



Clause No. 12 in Report No. 9 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on May 15, 2014.

12
HOSPITAL MEMORANDUM OF UNDERSTANDING
CAPITAL FUNDING UPDATE REPORT – 2014

Committee of the Whole recommends adoption of the following recommendations contained in the report dated April 24, 2014 from the Chief Administrative Officer:

1. RECOMMENDATIONS

It is recommended that:

1. Council approve the 2014 capital contribution allocation to hospital construction as \$13.638 million (budgeted) less \$876,381 for Emergency Medical Services off-load delays for a total allocated contribution of \$12.762 million.
2. The 2014 contribution be allocated to the participating hospitals, in accordance with the 2009 funding agreement, in the following proportionate shares:

Summary of 2014 Hospital Funding

Hospital	2014 Potential Funding	EMS Costs due to Off-load Delays <small>(based on 2013 performance)</small>	2014 Actual Funding Available	Difference in MOU and Hospital-Recommended Funding Methods
Mackenzie Richmond Hill	\$1,854,756	\$(354,311)	\$1,500,445	\$(273,947)
Markham Stouffville	3,695,874	(269,128)	3,426,746	(200,999)
Southlake	1,950,221	(252,942)	1,697,279	(207,165)
Vaughan	6,137,059	n/a	6,137,059	n/a
Total	\$13,637,910	\$(876,381)	\$12,761,529	\$(682,111)

3. Council's approval of these recommendations be reviewed pending a future Council report on the outcome of collaborative efforts by York Region hospitals and York Region Emergency Medical Services, and the \$682,111 difference between funding methods be set aside in the Hospital Capital Reserve pending Council resolution of the funding method.
4. A report be brought forward to Council by January 2015 outlining the results of the collaborative efforts by York Region hospitals and York Region Emergency Medical Services recommending a final methodology and calculation for off-load delay claw-backs.

2. PURPOSE

This report provides an annual update to Council on the Memorandum of Understanding (MOU) and recommends Council approve the 2014 capital contribution allocation to hospital construction as \$13.638 million (budgeted) less \$876,381 for Emergency Medical Services (EMS) off-load delays for a total allocated contribution of \$12.762 million.

3. BACKGROUND

York Region has a long history of contributing to the capital costs of hospital expansion

Municipal contributions to capital costs for hospital expansions pre-date the Region's formation in 1970 with contributions from York County. Cumulatively to the year 2000, York Region contributed about \$51 million to York Region hospitals for expansions. From 2001 to 2009, Council provided additional support totalling \$62.4 million.

Thirty-five per cent of hospital construction and expansion 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 actually accounts for approximately 65% of the cost. Thirty-five percent remains to be funded from "community sources".

Current York Region hospital MOU was signed November 2009

On October 8, 2009, Council authorized the 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. For a summary on the provisions of the MOU, please see *Attachment 1*.

The first annual update report to Council on the performance and funding of the hospital MOU was on May 5, 2011. Council approved \$12.706 million (budgeted) less \$0.691 million for EMS off-load delays for a total 2011 allocated contribution of \$12.015 million based on the 2010 calendar year.

On January 26, 2012 Council authorized an amendment to the 2009 agreement to reflect changes in cash flow from the Province; effectively advancing Regional funds to cover expansion planning and design. The amended agreement was not executed between the parties as the Province announced funding in the spring of 2013 for expansion planning and design costs for the Mackenzie Vaughan Hospital project.

On June 21, 2012 York Central announced that they were being renamed to Mackenzie Richmond Hill and would also be responsible for the future Mackenzie Vaughan hospital, scheduled to open in 2018/2019.

On May 17, 2012 Council deferred the *Hospital Memorandum of Understanding Capital Funding Update Report – 2012 and Alternative Calculation for Measuring EMS Off-load Delay* report to September 2012. On September 20, 2012 Council approved \$13.07 million (budgeted) less \$0.861 million for EMS off-load delays for a total 2012 allocated contribution of \$12.21 million. Council also recommended that consideration of a new off-load delay calculation and off-load target be subject to completion of work outlined in the report and follow-up by all parties.

In September 2012, Council approved a report that used the residual difference of \$319,696 from two different methods of calculation (current method under the MOU versus a proposed method that is specific to hospital-controlled time) to fund projects that could reduce off-load delay and report back to a future Council on progress. An update on this work will be the subject of a future report.

In September 2013, Council approved \$13.362 million (budgeted) less \$679,064 for EMS off-load delays for a total allocated contribution of \$12.683 million.

