



Frequently Asked Questions regarding the current and projected operating budget challenges at the hospital.

Q: Hospitals in Ontario are required to balance their budgets. Why does CCH have a deficit?

A: The Board and administration at CCH have been meeting with the Champlain LHIN officials over the past number of months/years to resolve this situation. All parties agreed that it was extremely important to work toward appropriate funding prior to considering service reductions.

An External 3rd Party Review conducted in 2009 verified the need for a significant funding adjustment of \$6.6 million.

In January 2010 the Ministry of Health and Long Term Care announced a \$5 million funding adjustment for CCH.

Q: Will this \$ 5 million adjustment mean that the hospital will balance its budget for the year ending March 31, 2010?

A: No, the hospital will not balance the operating budget by March 31, 2010. The initial budgeted deficit for this year was \$8 million. The External Peer Review recommended volume reductions of \$2.1 million, investments of \$.95million, and a \$6.6 million funding adjustment.

The volume reductions have been implemented late in the fiscal year and the full savings cannot be realized by March 2010. There is also a shortfall of \$1.6 million in the funding allocation.

Q: Will the hospital balance its budget for the year ending March 31, 2011?

A: Yes, the hospital will be required to balance its budget for the year ending March 31, 2011. Hospitals are required to sign accountability agreements with the Local Health Integration Network committing to managing within the funding allocation.

Q: Will next year's funding (ie. 2010/2011) be sufficient to balance the budget without changes at the hospital?

A: No. The Ministry of Health and Long Term Care has not provided hospitals with next year's funding allocation. However, hospitals have been advised to develop three (3) planning scenarios based on a 0% , 1% or 2% increase in funding.

A 2% funding adjustment will not cover the hospital's inflationary costs (estimated at 3-3.5%) for next year. We also need to deal with the \$1.6 million shortfall in the funding adjustment.

Health care is not immune to the economic downturn; and we understand that the financial and economic crisis facing Ontario is serious and that government revenues have fallen dramatically. We also share the government's objective to avoid actions that will significantly destabilize access to patient services.

Q: Why does the hospital need to take \$3.7 million out of the budget?

A:

- We are required by law to balance the budget, and funding from the province will not cover our operating costs next year.
- The Ontario government is experiencing its own budget woes with a \$24.7 billion deficit, representing nearly 30 % of its 2009/10 revenue. The most we can expect for hospitals in the 2010/11 budget year is 2%.
- We know the cost of operating hospitals will rise by 3-3.5% next year. This increase includes increasing operational expenses such as medical supplies and wage increases.
- We also need to deal with the \$1.6 million shortfall in the funding adjustment.

Over the past 4 years the hospital has made significant improvements in efficiencies. The hospital's performance has been benchmarked favorably and despite these efforts CCH continues to be faced with financial challenges. These challenges have been reduced significantly with the recent funding announcement of \$5million.

For the most part, hospitals are not funded based on volumes. Increases in patient volumes means an increase in costs, it does not mean additional funding.

Q: Why do this now?

A: The new fiscal year begins April 1, 2010 and it is extremely important that recovery initiatives are implemented as soon as possible in order to minimize the magnitude of the changes. If annual savings are to be realized as planned we must proceed as soon as possible.

It will take a number of months to put the cost savings in place, and we are obligated by union contracts to provide appropriate notice time to staff.

Q: When will the funding allocation for next year (2010/2011) be known?

Hospitals have not been advised when the funding allocations will be announced.

Q: Will jobs be affected?

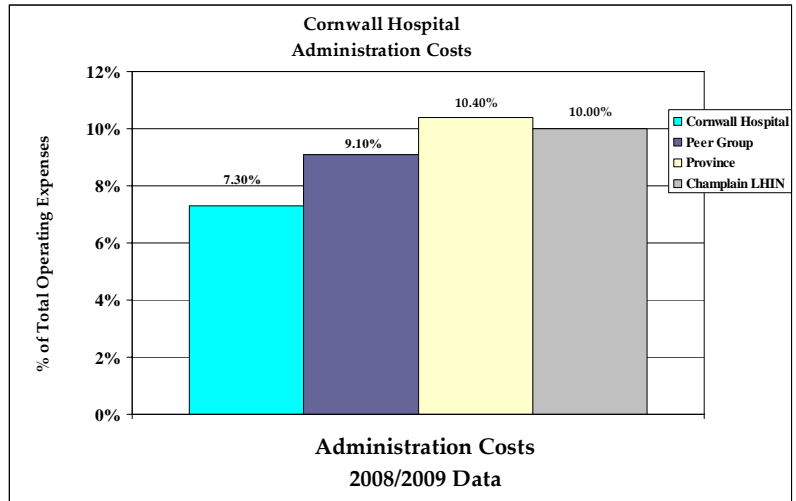
A: Regretfully yes. But the impact will be mitigated by early retirements, voluntary exits and many vacancies within the organization. We will do everything we can to retain as many staff as possible.

We regret being in a position that will have an impact on our staff. These individuals clearly make a difference as we work to meet the health care needs of the community.

Q: Why would the hospital reduce clinical services and nurses instead of cutting administrative costs?

A: Over the past 4 years, CCH has been reducing non direct patient care costs and finding more efficient ways to provide patient care. Despite a reduction of over \$6 million with these initiatives, more savings are required.

CCH spends 7% of their funding on administration while the provincial average is over 10%. CCH is amongst one of the lowest regarding administration expense to total budget in the province. This equates to approximately \$2.1 million of efficiencies used to provide direct patient care.



Q: What does this mean for the Capital Redevelopment Project?

A: The redevelopment project funding is separate from the hospital's day to day operational budget. The project activities will continue as planned.

Q: Have any reductions in surgical volume at the hospital resulted in any physician(s) reducing services in Cornwall?

A: No. To date one physician has advised the hospital of a personal decision to relocate. One other physician has indicated intent to practice part-time outside of the city. Neither of these decisions were a result of reductions in services or operating room time; and these decisions were made prior to any hospital changes.

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