1
HOSPITAL MOU CAPITAL FUNDING UPDATE REPORT - 2012

The Finance and Administration Committee recommends that consideration of this matter be deferred until September or October 2012 when staff comes back with a report on mandated response time targets for ambulances in York Region.

1. RECOMMENDATIONS

It is recommended that:

1. Council approve the allocation of 2012 capital contribution to hospital construction as $13.07 million (budgeted) less $861,208 for EMS Offload Delays for a total allocated contribution of $12.21 million.

2. The 2012 contribution be allocated to the participating hospitals, in accordance with the 2009 funding agreement, in the following proportionate shares:

Summary of 2012 Hospital Funding
(000's)

$ 000	2012 Potential Funding	EMS Costs due to Offload Delays	2012 Actual Funding Available
Markham Stouffville	3,543.2	(124.5)	3,418.7
Southlake	1,869.7	(162.5)	1,707.2
York Central	1,778.1	(574.2)	1,203.9
Vaughan	5,883.5	n/a	5,883.5
Total	**$13,074.5**	**($861.2)**	**$12,213.3**

2. PURPOSE

This report provides an annual update to Council on the Memorandum of Understanding (MOU) for hospital capital funding signed by York Region, the three York Region hospitals (Markham Stouffville Hospital, Southlake Regional Health Centre, and York Central Hospital) and the Vaughan Health Campus of Care on November 19, 2009.

The first full year for the MOU was 2010. Since that time York Region EMS has been tracking hospital offload delays as one of the requirements to support Council's decisions on the distribution of funds for 2011 and 2012.

On May 5, 2011, Council approved $12.706 million (budgeted) less $0.691 million for EMS Offload Delays for a total 2011 allocated contribution of $12.015 million.

3. BACKGROUND

York Region has a long history of Regional contributions to capital costs for expanding hospitals

Municipal contributions to capital costs for hospital expansions pre-date the Region of York's formation in 1970 with contributions from York County. Between 1972 and 1977, York Region agreed to contribute one-third of the portion of costs not covered by Provincial funding. Contributions continued over the next 20 years, in varying amounts, with combinations of tax-levy, lot levy and development charge funding. Since 1997, hospital expansions have been ineligible for development charge funding.

Cumulatively to the year 2000, York Region contributed about $51 million to York Region hospitals for expansions. From 2001 to 2009, Council agreed to an additional cost-sharing formula across the three York Region hospitals of $62.4 million over nine years recovered through the tax levy.

Thirty-five per cent of hospital construction and expansion comes from "community sources"

The Province funds up to 90% of the "bricks and mortar" for hospital construction. Once equipment and furnishings are accounted for, the Provincial share actually accounts for approximately 65% of the cost. Thirty-five percent remains to be funded from "community sources".

Creation of the current York Region hospital MOU underwent a thorough process

On December 13, 2007, Council directed the Chief Administrative Officer to report back with a plan to provide for long-term capital funding for York Region hospitals, including a proposed hospital in the City of Vaughan.

On June 19, 2008, Council received a report from the Chief Administrative Officer that outlined the hospital's summary of capital cost requirements from 2009 to 2026 estimated at $2.235 billion of which $486.3 million was proposed to come from the 'Regional Share'. This estimate included construction of the Vaughan Campus of Care and expansions of the Markham Stouffville Hospital, Southlake Regional Health Centre and York Central Hospital. The report also recommended that Council, once again, request the Province of Ontario to include capital funding for hospital expansion as an eligible cost under the *Development Charges Act*.

On January 29, 2009, York Region held a Council Workshop to better understand the details for future funding of York Region hospitals.
On June 25, 2009, Council directed the Chief Administrative officer to consult with the hospitals to finalize the MOU based on a set of agreed-upon principles.

On October 8, 2009, Council authorized the Regional Chairman and the Chief Administrative Officer to execute the Hospital Capital Funding MOU, and on November 19, 2009 the MOU was signed by all parties.