4. ANALYSIS AND OPTIONS

2014 CAPITAL CONTRIBUTION ALLOCATION

Funding under the MOU increased in 2012 due to assessment adjustment

As per the MOU, the Schedule of Deposits has been indexed post-assessment (see Table 1). Assessment growth is determined by MPAC on an annual basis. This indexing has

resulted in an increase in 2010 funding from \$12 million to \$12.324 million, an increase in 2011 funding to \$12.706 million, an increase in 2012 to \$13.071 million, an increase in 2013 budgeted funding to \$13.363 million, and an increase in the 2014 budgeted funding to \$13.638 million.

Table 1
Schedule of Deposits with Assessment Growth

Regional Contribution Assessment Growth	2009 \$8 million	2010 \$12.324 million 2.7%	2011 \$12.706 million 3.1%	2012 \$13.071 million 2.87%	2013 \$13.363 million 2.23%	2014 \$13.638 million 2.06%		2031 <i>Total - in constant dollars</i>
Markham-Stouffville (27.1%)	\$2.168 million	\$3.340 million	\$3.443 million	\$3.542 million	\$3.621 million	\$3.696 million	<i>2014 through 2030 contributions to be maintained at agreed-upon shares subject to indexing</i>	\$73.71 million
Southlake (14.3%)	\$1.144 million	\$1.762 million	\$1.817 million	\$1.869 million	\$1.911 million	\$1.950 million		\$38.90 million
Mackenzie Richmond Hill (13.6%)	\$1.088 million	\$1.676 million	\$1.728 million	\$1.778 million	\$1.818 million	\$1.855 million		\$36.99 million
Vaughan (45.0%)	\$3.600 million	\$5.546 million	\$5.718 million	\$5.882 million	\$6.013 million	\$6.137 million		\$122.40 million
		Increase of \$324,000	Increase of \$382,044	Increase of \$364,663	Increase of \$291,640	Increase of \$275,269		\$272 million

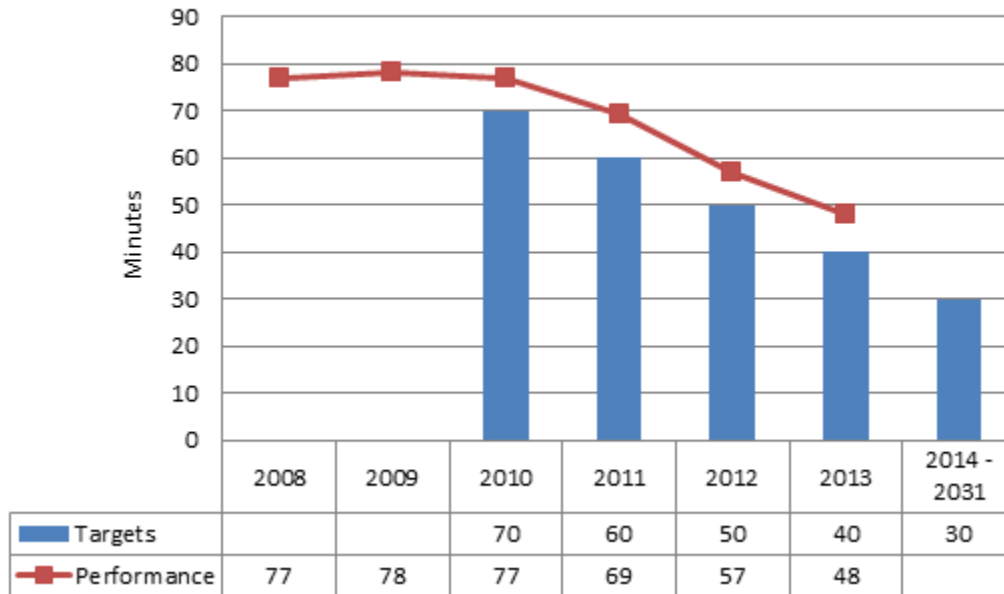
The proposed capital contributions out to 2031 in 2009 dollars is shown in *Attachment 2*, and the proposed capital contributions with forecasted assessment growth is shown in *Attachment 3*.

Multi-year performance targets were agreed upon for EMS off-load delays

For the purpose of the MOU, off-load delay is calculated from the time when an ambulance arrives at the hospital with a patient, to the time that the ambulance leaves the hospital.

All of the MOU signing partners agreed to off-load delay targets for each year based on a decrease in 10 minute increments from 70 minutes in 2010 to 30 minutes in 2014 as displayed in Figure 1. It is expected that the 30 minute target prevails through 2031.

