



**Management Discussion and Analysis
of Financial Results
2014-15**

Overview

Stevenson Memorial Hospital (SMH) is a progressive community based hospital that offers 38 in-patient beds and a range of outpatient diagnostic and treatment services, including orthopedic surgery, maternal child care and dialysis. Stevenson Memorial Hospital is located in the community of Alliston, in the Town of New Tecumseth, Ontario. It serves a catchment area that includes Adjala-Tosorontio, Canadian Forces Base Borden, Essa, Innisfil and New Tecumseh. Our focus is to provide the highest quality safe care close to home.

Notable Events

Capital Investments in Patient Care

In 2014-15 we invested close to \$1.4 million in equipment, technology and infrastructure at Stevenson Memorial Hospital. We are grateful to the community for their support to the Stevenson Memorial Hospital Foundation (SMHF) for assisting us with our capital purchases.

The following highlights the significant capital projects that were underway during the 2014-15 year.

2014-15 is the final year for the *It takes you... Campaign*. SMH purchased a Pass-Through Washer/Disinfector, Scopes, and surgical instrumentation. This campaign enabled the operating room department to open an endoscopy suite outside of the main operating room.

2014-15 marked the first of a five year campaign, entitled *Refurbish a Room*. This campaign enabled SMH to purchase Privacy Curtains and Window Dressings for the Medical Surgical Ward (28 beds). New patient beds will be phased in over the next 4 years.

This year's most significant capital investment of \$600,000 was the replacement of the existing 12 year old Emergency Department (ED) Cardiac Monitoring System and the 9 year old Medical Surgical Ward Cardiac Monitoring System which have both surpassed their life expectancy. This is critical, lifesaving equipment when it comes to providing quality care for patients. Any patient who arrives at the hospital with chest pain, heart attack, shortness of breath, severe allergic reactions or trauma victims require immediate and continuous monitoring of their heart activity. Over 11,000 patients in the ED and Medical/Surgical Department are monitored by the cardiac systems annually.

20 year old medication carts have been replaced with automated medication dispensing cabinets in the Emergency and Medical Surgical ward. They are fully automated and all medications are secured inside a locked cabinet. Staff access cabinets with personalized PIN numbers, thus providing a record of who has accessed the medications. This automation provides more time for staff to be focused on direct patient care.

Redevelopment Project

The Ministry of Health and Long Term Care and Central Local Health Integration Network (MOHLTC/CLHIN) prescribe a 6 step process for the ultimate approval to proceed with a significant expansion of hospital facilities. In 2014, the Hospital completed the initial Pre-Capital (step 1) submission and was encouraged by the MOHLTC/CLHIN to proceed with a Stage 1 (step 2) Proposal/Business Case submission, which includes preliminary programming to be presented showing 3 potential layouts for a hospital addition and renovation. A team of highly qualified consultants were engaged to assist with the preparation of the Stage 1 submission. The current plan is to make the Stage 1 submission to the MOHLTC/CLHIN by the end of June 2015.

Moving forward, SMH and the SMH Foundation are working together to raise the necessary financial resources needed to see us through a successful Stage 1 submission and commence work of the Stage 2 submission (step 3), which will include more detailed preliminary programming, design work and an application for a development grant to partially offset costs incurred to date.

Pay for Results (P4R)

Stevenson Memorial Hospital is the Most Improved Medium Volume Community Hospital in Ontario when it comes to Emergency Department performance. Access to Care, a division of Cancer Care Ontario, recognizes Stevenson Memorial Hospital as a provincial leader and top performer. Hospital staff and physicians set the bar high for Emergency care in the province, maintaining the 2nd shortest wait times compared to the 74 hospitals participating in P4R over the past 22 months. The ED success story results in increased funding each year from the province's Pay for Results Program – \$1.2 million was received in 2014-15 and over \$4 million since 2010. Funding is reinvested in the ED and departments that support the ED, allowing new processes and improved services.