Many important requirements and expectations related to the provision of funding are embedded within the November 2009 MOU

Based on Council direction and discussions with the three York Region hospitals and the Vaughan Health Campus of Care, the final MOU includes the following requirements and expectations:

- $12M will be set aside annually by York Region for distribution among the York Region hospitals to fund eligible capital construction through 2031. *Attachment #1* reflects the total obligation and apportioning to hospitals as mutually agreed upon in constant (2009) dollars (as summarized in Table 1 below). The agreement provides for an annual adjustment reflecting assessment growth. *Attachment #2* reflects those same contributions assuming 2% annual indexing to match assessment growth as set out in *Places to Grow*, the Provincial Growth Plan (as summarized in Table 2 below).

Table 1*
Capital Contributions to Hospitals
(in 2009 dollars)

York Region Hospital	% Share	2009 – 2031 Total ($ million)
Markham Stouffville	27.1	73.71
Southlake	14.3	38.90
York Central	13.6	36.99
Vaughan	45.0	122.40
	100%	**$272.00**

* Detailed in Attachment #1

Table 2**
Capital Contributions to Hospitals
(estimated 2.0% assessment increase)

York Region Hospital	% Share	2009 – 2031 Total ($ million)
Markham Stouffville	27.1	92.72
Southlake	14.3	48.93
York Central	13.6	46.53
Vaughan	45.0	153.96
	100%	**$342.14**

** Detailed in Attachment #2

- Provision of funding is subject to each hospital showing bona fide efforts towards improvements in EMS Offload delays; reducing the average delay, which currently ranges from 60 – 90 minutes, to 30 minutes by 2014.

- The Region reserves the right to review the MOU from time to time to determine whether to continue to set aside hospital funds taking into account the funding available to the hospitals from other sources and the Region's annual budget commitments. The Region may terminate the MOU with one-year's written notice, maintaining only the obligations made to approved construction projects.

- The hospitals, and their respective foundations, are committed to support the Region's requests that hospital capital funding be restored as an eligible cost for recovery through Development Charges.

- Should the *Development Charges Act* be amended to allow hospitals to be eligible for funding, the MOU will be reviewed by Regional Council to determine whether the amount of hospital funds should be increased, taking into account the amount of funding anticipated to be provided through development charges.

In October 2011, each hospital received letters from the Chief Administrative Officer updating them on the MOU and providing them with their offload delay times to the end of June.

On January 26, 2012 Council authorized an amendment to the 2009 agreement to reflect changes in cash flow from the Province.

4. ANALYSIS AND OPTIONS

Funding under the MOU increased in 2011 due to assessment adjustment

As per the MOU, the Schedule of Deposits has been indexed post-assessment (see Table 3). Assessment growth is determined by MPAC on an annual basis. This indexing has resulted in an increase in 2010 funding from $12 million to $12.324 million, an increase in 2011 funding to $12.706 million and an increase in 2012 to $13.075 million.

Table 3
Schedule of Deposits with Actual Assessment Growth

Regional Contribution	**2009 $8 million**	**2010 $12.324 million**	**2011 $12.706 million**	**2012 $13.075 million**			**2031** ***Total - in constant dollars***
Markham-Stouffville (27.1%)	$2.168 million	$3.340 million	$3.443 million	$3.543 million	*2013 through 2030 contributions to be maintained at agreed-upon shares subject to indexing*	…	$73.71 million
Southlake (14.3%)	$1.144 million	$1.762 million	$1.817 million	$1.870 million		…	$38.90 million
York Central (13.6%)	$1.088 million	$1.676 million	$1.728 million	$1.778 million		…	$36.99 million
Vaughan (45.0%)	$3.600 million	$5.546 million	$5.718 million	$5.884 million		…	$122.40 million
		Increase of $324,000	Increase of $382,044	Increase of $368,475		**TOTAL**	**$272 million**

