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For immediate release

MUSKOKA ALGONQUIN HEALTHCARE REVISES DEFICIT RECOVERY PLAN

The third public consultation planned for January, 2010.

(Muskoka, ON) Muskoka Algonquin Healthcare (MAHC) has revised its Deficit Recovery Plan to ensure residents continue to receive safe, high quality healthcare while working towards a sustainable balanced budget.

The Deficit Recovery Plan incorporates a total of \$5.4 million in potential savings that will be achieved in either the short term over the next 15 months, or in the longer term, defined as the end of fiscal year 2011/12 or beyond. The plan also outlines the one-time investments required to achieve these savings.

MAHC is projecting a \$3.5 million deficit by March, 2010, and the revised plan includes initiatives to address its financial situation. As well, it responds to the 51 recommendations included in an independent Operational Audit released in December 2009. The Audit confirmed that MAHC is well-run and found that relative to its peers most departments are operating at or better than median performance.

“Most of the savings identified will be achieved through operational efficiencies,” Barry Monaghan, Interim President and CEO of MAHC, said “We will continue to monitor access to service delivery and volumes to ensure that these changes do not compromise access, quality or patient safety.”

The initiatives included in the plan are grouped into five categories including Governance, Medical and Clinical Structure, Organizational Structure, Clinical Efficiencies, Operational Efficiencies. There is a proposed potential reduction of 37.7 full-time equivalents through fiscal years 2010/11 and 2011/12 representing 7.4 per cent of the organization’s total full-time equivalent compliment. Through the achievement of clinical efficiencies in the longer term, the Plan outlines a total reduction of 23 inpatient beds; this includes the 7 beds that were closed at the Burk’s Falls and District Health Centre in December 2009. All staff reductions will be achieved primarily through attrition, including a reduction in part-time or call-back hours, retirement or with existing vacancies.

The plan also includes a proposal to address the growing demand for dialysis services in the area. MAHC is proposing to expand its capacity by one new dialysis station resulting in an increase in service levels and generating additional revenue.

“Delivering safe, high quality healthcare continues to guide every decision we make,” Board Chair Mike Provan said. “Following receipt of all comments and feedback from residents, doctors and staff, the Board is carefully reviewing all of the initiatives in terms of patient safety, quality of service as well as meeting our financial obligations. I want to thank all of our employees for their understanding and patience as we work our way through this very difficult process.”

Over the coming weeks, MAHC will discuss the revised Deficit Recovery Plan with doctors, staff and residents to help finalize the Plan. The final submission is due to the North Simcoe Muskoka Local Health Integration Network January 29, 2010.

The following public meetings to discuss the plan with residents have been scheduled. Residents can learn more about the plan at www.mahcrecovery.ca.

Date	Time	Location
Tuesday, January 19, 2010	6:30 pm	Rotary Centre for Youth 131 Wellington Street, Bracebridge
Wednesday, January 20, 2010	6:30 pm	Huntsville Legion 21 Veteran’s Way, Huntsville

“With this revised Deficit Recovery Plan, we will be able to continue to deliver quality healthcare while addressing our deficit. This will ensure that decisions about our hospitals are made locally, by people who live and work here and understand the needs of this community,” Provan said.

Muskoka Algonquin Healthcare has 735 staff, 64 active, credentialed physicians and over 200 volunteers who care for over 50,000 patients annually.

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BACKGROUND – DEFICIT RECOVERY PLAN

Muskoka Algonquin Healthcare (MAHC) is a multi-site healthcare organization created in 2005 through the amalgamation of South Muskoka Memorial Hospital and Algonquin Health Services. MAHC includes the Burk's Falls and District Health Centre, Huntsville District Memorial Hospital and South Muskoka Memorial Hospital in Bracebridge, and provides management services to Fairvern Nursing Home. With an operating budget of \$68 million, MAHC employs 735 people and is one of Muskoka's largest employer.

As a result of the amalgamation, MAHC has been able to save \$4 million in annual operating costs. A number of the actions now being taken by other hospitals in the North Simcoe Muskoka Local Health Integration Network (NSM LHIN) and elsewhere in the province to reduce their operating deficits have already been taken by MAHC since 2005.

CURRENT DEFICIT SITUATION

MAHC reported an operating deficit of \$2.3 million in 2008/09 and is projecting that this deficit will increase to \$3.5 million in 2009/10. The deficit is the result of operating costs that have increased more than revenues from the NSM LHIN and other sources.

DEFICIT RECOVERY PLAN

In June 2008, MAHC entered into a Hospital Service Accountability Agreement (HSAA) for the period 2008 to 2010 with the NSM LHIN. Under the agreement, MAHC is legally required to balance its budget. As part of the negotiations preceding this agreement, the NSM LHIN agreed to waive MAHC's obligation to achieve a balanced budget in 2008/09, subject to preparation of a Deficit Recovery Plan, including an operational audit.