Figure 1: Offload Delay Performance and Targets



Thirty minutes was chosen as the desirable target for the time required to off-load patients at hospitals because it was considered the industry best practice and standard for Ontario based on recommendations of the 2005 Expert Panel on Ambulance Effectiveness. In 2008, the Ministry of Health and Long-Term Care began funding the Dedicated Nurse Off-Load Program. The program assigned nursing staff the task of accepting patients transported by paramedics. In 2009, the average in hospital time for all three regional hospitals combined was 78 minutes. Since 2009, the average in hospital time has decreased 38%.

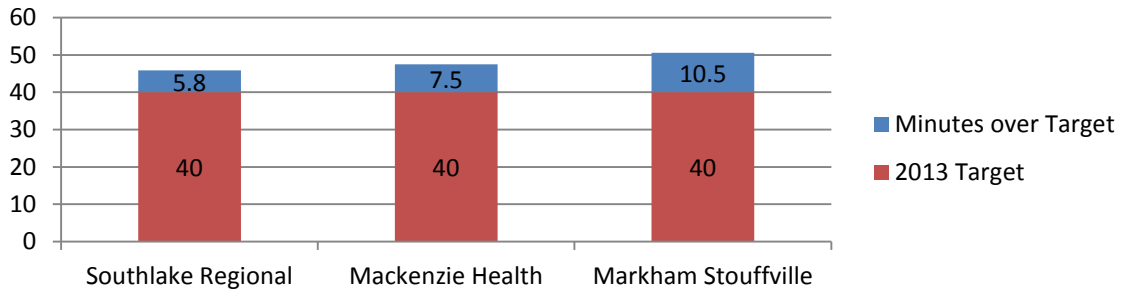
All three regional hospitals did not meet the target of 40 minutes for 2013, leading to EMS operating impacts

The funding agreement provides that in the event the EMS off-load delay targets are not achieved, York Region may, at the sole discretion of Council, reduce hospital funding by the amount approximating the additional operating costs incurred by EMS for time above the targets.

All three regional hospitals were over the 2013 - 40 minute target. This included:

- 5.8 minutes over for Southlake Regional Hospital
- 7.5 minutes over for Mackenzie Richmond Hill
- 10.5 minutes over for Markham Stouffville Hospital

Figure 2: 2013 Hospital Off-load Delay Results



Extended off-load delays contribute to lower response times as the number of readily available ambulances diminishes

ORH Limited, an internationally recognized emergency services consultant that worked with York Region EMS on the development of their 10-Year Resources and Facilities Master Plan endorsed by Council on September 20, 2012, has determined that for every 5 minutes that average in-hospital time is reduced, EMS’s 90th percentile region-wide emergency response time decreases by 15 seconds.

To account for the EMS operation cost impacts due to these delays above the target, the time is multiplied by the number of transports to each hospital and the EMS cost per unit hour of \$189.93 (as reported to OMBI in 2013). This provides an approximate estimate of the cost to paramedic services while on off-load delay (see Table 2). The actual time for each hospital is adjusted so that time over the standard return to service of paramedics is excluded. This then is used to calculate the averages for each hospital respectively.

Table 2
 EMS Operating Costs Due to Off-load Delays over 2013 Target
 For Council Consideration – Original Agreement

	Number of Transports	Average Time at Hospital per Transport	Time Over 40 min Target	Net Funding Reduction* (subject to Council consideration)
Markham Stouffville	8,074	50.5 min	10.5 min	\$269,128
Southlake	13,706	45.8 min	5.8 min	\$252,942
Mackenzie				
Richmond Hill	15,024	47.5 min	7.5 min	\$354,311
Total/Average	36,804	47.9 min	7.9 min	\$876,381

*cost per unit hour of \$189.93

As a result of not meeting the agreed-to targets, the budgeted funding of \$13.638 million could be reduced by \$876,381

It is recommended that \$12.762 million be recognized as the available funding for 2014. This reflects a reduction of \$876,381 to account for EMS off-load delays exceeding the 40 minute target in 2013. The additional cost of one ambulance and paramedic crew 24/7 is approximately \$850,000 per year.

Comparison of funding calculations between MOU method and hospital-recommended method

The hospital MOU set targets for off-load delay from an average of 70 minutes in 2010, decreasing annually by 10 minute increments to 30 minutes by 2014 onward. It used a calculation that included some York Region EMS-controlled time that the hospital could not be responsible for (i.e. time used by paramedics to restock ambulances to be ‘ambulance-ready’).

The hospitals recommendation was to use a target of 30 minutes 90 percent of the time, and a calculation that isolated the hospital-controlled time only.

The comparison between the two methods resulted in a \$682,111 difference in favour of the hospitals (see Table 3).