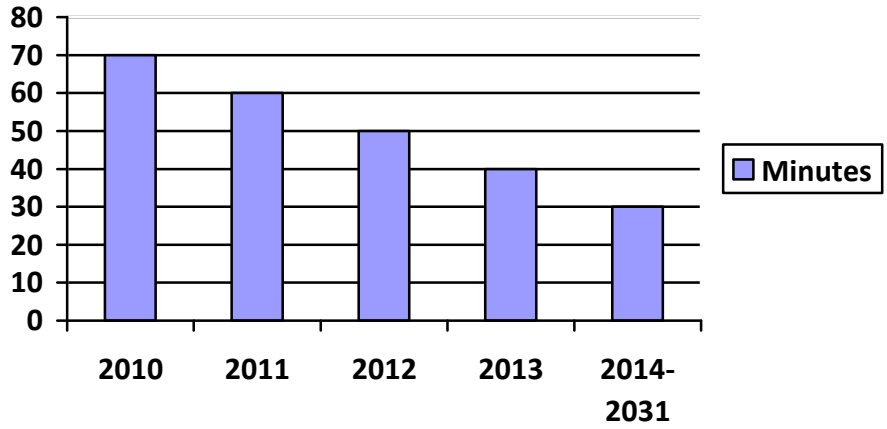
Assessment growth for 2009 was 2.7%, for 2010 it was 3.1% and for 2011 it was 2.9%. This translates into a $324,000 increase adjustment when accounting for 2009 assessment growth, a $382,044 increase adjustment when accounting for 2010 assessment growth, and a $368,475 increase adjustment when accounting for 2011 assessment growth.

Multi-year Performance Targets were agreed upon for EMS off-load delays

Off-load delay is calculated from the time when an ambulance arrives with a patient at the hospital, to the time that the ambulance leaves the hospital to resume their paramedic duties.

All of the MOU signing partners agreed to off-load delay targets for each year based on a decrease in 10 minute increments from 70 minutes in 2010 to 30 minutes in 2014 to be maintained in the following years up to 2031 as displayed in Figure 1.

Figure 1: EMS Hospital Offload Delay Targets



Thirty minutes was chosen as the desirable target for the time required to off-load patients at hospitals because it is considered the industry best practice and industry standard for Ontario.

Performance Targets are tracked through the Provincial Ambulance Dispatch Download Access System

The hospital off-load delay data is collected and verified by the Province's Ambulance Dispatch Download Access System. York Region does not receive this data on a real time basis and requires approximately 2-months before it is available to York Region EMS.

In October 2011, the York Region hospitals requested that York Region look into a new data collection method called ERNI (Emergency Room NACRS Initiative). Unlike the historical and trend data collected and verified by the Province's Ambulance Dispatch Download Access System that has been in place since EMS was downloaded to York Region in 2000, ERNI data is new - it was fully launched in May 2011 as part of Ontario's Wait Time Strategy with an initial focus on surgical and diagnostic wait times. This data is collected by hospitals and processed through Cancer Care Ontario as a performance accountability tool.

In December 2011, the Chief Administrative Officer and the Chief of York Region EMS visited Cancer Care Ontario to learn more about the ERNI program. Although this program is a very comprehensive look at hospital operations, the EMS Off-load Delay portion is a very small part of the overall data collection process. It does, however, isolate the time within the Emergency Room and excludes EMS time used by paramedics to restock ambulances to be 'ambulance-ready' making the data more reflective of actual hospital delays – and time the hospitals fully control and are accountable for.

In 2010, the Provincial Auditor reported on Hospital Emergency Departments (Chapter 3, Section 3.05). Their review was done during the time when this new method of data collection was in place, and their findings indicated that ambulance offload times could be understated at some hospitals. In the report, Recommendation 7 states:

> *"To ensure the efficient use of ambulance Emergency Medical Services (EMS) and to enhance co-ordination between EMS providers and emergency departments, the Ministry of Health and Long-Term Care should:*
> - *determine whether the recommendation in the 2005 expert panel's report on ambulance effectiveness of a benchmark ambulance offload time of 30 minutes 90% of the time should be accepted as a province-wide target;*
> - *work with hospitals, EMS providers, and Cancer Care Ontario to improve the validity and reliability of ambulance offload data and to ensure such data are standardized, consistent, and comparable; and*
> - *work with hospitals and EMS providers to evaluate on a province-wide basis the effectiveness of the Offload Nurse Program in reducing offload delays and improving patient flow within emergency departments."*

York Region staff will continue to research this alternative data collection method and report any recommendations for changes to the Hospital Capital Funding MOU to Council.

All parties committed to developing strategies to improve EMS Off-load Delays

Part of the MOU committed all parties to meet in a joint Tri-Hospital Group committee to develop strategies to improve EMS off-load delays. These meetings have taken place on January 10, April 13, May 13, July 20, October 5 and November 30 in 2011. In 2012, the Tri-Hospital Group met on March 23. The implementation and progress of the MOU has been included as a standing agenda item at these meetings in order to fulfill this commitment. Discussions are ongoing and all parties are participating and collaborating on solutions.

