Impact of Premier McGuinty's Comments on 2011/2012 Budget
November 22, 2010

In preparing for today I looked back on where as an organization we were 36 months ago.

3 years ago we were:

- Suffering with a $7 million dollar deficit;
- Our Hospital Standardized Mortality Ratio – HSMR - was the highest in the country,
- Our cost per weighted case was far in excess of what it was supposed to be indicating we were very inefficient.

At the same time we knew the economy was going through a rocky time however no one saw the demise of General Motors or Chrysler, the fall of the banking industry in the United States or the massive loss of jobs and personal bankruptcies across Canada and the World. It was as close to a worldwide depression as it could have been. It continues to today.

Instead of pulling the sheets over our head and hoping we could ride out the economic downturn we all agreed that positive clinical and financial change was required and possible.

We embarked on a rather inclusive strategic planning process that resulted in you creating a vision of *Outstanding Care… No Exceptions!* and 6 strategic directions that we have individually and collectively embraced in our day to day operations.

Now let us fast forward to today.

Here are just some of the results

- Our HSMR for this past fiscal year was 101. For the last three months as a result of the leadership of the Medical Quality Assurance Committee our HSMR has not been over 100 since April 2010 and went as low as 63 and 64 in June and July of this year.
- Our weighted cases have risen by 14% since April 2010 as compared to last fiscal year.
- Last year we had a $500,000 surplus in operations. Close to an $8 million dollar swing.
- For the last two years we have been recognized by the OHA with the most leading practices in the Province and having back to back years of 2 out of the top 6 leading practices in the Province – no other hospital can state this.

- This past week we won the People's Choice award at the Ministry of Health innovation's event

I could go on and on with the positive clinical and financial changes that have been made for the benefit of our patients and residents.

In the March 2010 budget, faced with a historic budget deficit of close to $20 billion dollars, massive unemployment, ratepayers – our patients and bosses - strained at the level of taxation the Minister of Finance stated

- Freeze the compensation structures for the broader public sector and the Ontario public service for all non-bargained employees for two years. Legislation was passed to enforce this right after the budget speech and expanded our existing freeze for non-union by two additional years.
- Respect all current collective agreements. However, the fiscal plan provides no funding for incremental compensation increases for any future collective agreements.
- Work with transfer partners and bargaining agents, as agreements are renegotiated, to seek agreements of at least two years' duration. These agreements should help manage spending pressures, protect public services that Ontarians rely on and provide no net increase in compensation.

WRH received 1.49% in additional base funding for 2010-11. This followed two years of 2.25% and 1.95% of annual base funding increases.

For 2010 this amounted to $2.7 million in additional base funding. However, $2.0 million has already been dedicated to the previously provincially settled agreement for a 3.0% wage increase in 2010-11. It just so happens the hospital's revenues from preferred accommodations (i.e. payments for semi-private and private accommodations) dropped by $700,000 in 2010-11 as a result of the economic situation of families in our community.

They have lost their jobs and/or benefits have been reduced and they no longer can afford semi-private or private coverage at the hospital.

Since the 2010 Ontario budget was tabled the only wages and benefits that have been frozen by legislation have been non-union.

Non-union staff makes up approximately 5% of our staff. Unionized collective agreements have not followed the above mentioned government directions.

Without similar legislation for unionized staff or massive changes to the jurisdiction of an arbitrator there exists no "real" restriction on an arbitrator's ability to provide wage increases above 0%. So far, this has resulted in a pattern of arbitrated awards between 2.00% and 2.75% for 2010-11 alone.

Notwithstanding the clear directions in the 2010 budget and the fact that arbitrators have ignored the “wage freeze” comments the following was stated by our government

"We expect our partners to negotiate collectively. We laid out our policy statement in March, which signaled we expected agreements would be zero over two years. We won't be funding anything above zero in those two years." The Premier has also indicated that legislation limiting wages for unionized staff across the province will not be enacted.

Needless to say this change in direction will significantly impact WRH and other hospitals across the Province.

This is very upsetting since at Windsor Regional we individually and collectively have started to see the positive results flowing from the Zero Based Budgeting (ZBB) process

As stated we have started to see significant improvements in our HSMR and weighted cases. This is happening at the same time we are being recognized locally, provincially, nationally and internationally for best/leading practices in patient safety and quality and ironically our fiscal planning and monitoring process of our monthly red/green sessions we started at the start of the 2009-10 fiscal year.

However, based upon these recent arbitration awards, we have to plan for between 2.00% and 2.75% increases for unionized staff for 2010-11 and again for 2011-12 without any financial support from government.

For each 1.0% wage increase to the unionized staff at WRH our overall operating expenses increase by approximately $1.8 million.

If not for our ZBB process we would have had to find approximately $5.6 million in savings for 2010-11 and then an additional expense reduction (or revenue increase) for 2011-12. If we were only operating at break even excluding ZBB, we would have had to reduce expenses or increase revenue by approximately $10.8 million by 2011-12.

The ZBB process all of you participated in 2008 has resulted in WRH having a positive monthly “run rate” - revenues exceeding expenses for approximately 18 months in a row.

ZBB will allow us to complete 2010-11 fiscal year with a projected small surplus. However, the failure of being able to get any expense restraint support, as promised by our Provincial Government, will result in 2011-12 having a significant deficit unless action is taken. Assuming a 2.00% wage increase in

2011-12 without any ability to apply a funding increase to wage awards we will have to reduce expenses by $6.2 million.

