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ANNUAL UPDATE ON THE HOSPITAL CAPITAL FUNDING MEMORANDUM OF UNDERSTANDING

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated April 26, 2011, from the Chief Administrative Officer.

1. RECOMMENDATIONS

It is recommended that:

1. Council approve the allocation of 2011 capital contribution to hospital construction as $12.706 million (budgeted) less $0.691 million for EMS Offload Delays for a total allocated contribution of $12.015 million.

2. The 2011 contribution be allocated to the participating hospitals, in accordance with the 2009 funding agreement, in the following proportionate shares:

Summary of 2011 Hospital Funding
(000's)

$ 000	2011 Potential Funding	EMS Costs due to Offload Delays	2011 Actual Funding Available
Markham Stouffville	3,443.0	(62.9)	3,380.1
Southlake	1,817.0	(37.0)	1,780.0
York Central	1,728.0	(591.3)	1,136.7
Vaughan	5,718.0	n/a	5,718.0
Total	**$12,706.0**	**($691.2)**	**$12,014.8**

2. PURPOSE

This report provides an 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.

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 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 is reduced to approximately 65%. Thirty-five percent remains to be funded from "community sources".

Creation of the current 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 expansion of the Markham Stouffville Hospital, Southlake Regional Health Centre and York Central Hospital. This 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 features 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 measures:

- $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). *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%	$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%	$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 annual average delays, which ranged from 60 – 90 minutes in 2009, 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 Ministry 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 2010, 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.

4. ANALYSIS AND OPTIONS

Increase in 2010 Funding 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 budgeted 2010 funding from $12 million to $12.324 million and an increase in budgeted 2011 funding to $12.706 million.

Table 3
Schedule of Deposits with Actual Assessment Growth

Regional Contribution	**2009 $8 million**	**2010 $12.324 million**	**2011 $12.706 million**			**2031** ***Total presuming 2% assessment growth (rounded)***
Markham-Stouffville (27.1%)	$2.168 million	$3.340 million	$3.443 million	*2012 through 2030 contributions to be maintained at agreed-upon shares subject to indexing*	…	$93 million
Southlake (14.3%)	$1.144 million	$1.762 million	$1.817 million		…	$49 million
York Central (13.6%)	$1.088 million	$1.676 million	$1.728 million		…	$46 million
Vaughan (45.0%)	$3.600 million	$5.546 million	$5.718 million		…	$154 million
		Increase of $324,000	Increase of $382,044		**TOTAL**	**$342 million**

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

Targets were agreed upon for EMS Offload Delays

All of the MOU signing partners agreed to offload delay targets for each year decreasing in 10 minute increments annually from 70 minutes in 2010 to 30 minutes from 2014 onward as displayed in Figure 1.