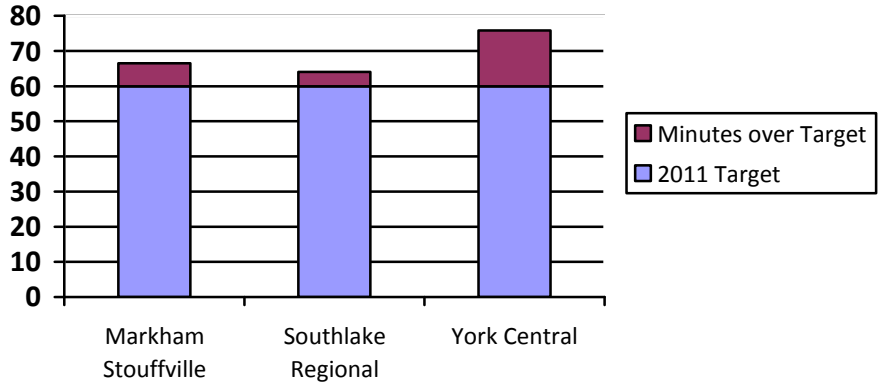
The intent of this requirement in the MOU is to reach an innovative and effective solution to minimize the impacts of hospital offload delays – thereby improving patient care while ensuring adequate EMS response times.

Hospitals are not meeting the target of 60 minutes in 2011 leading to EMS operating impacts

In the event the EMS Offload delay targets are not achieved, York Region may, at the sole discretion of Council, reduce hospital funding by the amount of the additional operating costs incurred by EMS for time above the targets.

As shown in Figure 2 below, each hospital was over the 2011, 60 minute target by 6.5 minutes for Markham Stouffville Hospital, 4.1 minutes for Southlake Regional Health Centre and 15.8 minutes for York Central.

Figure 2: 2011 Hospital Offload Delay Results



To account for the lost operational EMS costs due to these delays above the target, the time is multiplied by the number of transports to each hospital and the EMS cost per unit hour of $171.56 (as set by OMBI in 2010). This provides a rough estimate of the alternative cost to provide additional paramedic services (see Table 4). Extended Offload Delays contribute to lower response times as the number of readily available ambulances diminishes.

Table 4
Loss of EMS Operating Costs Due to EMS Off-load Delays over 2011 Target
For Council Consideration

	Number of Transports	Average Time at Hospital per Transport	Time Over 60 min Target	Net Funding* (subject to Council consideration)
Markham Stouffville	6,652	66.5 min	6.5 min	$124,515
Southlake	13,872	64.1 min	4.1 min	$162,465
York Central	12,678	75.8 min	15.8 min	$574,228
Total	**33,202**	**68.8 min** (average)	**8.8 min** (average)	**$861,208**

**using cost per unit hour of $171.56*

As a result of not meeting the agreed to targets, the budgeted funding of $13.07 million should be reduced by $861,208 for 2011

It is recommended that $12.21 million be recognized as the available funding for 2012. This reflects an offset of $861,208 that would account for the fact that EMS Offload Delays exceeded the 60 minute target in 2011. The additional cost of an ambulance and paramedic crew 24/7 is approximately $850,000 per year.

Link to Key Council–approved Plans

Investing in York Region hospitals meets the priority area to *Improve Social and Health Support* outlined with the 2011-2015 Strategic Plan. The Hospital Capital Funding MOU also meets the priority area to *Manage the Region's Finances Prudently* by providing the option for Council to reduce hospital funding related to potential operating costs incurred by EMS to maintain response times while contending with off-load delays above set targets.

5. FINANCIAL IMPLICATIONS

The Hospital Capital Funding MOU provides potential funding of approximately $12M per year (indexed annually for assessment growth) from now until 2031. This funding is committed to only upon confirmation of corresponding Provincial approval of a capital construction project or projects that provide additional hospital capacity in York Region. The hospitals proposed how the percentage share of funding should be distributed amongst themselves, however, they have the ability to adjust their proportionate shares based on Provincial approvals as long as they all agree, and provide written notice to the Region.