Table 3
2014 Funding
Difference between Funding Calculations
using the Hospital MOU method versus the Hospital-recommended Method
 based on the 2013 calendar year

	Number of Transports	Average Time at Hospital per Transport	Net Funding* for EMS Off-load Delays Current Method: 40 min average for 2013	90 th Percentile Transfer of Care Time	Net Funding* for EMS Off-load Delays New Method: 30 minute 90 th percentile	Difference
Markham						
Stouffville	8,074	50.5 min	\$269,128	57.9 mins	\$68,130	
Southlake	13,706	45.8 min	252,942	49.5 mins	45,777	
Mackenzie Richmond Hill	15,024	47.5 min	354,311	52.1 mins	80,363	
Total	36,804	47.9 min	\$876,381	53.2 mins	\$194,270	\$682,111

* cost per unit hour of \$189.93

It is recommended that the difference of \$682,111 continue to be retained by the Region in the Hospital Capital Reserve until Council reaches a resolution on the funding method to be used.

Recommendations subject to future report and Council direction

Part of the MOU committed all parties to meet in a joint Tri-Hospital Group committee to work collaboratively to develop strategies to reduce EMS off-load delays.

In September 2012 Council directed staff to use the difference in funding between the method used to undertake a number of activities in partnership with the hospitals to support the collective goal of improving off-load delays.

As part of the September 2012 Council decision, Council also considered an alternative method for calculating hospital off-load delays that is specific to hospital-controlled time and uses a new target of 30 minutes, 90 percent of the time. This alternative method was not adopted at that time, but remains a Council consideration to be informed by a future report updating Council on York Region EMS and hospital projects to reduce off-load delays.

Due to the minimal attendance of the committee's hospital representatives, the Tri-Hospital Group committee meetings were suspended in mid-2013 and have not resumed.

Projects needing completion include time stamping and the subsequent calculation methodology and reporting, protocols allowing transition to hospital care for patients experiencing minor non-life threatening conditions, and exploration of joint initiatives in preparation for an aging population. To this end, staff have attempted and are continuing to try engaging hospital officials.

A report on the progress of these activities will be the subject of a future report. Should these efforts not move forward within the next several months, staff will report back to Council and confirm a final and binding calculation methodology. Until that time, the 2014 withheld funds (\$876,381) will be retained in the Hospital Capital Reserve.

Link to key Council-approved plans

Investing in York Region hospitals meets the priority area to "Improve Social and Health Support" outlined in the *2011-2015 Strategic Plan*. The Hospital Capital Funding MOU also meets the priority area to "Manage the Region's Finances Prudently" by providing the option for Council to reduce hospital funding related to potential operating costs incurred by EMS to maintain response times while contending with off-load delays above set targets.

5. FINANCIAL IMPLICATIONS

The Hospital Capital Funding MOU provides potential funding of at least \$12 million per year (indexed annually for assessment growth) from now until 2031. This funding is committed upon confirmation of 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 off-load 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 mandated response times.

Table 4 below summarizes the available funding since 2009 and the total funding set aside in the Hospital Capital Reserve pending Council resolution of the funding method and the collaborative efforts by York Region hospitals and York Region EMS.

Table 4
Summary of Available Funding and Offload Delay Reductions

Year	Potential Funding	Reductions for Off-load Delays	Available Funding	Difference in MOU and Hospital-Recommended Funding Methods held in Hospital Capital Reserves
2009	\$ 8,000,000		\$ 8,000,000	
2010	12,324,000		12,324,000	
2011	12,706,044	\$ 691,200	12,014,844	
2012	13,070,707	861,208	12,209,499	\$ 319,696
2013	13,362,638	679,064	12,683,574	357,148
2014	13,637,910	876,381	12,761,529	682,111
Total	\$73,101,299	\$3,107,853	\$69,993,446	\$1,358,955

6. LOCAL MUNICIPAL IMPACT

The local municipalities see hospital care as part of a complete community. Residents in local municipalities rely primarily on hospitals situated within York Region for healthcare needs.

Growing municipalities require that hospitals keep pace with growing community needs

As a requirement of the provincial *Places to Grow* legislation, York Region is projected to grow by approximately 670,000 people and reach a population of 1.79 million by 2041. Combine this high pace of growth with an aging demographic, and the need to support and increase York Region's capacity to provide appropriate levels of health care becomes critically important.

7. CONCLUSION

On November 19, 2009, York Region signed an MOU with the York Region hospitals and the Vaughan Health Campus of Care. This MOU sets aside \$12 million per year for distribution among the York Region hospitals to fund capital construction through 2031. The amount is subject to adjustments reflecting i) assessment growth, and ii) ambulance off-load delay at each hospital.