In preparing the Deficit Recovery Plan (DRP), the guiding principles included:

1. Delivering safe, high-quality healthcare to residents of Muskoka and East Parry Sound will guide every decision made by the Board.
2. MAHC recognizes and accepts the need to balance its budget. The status quo is not an option. MAHC cannot continue to deliver safe, high quality healthcare if it does not address its budget deficit.
3. MAHC will continue to communicate and consult openly and transparently about what is being done to address the fiscal situation as MAHC moves forward.

A Deficit Recovery Plan was submitted to the North Simcoe Muskoka LHIN in June, 2009 which included a provision for an external review to confirm the elements of the plan and identify additional savings. The LHIN asked MAHC to conduct an operational audit, which is more formal and comprehensive than an external review. The operational audit began last September and was released on December 4, 2009. Doctors, hospital staff and the public were invited to review the document and provide comments.

Those comments were taken into account by the Board in reviewing the recommendations in the Operational Audit and determining which should be included in a revised Deficit Recovery Plan.

The revised Deficit Recovery Plan will now be shared and doctors, hospital staff and the public will have an opportunity to comment on it. The final Deficit Recovery Plan will be submitted to the North Simcoe Muskoka LHIN on January 29, 2010.

OPERATIONAL AUDIT

The Operational Audit included a benchmarking exercise involving 20 of MAHC's peer hospitals, which provided an opportunity for the hospital's leadership team to see how well MAHC performed against its peers. This benchmarking exercise enabled MAHC to begin the process of identifying best practices and opportunities for clinical and operational efficiencies.

This benchmarking exercise showed that MAHC is "quite efficient" relative to its peers, and most departments are operating at or better than median performance. In the end, the Operational Audit included a total of 51 recommendations for MAHC to achieve \$5.6 million in savings over a three year period.

REVISED DEFICIT RECOVERY PLAN

The revised Deficit Recovery Plan includes a potential savings of \$5.4 million over a three year period. Most of the savings will be achieved through operational efficiencies. MAHC will monitor access to service delivery and volumes to ensure that the operational changes do not compromise access, quality or patient safety. The initiatives included in the plan are grouped into five categories including Governance, Medical and Organizational Structure, Clinical Efficiencies, Operational Efficiencies and Investments.

STAFFING IMPACTS

Wages and benefits account for approximately 70 percent of the hospital's budget. Over the course of the three-year plan (2009/10 to 2011/12), a potential reduction of 56 full-time equivalent*(FTE) positions will be achieved through a reduction in part-time or call-back hours, retirement or with existing vacancies. Of these, 18.4 full-time equivalent (FTE) positions were eliminated through the changes made at the Burk's Falls & District Health Centre Site during the 2009/10 fiscal year.

NEXT STEPS

MAHC's Board of Directors is seeking input from residents, physicians, administration and staff at the hospital before the final Deficit Recovery Plan is submitted to the NSM LHIN January 29, 2010. To learn more visit www.mahcrecovery.ca.

Some of the changes identified in the original Deficit Recovery Plan submitted last June have been implemented concurrent with the process outlined above. These changes, including the closure of the seven beds at the Burk's Falls and District Health Centre, which has been reviewed with the LHIN and are consistent with the continued delivery of safe, high-quality healthcare.

* Full-time equivalent (FTE) is the equivalent to the hours worked by a full-time employee.



Questions and Answers

Revised Deficit Recovery Plan

January 2010

1. Why does Muskoka Algonquin Healthcare (MAHC) need a deficit recovery plan?

MAHC had an operating deficit of \$2.3 million last year (2008-2009) and is projecting a \$3.5 million operating deficit this year.

Under the Hospital Services Accountability Agreement with the North Simcoe Muskoka Local Health Integration Network (NSM LHIN), the Board has a legal responsibility to submit a plan to balance its budget.

2. What is the North Simcoe Muskoka LHIN?

The NSM LHIN is one of 14 local entities across Ontario that were established by the provincial government to plan, integrate and fund local health services, including hospitals, community care access centres, community health centres, long-term care homes, mental health and addiction programs and a variety of community support services agencies within specific geographic areas.

The NSM LHIN includes MAHC and seven other area hospitals and is responsible for ensuring they deliver required healthcare services while balancing their budgets.

3. Why is there a deficit in the first place?

Quite simply, operating costs have increased more than revenues from the NSM LHIN and other sources. As a result, we are projecting a \$3.5 million deficit.