Health System Funding Reform (HSFR)

Stevenson Memorial Hospital entered year 3 of the new Patient Based Funding Model set out by the Ministry of Health and Long Term Care. This new funding model moves away from current global funding and moves toward Patient Based Funding. Patient-based funding will be phased-in over the next three years. The two components of this new funding model are described below.

Health Based Allocation Model (HBAM)

HBAM estimates health care expenses based on demographics such as age, gender, growth projections, socio economic status and geography, as well as clinical data such as complexity of care and type of care. Stevenson Memorial Hospital has qualified for HBAM funding effective 2014-15 fiscal year.

Quality Based Procedures (QBP)

Health care providers will receive funding for the number of patients they treat for select procedures, using standard rates that are adjusted for each procedure. Ontario will establish funding rates for hospital services based on efficiency and best practices.

2012-13 Year 1, Quality Based Procedures included:

- Chronic Kidney Disease
- Primary Unilateral Hip Replacement
- Primary Unilateral Knee Replacement
- Cataract

SMH offer treatments for Chronic Kidney Disease and Cataract surgery.

2013-14 Year 2, Quality Based Procedures includes Year 1 procedures and added:

- Chemotherapy/Systemic Treatment
- Chronic Obstructive Pulmonary Disease (COPD)
- Congestive Heart Failure (CHF)
- Gastrointestinal (GI) Endoscopy
- Stroke
- Non-Cardiac Vascular Technical Report
- Elective Repair of Lower Extremity Occlusive Disease

SMH treats COPD, CHF, Stroke and GI Endoscopy.

2014-15 Year 3, Quality Based Procedures includes Year 1 and 2 procedures and added:

Wave 1

- Hip Fracture
- Primary Hip and Knee Replacement
- Paediatric Tonsillectomy
- Neonatal Jaundice
- Pneumonia

Wave 2 not implemented

- Coronary Artery Disease
- Aortic Valve
- Orthopaedics Phase 2 – Hip Fractures

SMH treats Hip Fractures, Paediatric Tonsillectomy, Neonatal Jaundice, Pneumonia and Coronary Artery Disease.

For the year 2014-15 the overall financial impact of the HSFR funding model on SMH was a net gain of \$162,122.

Accountability

We are pleased to announce that the 2014-15 year ended with a surplus of \$203,960 (\$106,104 Surplus – 2013-14). SMH has achieved not only a balanced budget but surplus balances for the past three years, which is no easy task when considering there have been no increases to global budgets. By balancing year after year, we have met an important budget standard set by the MOHLTC and our Board of Directors.

Hospital Service Accountability Agreement (H-SAA) Performance:

As required by the Central Local Health Integration Network (CLHIN), Stevenson Memorial Hospital entered into a hospital service accountability agreement that took effect April 1, 2008 which has been extended to March 31, 2014. This contract with the CLHIN establishes agreed on Global Volumes and Performance Indicators including the financial goal of operating at a minimum of a break-even basis (as defined) for each fiscal year.

For fiscal year 2014-15 SMH met, exceeded or was within the performance corridor set out in the H-SAA with the exception of Total Inpatient Acute weighted cases. Implementation of the third Hospitalist model has resulted in patient discharge efficiencies and a hospital wide effort on moving ALC patients to the correct care path has resulted in additional capacity for future admissions.

The following outlines the detail on the financial expectations.

Financial Health

Current Ratio (Current Ratio = Current Assets / Current Liabilities)

The current ratio is an indicator that measures whether or not a hospital has enough resources to pay its debts. It is calculated using information from the Balance Sheet. Stevenson Memorial Hospital's current ratio is 1.04 and exceeds the performance target of 0.8 as set by the CLHIN for the 2014-15 year.

