current Year Variance	Current Year Annual Budget	Percentage of Budget Used
REVENUES					
OTHER PROVINCIAL REVENUE	3,191,481	3,078,099	113,382	13,746,714	23.22%
PATIENT AND AGENCY	7,096,339	7,559,199	(462,860)	30,358,872	23.37%
SASKATCHEWAN HEALTH	294,218,932	291,814,880	2,404,052	1,162,669,715	25.31%
SUNDRY	13,997,508	13,967,239	30,269	45,612,784	30.69%
	318,504,260	316,419,417	2,084,843	1,252,388,085	25.43%
EXPENSES					
Accrued Vacation	4,049,579	2,057,212	(1,992,367)	1,807,608	224.03%
Ambulance Service Grants	3,574,806	3,588,927	14,121	14,355,709	24.90%
Benefits	31,104,024	30,220,993	(883,031)	127,546,642	24.91%
Board Costs	15,265	11,105	(4,160)	39,919	38.24%
Diagnostic Imaging Supplies	788,786	790,493	1,707	3,161,972	24.95%
Drugs	8,291,917	8,185,947	(105,970)	32,093,060	25.84%
Food	1,992,875	2,063,129	70,254	8,310,194	23.98%
Grants to Third Parties	29,556,157	29,518,786	(37,371)	117,036,714	25.25%
Housekeeping and Laundry Supplies	1,104,444	1,162,146	57,702	4,541,334	24.32%
Information Technology Contracts	1,329,487	1,357,056	27,569	5,187,913	25.63%
Insurance	439,239	433,940	(5,299)	1,735,762	25.31%
Interest Expense	822,172	754,276	(67,896)	2,964,719	27.73%
Laboratory Supplies	2,652,652	2,601,724	(50,928)	10,397,704	25.51%
Medical and Surgical Supplies	14,986,221	14,841,617	(144,604)	59,170,632	25.33%
Medical Remuneration and Benefits	36,004,841	36,586,946	582,105	136,986,798	26.28%
Office Supplies and Other Office Costs	683,664	746,978	63,314	2,915,941	23.45%
Other	1,693,269	792,611	(900,658)	5,831,611	29.04%
Other Referred Out Services	7,955,250	7,835,775	(119,475)	29,246,478	27.20%
Professional Fees	258,582	391,419	132,837	1,588,052	16.28%
Prosthetics	5,102,866	4,970,263	(132,603)	20,272,145	25.17%
Purchased Services	2,002,184	2,175,114	172,930	8,605,121	23.27%
Rent/Lease/Purchase	2,430,647	3,093,727	663,080	12,083,483	20.12%
Repairs and Maintenance	2,098,895	983,635	(1,115,260)	8,529,242	24.61%
Salaries	156,144,702	151,711,817	(4,432,885)	607,397,046	25.60%
Service Contracts	3,012,019	3,057,414	45,395	12,053,779	24.99%
Travel Expense	1,127,718	1,144,549	16,831	4,647,245	24.27%
Utilities	3,615,926	3,545,715	(70,211)	13,881,262	26.05%
	322,838,187	314,623,314	(8,214,873)	1,252,388,085	25.78%
Surplus (Deficit)	(4,333,927)	1,796,103	(6,130,030)	(0)	