4. Was balancing the budget the primary reason behind these decisions?

No. Under the Hospital Services Accountability Agreement with the North Simcoe Muskoka Local Health Integration Network (NSM LHIN), the Board has a legal responsibility to submit a plan to balance its budget. MAHC cannot continue to deliver safe, high quality healthcare to the residents of Muskoka and East Parry Sound if it does not address its budget deficit.

This process is about providing for the healthcare needs of our residents in the safest, high quality model possible in a way that is sustainable.

As the Operational Audit notes, the continued ability of MAHC to provide quality healthcare depends on its ability to balance its budget and generate operating surpluses that will allow it to invest in needed equipment and services.

5. Did you save any money when you amalgamated South Muskoka, Huntsville and Burk's Falls in 2005?

Yes. We achieved \$4 million in annual savings since the amalgamation. This included significant savings from reducing or eliminating duplication at the three sites. However, we continue to have a deficit as a result of rising costs and declining revenues.

6. Can you make any reductions to management in order to balance the budget?

We have made significant reductions in management over the past five years. The Board is reviewing its options for future organizational structure and engagement of future leadership and intends to complete its review and decide on a preferred course of action by the end of January 2010.

However, the budget cannot be balanced only through reductions in management alone. Eliminating all management positions at MAHC would not result in a balanced budget.

7. Will there be any reductions in clinical services?

There will be fewer beds staffed and in operation including the seven acute care beds at Burk's Falls and District Health Centre. The Urgent Care at Burk's Falls has also been closed. MAHC continues to work with the doctors and the Family Health Team in Burk's Falls to ensure services (xray, lab and physiotherapy) are available for all residents.

The discontinuation of outpatient rehabilitation services which are offered through MAHC is being considered, however, following receipt of the feedback and comments received during the internal and public information sessions regarding access to these services in our communities an active review of this initiative is underway.

Ophthalmology surgery (cataracts) will be combined at one site to reduce the cost of duplicating expensive equipment.

The Operational Audit confirmed that MAHC is quite efficient relative to its peers and the review team did consider the opportunities, benefits and risks of consolidating each or all of MAHC's clinical services at one or the other site. In each case, other than ophthalmology, the operational audit found there were small potential savings from service consolidation. The audit confirmed that consolidation of services would not warrant the disruption to staff, patients and the communities and recommended that MAHC pursue all other opportunities prior to considering any consolidation.

8. What is the Operational Audit?

The Board submitted a Deficit Recovery Plan released in June, 2009. The NSM LHIN asked MAHC to undertake an independent Operational Audit to assess the Deficit Recovery Plan and identify any additional opportunities that should be explored to meet its financial obligations.

9. When will the initiatives of the Plan be implemented?

Muskoka Algonquin Healthcare is required to submit the final Deficit Recovery Plan to the NSM LHIN by January 29, 2009 for its approval.

Each initiative includes an implementation strategy that identifies the timeframe for changes over the next three years. Some changes will be able to be made sooner than others but no changes will occur until the right resources are in place. We are committed to working with the community and keeping them informed.

10. Why has the closure of the seven beds at the Burk's Falls and District Health Centre already taken place, before the LHIN has the plan?

MAHC and physicians in Burk's Falls are unanimous in their agreement that acute in-patient care can be better delivered to residents of East Parry Sound at the Huntsville District Memorial Hospital Site. The Operational Audit confirmed this.

Physicians at Burk's Falls and District Health Centre resigned their privileges earlier this year and agreed to care for the patients until December 1, 2009 so that MAHC could make the appropriate arrangements for a smooth transition.

Those arrangements have been made. The situation has been discussed with the LHIN, MAHC's Chief of Staff and doctors at Burk's Falls. The decision has been made to proceed in the interests of patient safety and quality healthcare.

11. Will there be any layoffs?

Yes. The exact reduction in the number of individuals is not known at this time. The plan calls for a total reduction of 56 full-time equivalents including those impacted by the changes at the Burk's Falls and District Health Centre. A full-time equivalent is equivalent to the hours worked by a full-time employee. This exact number will become known as we work closely with our unions through the collective agreements. Many of these reductions will be made primarily through attrition, including retirement and reductions in overtime.

12. Will you be asking residents about this plan?

Yes. We are planning additional information sessions to share the details of the Deficit Recovery Plan. We have also established a web site at www.mahcrecovery.ca where residents can find more information and provide their comments.

The final Deficit Recovery Plan is due to the NSM LHIN by January 29, 2010.

As a Board, we believe that it is the best interests of all the residents of Muskoka and East Parry Sound to have decisions concerning our hospital made by a duly elected Board whose directors live and work in the community and are in the best position to understand its needs.

Other hospital boards in Ontario that have been unable to submit a balanced budget have been replaced by a provincially appointed supervisor who has the power to make the decisions required to balance the budget. Appointment of a supervisor takes the decision on how to balance the budget out of local control.