In, 2012 Council authorized an amendment to the 2009 agreement to reflect changes in cash flow from the Province, effectively advancing Regional funds to cover expansion planning and design. The amended agreement was not executed between the parties as the Province announced funding in the spring of 2013 for expansion planning and design costs for the Mackenzie Vaughan Hospital project.

This report recommends approval of the 2014 capital contribution allocation to hospital construction as \$13.638 million (budgeted) less \$876,381 for EMS off-load delays for a total allocated contribution of \$12.762 million, subject to a future report and Council's consideration of a new off-load delay calculation and targets. It also recommends that \$682,111 be set aside in the Hospital Capital Reserve until Council reaches a resolution on which funding method to use.

For more information on this report, please contact Bruce Macgregor, Chief Administrative Officer, at Ext. 71200.

The Senior Management Group has reviewed this report.

Summary of Provisions 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 requirements and expectations:

- \$12M will be set aside annually by York Region for distribution among the York Region hospitals to fund eligible capital construction through 2031. *Appendix A* reflects the total obligation and apportioning to hospitals as mutually agreed upon in constant (2009) dollars (also summarized in Table 1 below). The agreement provides for an annual adjustment reflecting assessment growth. *Appendix B* reflects those same contributions assuming 2% annual indexing to match assessment growth as set out in *Places to Grow*, the Provincial Growth Plan (also 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	45.0	122.40
	100%	\$272.00

Table 2**
Capital Contributions to Hospitals
(with actual assessment increases until 2013
and estimated 2.0% assessment increases for 2014 to 2031)

York Region Hospital	% Share	2009 – 2031 Total (\$ million)
Markham Stouffville	27.1	95.25
Southlake	14.3	50.26
York Central	13.6	47.80
Vaughan	45.0	158.17
	100%	\$351.48

- Provision of funding is subject to each hospital showing bona fide efforts towards improvements in EMS off-load delays; reducing the average delay, which range from 60 – 90 minutes, to 30 minutes over 5 years (i.e. 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 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 adjusted, taking into account the amount of funding anticipated to be provided through development charges.

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

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

Proposed Capital Contributions to Hospitals
 (with actual assessment increases until 2013 and 2.0% as projected for 2014 - 2031 in Provincial Growth Plan)
 (\$millions)

	% Share	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Markham - Stouffville	27.1%	\$2.168	\$3.340	\$3.443	\$3.542	\$3.621	\$3.696	\$3.770	\$3.845	\$3.922	\$4.001	\$4.081	\$4.162
Southlake	14.3%	\$1.144	\$1.762	\$1.817	\$1.869	\$1.911	\$1.950	\$1.989	\$2.029	\$2.070	\$2.111	\$2.153	\$2.196
York Central	13.6%	\$1.088	\$1.676	\$1.728	\$1.778	\$1.817	\$1.855	\$1.892	\$1.930	\$1.968	\$2.008	\$2.048	\$2.089
Vaughan	45.0%	\$3.600	\$5.546	\$5.718	\$5.882	\$6.013	\$6.137	\$6.260	\$6.385	\$6.513	\$6.643	\$6.776	\$6.911
	100%	\$8.000	\$12.324	\$12.706	\$13.071	\$13.363	\$13.638	\$13.911	\$14.189	\$14.473	\$14.762	\$15.057	\$15.359

	% Share	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	TOTAL
Markham - Stouffville	27.1%	\$4.245	\$4.330	\$4.417	\$4.505	\$4.595	\$4.687	\$4.781	\$4.877	\$4.974	\$5.074	\$5.175	\$95.25
Southlake	14.3%	\$2.240	\$2.285	\$2.331	\$2.377	\$2.425	\$2.473	\$2.523	\$2.573	\$2.625	\$2.677	\$2.731	\$50.26
York Central	13.6%	\$2.131	\$2.173	\$2.217	\$2.261	\$2.306	\$2.352	\$2.399	\$2.447	\$2.496	\$2.546	\$2.597	\$47.80
Vaughan	45.0%	\$7.050	\$7.191	\$7.334	\$7.481	\$7.631	\$7.783	\$7.939	\$8.098	\$8.260	\$8.425	\$8.593	\$158.17
	100%	\$15.666	\$15.979	\$16.299	\$16.625	\$16.957	\$17.296	\$17.642	\$17.995	\$18.355	\$18.722	\$19.096	\$351.48

Assessment Increase	2.70%	3.10%	2.87%	2.23%	2.06%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%