Remember every 1.0% wage increase to the unionized staff at WRH our overall operating expenses increase by approximately $1.8 million. In addition, it costs the hospital approximately $1 million a year for people moving through the grid.

That is $4.6 million dollars alone.

Then we have approximately $750,000 in additional staff required for rehab and complex in the Malden building. The last component to reach the $6.2 is the additional monies we have to plan for 2010 arbitrated increases in line with the 2% trend.

Since we cannot use any funding increase for wages it is hoped that any funding increase we receive would satisfy increases in supplies and increases in patient demand. However, current inflation for healthcare expenses is running between 5.0% and 7.0% even without taking into account impact of wages and benefits.

Similar to ZBB our goal in finding these savings will be to:

- minimize impact on patient services
- minimize impact on hospital jobs

However, since close to 70% of our expense structure is in wages and benefits there are no way to make this level of expense reduction without reducing hospital jobs and most likely reducing patient services.

Late last week, during the fall economic statement, our government stated

"For bargaining parties, existing collective agreements have been, and will continue to be, respected. The government has brought unions and employers together to seek ways of achieving collective agreements with two years of net zero increases in compensation. As a result of these consultations, employers and unions have a much better understanding of the fiscal challenge faced by the province and the government has a better understanding of employer and union positions.
The fiscal plan provides no funding for incremental compensation increases for the first two years of any future collective agreements.
It is now up to bargaining agents and employers to ensure that the progress made together to restore services in hospitals, schools and other public services is maintained"

Similar to the process we followed during ZBB before WRH will undertake any patient service reductions we will respect the prioritization framework contained within the 2008 hospital annual planning submissions

Since it has been two years since we completed ZBB and the impact of the positive changes arising from that process are taking hold we have undertaken a further benchmarking process using a third party company (HCM) comparing each of our programs and services using 2009-10 and Q2 data for 2010-11 to our peer hospitals. In addition, under the direction of the ESC LHIN, each of the Erie St. Clair hospitals has undergone a review, program by program, by Deloitte. We are recommending for consistency purposes the HCM analysis will be the foundation report for the financial targets to be achieved. The Deloitte report is useful for gaining ideas/concepts on how to achieve the necessary savings. Using these two reports, HCM and Deloitte, as foundations I am suggesting the following process be started:

1. Dan Germain, CFO, will be Chair for the process.

2. Dan will circulate the program specific results of the HCM and Deloitte reports to the relevant Vice-President who will be asked to share the reports with his/her relevant Director and Chief/Head of Department.

3. The programs that are identified by either HCM or Deloitte as not operating at best quartile of performance (75th or top 25th percentile) need to, under the leadership of its Director, Vice-President and Chief/Head of Department:

    a) Select a committee of leaders of the program: administrative, front-line and professional staff,
    b) Review the report(s) and identify those organizations operating at the top 25th percentile,
    c) Contact those hospitals identified in (b) and determine why they are operating in the top 25th percentile,
    d) Develop a written plan on the changes that will be required to move to the 25th percentile,
    e) Specially created initiatives within each program need to be reviewed even if created to increase patient or staff satisfaction.
    f) Any labour adjustments need to be clearly identified, and
    g) Any reduction in clinical services needs to be clearly identified.

4. Dan and I will meet individually during the first week of January, 2011 with the program teams outlined in paragraph #3 above and review their recommendations to ensure the targets are met. We will be inviting a member of the LHIN to attend these sessions.

5. Members of the Executive Committee (EC) and Medical Advisory Committee (MAC) will review the reports completed. If the submitted reports do not satisfy the reductions needed then the EC and MAC will look at individual service cuts to reach the target. Final recommendations will be made by the EC and MAC to the Board of Directors for implementation.

6. All recommendations will be cognizant of the fact it generally takes six (6) months to recognize the financial benefit of any change due to notice periods in the relevant collective agreements.

7. We will complete this process by no later than January 14, 2011 with recommendations going to the Board of Directors at their February 3, 2011 meeting for first review and their march 3, 2011 meeting for final approval.

I am truly disappointed and disheartened it has come to this. This is not about how we value the work we individually or collectively do. We need all of you. We do not want to add to the unemployment numbers in the city or province.

I do not want to have an employee get a 2% raise that would require the hospital to lay off other employees that will have difficulty finding a job in this economy.

We do not have the ability to provide wage increases to only a selected few. Once one member of the bargaining unit gets the wage increase all members get it. Therefore, individually it might be $1000 a year – collectively it is millions.

Those who think the grass is greener across the border please make a call. Most hospital have had massive lay-offs, frozen pay for years and eliminated pensions. Yes eliminated pensions. This is in addition to the dollar value, cost of crossing the border and time/hassle of travel.

Since I was appointed CEO I have been as upfront, transparent and vocal as possible to our internal and external stakeholders on the impact that the local, provincial and worldwide economic situation is and would have on our hospital if we did not take action. I never wanted my projections stated 3 years ago to become reality.

We individually and collectively took that action during ZBB and made this hospital a leader clinically and financially in this province.

That resulted in phenomenal and unprecedented success for WRH.

However,

- without direct control over expense restraint; or
- without proposals from our bargaining agents in line with what our funders have requested (zero-zero) or any close to that; and
- without a lack of support on this issue from our funders

We have no other choice but to make difficult decisions.

We have to continue to work collectively to minimize the impact of these changes in order to ensure we can continue to provide *Outstanding Care…No Exceptions!*