Total Margin (Total Margin = Excess (deficiency) of revenue over expenses before building amortization / Total revenue before building amortization)

Total Margin is an indicator that measures the financial viability of a hospital. It measures the control of expense relative to revenues as a percent. It is calculated using information from the Statement of Operations and Net Assets (Deficiency). Stevenson Memorial Hospital's total margin is 0.56% and exceeds the performance target of a zero percentage as set out by the CLHIN.

Stevenson Memorial Hospital Statistics of Interest

Activity	2014-15	2013-14
Inpatient Days	10,416	9,655
Hospital Occupancy Rate	72%	66%
Births	350	353
Emergency Visits	33,424	30,760
Outpatient Clinic Visits	20,387	19,304
Dialysis Treatments	3,423	3,468
Surgical Procedures	3,834	4,004
Diagnostic Imaging – X-ray	23,559	21,338
Diagnostic Imaging – Computed Tomography	4,648	5,035
Diagnostic Imaging – Ultrasound	8,256	9,212
Diagnostic Imaging – Mammography	3,437	2,895
Non-Invasive Cardiology Exams	7,694	7,495

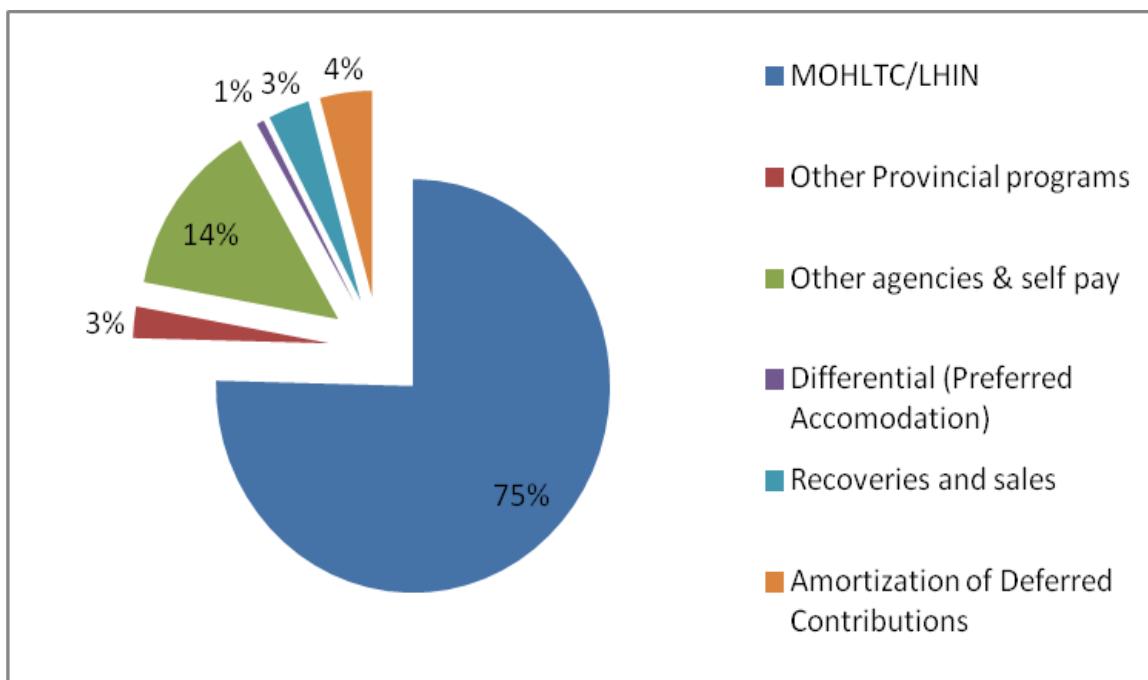
Our People

Employees	262	287
Medical/Dental/Midwives	117	109
Auxiliary Membership	189	195
Active Volunteers	127	104
Number of Volunteer Hours	15,047	16,894

Financial Results

2014-15 Total Revenue

\$29,184,073



2014-15 Total Expenses

\$28,980,113