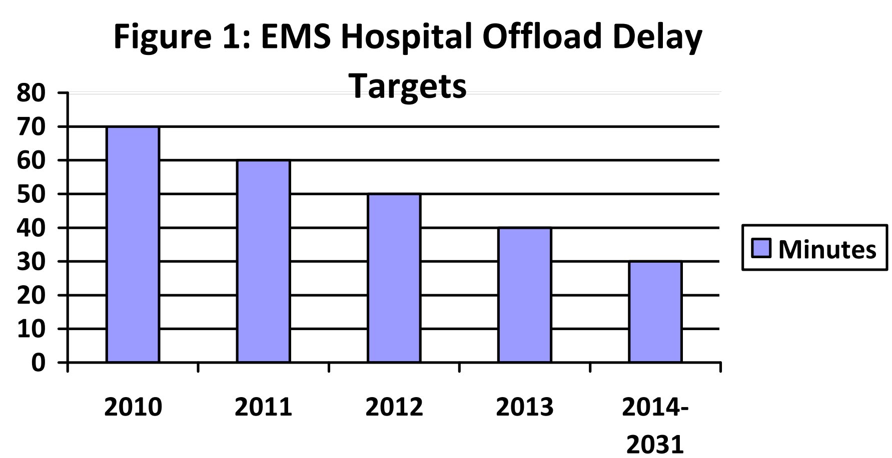


Figure 1: EMS Hospital Offload Delay Targets

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

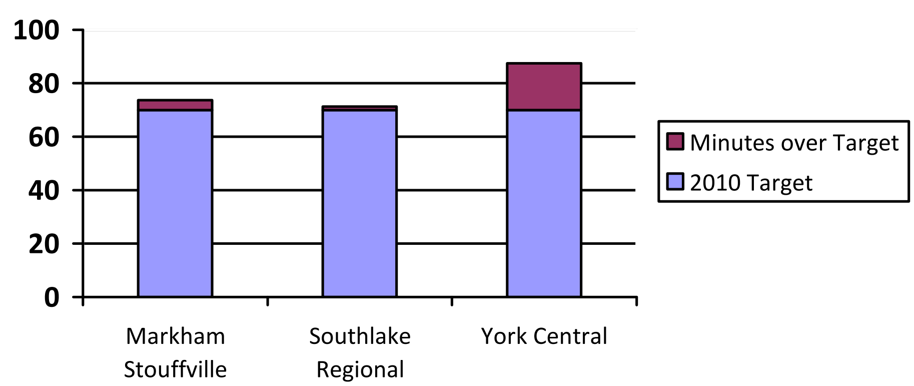
Offload delay is calculated from the time when an ambulance arrives with a patient at the hospital, to the time that the ambulance leaves the hospital to resume their paramedic duties.

The hospital offload delay data is collected and verified by the Province's Ambulance Dispatch (Download Access) System (ADDASS). 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 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 is over the 2010, 70 minute target by 3.6 minutes for Markham Stouffville Hospital, 1.2 minutes for Southlake Regional Health Centre and 17.4 minutes for York Central.

Figure 2: 2010 Hospital Offload Delay Results



To account for the lost operational EMS costs due to delays above the target, the time is multiplied by the number of transports to each hospital and the EMS cost per unit hour of $170.07 (as confirmed by OMBI in 2009). 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 Offload Delays over 2010 Target
For Council Consideration

	Number of Transports	Average Time at Hospital per Transport	Time Over 70 min Target	Net Funding* (subject to Council consideration)
Markham Stouffville	6,575	1 hr and 13.6 min	3.6 min	**$62,922**
Southlake	11,249	1 hr and 11.2 min	1.2 min	**$36,976**
York Central	12,104	1 hr and 27.4 min	17.4 min	**$591,271**
Total	**29,928**	**1 hr and 17 min** (average)	**7.4 min** (average)	**$691,169**

**using cost per unit hour of $170.07*

All parties committed to developing strategies to improve EMS Offload Delays

Part of the MOU committed all parties to meet on a joint Tri-Hospital Group committee to develop strategies to improve EMS Offload Delays. These meetings have taken place on March 9, May 18, and September 16 of 2010 and January 10 of 2011. The implementation and progress of the MOU has been included as an agenda item to help 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.

The budgeted funding of $12.706 million should be reduced by $691,000 to reflect the average EMS Offload Delay exceeding the 70 minute target for 2010

It is recommended that $12.015 million be recognized as the available funding for 2011. This reflects an offset of $691,000 that would account for the fact that EMS Offload Delays exceeded the 70 minute target in 2010. The additional cost of an ambulance and paramedic crew is approximately $800,000 per year.

Relationship to Vision 2026

Investing in York Region hospitals meets several goals outlined in Vision 2026, including ‘Responding to the Needs of Our Residents’ and providing ‘Infrastructure for a Growing Region’. However, the need for hospital infrastructure must be balanced with placing realistic tax pressures on residents.

5. FINANCIAL IMPLICATIONS

The Hospital Capital Funding MOU provides potential funding of $12M per year (indexed annually for assessment growth) from now until 2031. This funding is committed only upon the 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

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

During the development of the MOU, the local municipal Chief Administrative Officers participated in discussions with the hospital representatives to frame the principles on which the current MOU is based.

In addition to engaging in local fund raising campaigns, some local municipalities are currently contributing to the portions of capital costs required for expansions that are not funded by the Province.

7. CONCLUSION

On October 8, 2009 Council authorized the Regional Chairman and the Chief Administrative Officer to execute the Hospital Capital Funding MOU with the York Region hospitals and the Vaughan Health Campus of Care. This MOU was signed by all parties on November 19, 2009.

To date, York Region is the first municipality in Ontario to hold hospitals to account for delays of ambulances at their individual hospitals, and have tied these delays directly to capital funding dollars.

Staff are committed to ensuring that the Hospital Capital Funding MOU is executed appropriately so York Region residents can benefit from operational improvements. 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 5, 2011 Committee meeting.)

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

	% Share	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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
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
	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
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
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
	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
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
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
	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
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
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
	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