All parties also agreed to a desired reduction of EMS Offload Delays. Failure to meet the targets exposes the hospitals to reductions that can be applied to increase EMS resources – a measure that may be necessary to offset hospital delays and maintain reasonable response times.

6. LOCAL MUNICIPAL IMPACT

All of our local municipalities see hospital care as part of a complete community

Residents in all of our local municipalities rely primarily on hospitals situated within York Region for their healthcare needs.

Our growing municipalities require that hospitals keep pace with our growing community needs

As a requirement of the Provincial *Places to Grow* legislation, York Region is projected to grow by 450,000 people and reach a population of 1.5 million by 2031. Combine this high pace of growth with an aging demographic, and the need to support and increase York Region's capacity to provide appropriate levels of health care becomes critically important.

7. CONCLUSION

On November 19, 2009, York Region signed the current MOU with the York Region hospitals and the Vaughan Health Campus of Care. This MOU sets aside $12M per year for distribution among the York Region hospitals to fund capital construction through 2031. The amount is subject to adjustments reflecting i) assessment growth and ii) ambulance off-load delay at each hospital.

Staff are committed to ensuring that the Hospital Capital Funding MOU is implemented appropriately so York Region residents can benefit from support to our hospitals while also promoting operational improvements in the area of EMS off-load delays. York Region will continue to monitor and track hospital offload delays, communicate with the hospitals, and report back to Council on an annual basis.

For more information on this report, please contact Bruce Macgregor, Chief Administrative Officer at Ext. 1200.

The Senior Management Group has reviewed this report.

(The two attachments referred to in this clause were included in the agenda for the May 3, 2012 Committee meeting.)

Proposed Capital Contributions to Hospitals (in 2009 dollars)
($millions)

	% Share	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Markham-Stouffville	27.1%	$2.168	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252
Southlake	14.3%	$1.144	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716
York Central	13.6%	$1.088	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632
Vaughan	45.0%	$3.600	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400
	100%	$8.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000

	% Share	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	TOTAL
Markham-Stouffville	27.1%	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	$3.252	**$73.71**
Southlake	14.3%	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	$1.716	**$38.90**
York Central	13.6%	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	$1.632	**$36.99**
Vaughan	45.0%	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	$5.400	**$122.40**
	100%	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	$12.000	**$272.00**

Attachment #1

Proposed Capital Contributions to Hospitals

(with assessment increase of approximately 2.0% as projected in Provincial Growth Plan)

($millions)

	% Share	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Markham - Stouffville	27.1%	$2.168	$3.317	$3.383	$3.451	$3.520	$3.590	$3.662	$3.736	$3.810	$3.886	$3.964	$4.043
Southlake	14.3%	$1.144	$1.750	$1.785	$1.821	$1.857	$1.895	$1.932	$1.971	$2.011	$2.051	$2.092	$2.134
York Central	13.6%	$1.088	$1.665	$1.698	$1.732	$1.767	$1.802	$1.838	$1.875	$1.912	$1.950	$1.989	$2.029
Vaughan	45.0%	$3.600	$5.508	$5.618	$5.731	$5.845	$5.962	$6.081	$6.203	$6.327	$6.453	$6.583	$6.714
	100%	$8.000	$12.240	$12.485	$12.734	$12.989	$13.249	$13.514	$13.784	$14.060	$14.341	$14.628	$14.920

	% Share	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	TOTAL
Markham - Stouffville	27.1%	$4.124	$4.207	$4.291	$4.377	$4.464	$4.554	$4.645	$4.738	$4.832	$4.929	$5.028	**$92.72**
Southlake	14.3%	$2.176	$2.220	$2.264	$2.310	$2.356	$2.403	$2.451	$2.500	$2.550	$2.601	$2.653	**$48.93**
York Central	13.6%	$2.070	$2.111	$2.153	$2.196	$2.240	$2.285	$2.331	$2.378	$2.425	$2.474	$2.523	**$46.53**
Vaughan	45.0%	$6.849	$6.985	$7.125	$7.268	$7.413	$7.561	$7.713	$7.867	$8.024	$8.185	$8.348	**$153.96**
	100%	$15.219	$15.523	$15.834	$16.150	$16.473	$16.803	$17.139	$17.482	$17.831	$18.188	$18.552	**$342.14**

Assessment Increase 2.00%

Attachment #2