

# ST. JOSEPH'S HEALTH CENTRE TORONTO



## Management's Review of Operations

April 2004 to March 2005

# From the Office of the President and Chief Executive Officer

October 2005

Dear Associates,

On behalf of our entire management team, I am pleased to present this inaugural publication of the St. Joseph's Health Centre Management Review of Operations.

We view ourselves as stewards of a highly valued public trust. We see this Management Review as a key expression of our commitment to fulfill our responsibilities in the management of that trust, in the expenditure of public funds, and in the provision of quality health care services. This publication states in detail the actions we have taken in 2004/2005 in the exercise of those responsibilities, as well as our plans for the year going forward.

Last year, three key financial achievements stood out above the rest:

First, we recorded an operating surplus, the result of our own efficiencies and a one-time grant from the Ontario Ministry of Health and Long-Term Care. This performance was a factor in our designation by the Ministry as one of Ontario's "efficient pace-setter" hospitals.

Second, the multi-phase redevelopment of our physical plant is on plan and on budget. We view the improvements to date and those proposed for the years ahead as essential means of providing modern facilities that truly meet modern needs.

Third, we have improved the standard of our internal management processes through the creation of management tools such as an enhanced financial reporting system, a comprehensive risk management framework, and an accountability framework.

Underlying these accomplishments was the development and adoption of a new strategic plan designed to focus and align the organization and its financial priorities through 2008. Central to its undertaking was the invigoration of an organizational culture focused on the performance and accountability.

I am indebted to our Board of Directors and management, and to our medical, professional, administrative, and support staff for their continuing dedication to the efficient and effective management of our valued resources.



J. Kenneth Deane  
President and Chief Executive Officer

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# St. Joseph's Health Centre at a Glance

Emergency department visits	71,170
% of ER patients admitted	11.9 %
Admissions	19,376
Ambulatory care visits	201,084
Births	3,119
Diagnostic Imaging procedures	142,020
Operating Room cases	23,824
Beds	372
Average Length of Stay	6.1 days
Occupancy rate	91 %
Ambulance drop off	10,625
% of full-time nurses	69 %
Teaching days	13,389
Current ratio	1.3
Operating margin	4.4 %
Long-term debt	\$6 Million



# Mission and Values

St. Joseph's Health Centre (SJHC) is a catholic community teaching hospital sponsored by the Catholic Health Association of Ontario (CHAO) and affiliated with the University of Toronto. Employing over 2,200 staff with 280 family physicians, the hospital serves Toronto's West end community of 500,000 residents while also serving a broader community across the city, province, and country.

Our hospital embraces an interdisciplinary approach to patient care – physical, emotional, and spiritual – through five clinical programs: Family, Community, and Emergency Health; Medicine; Mental Health; Mother and Child; and Surgery.

## Mission

St. Joseph's Health Centre is a Catholic community teaching hospital providing health care services that reflect the Gospel values of respect, dignity and compassion. We are committed to fostering a healthy community for all. Working in partnership with our community, we reach out with the healing ministry of Christ to the sick, the disenfranchised and disadvantaged.

## Values

As a Catholic hospital we believe that life is sacred – from the moment of conception until death, because it has been given to us in trust by God. Recognition of the gifted nature of human life has implications for how we treat each other and how we care for every patient, while having the integrity and courage to remain faithful to who we are. For those who are not part of the Catholic religion or do not believe in God, this belief translates into respect, dignity and compassion – universally accepted human values which can be practiced by all regardless of religion.

### Human Dignity

Each person is valued as a unique individual with a right to respect and acceptance.

### Excellence

A commitment to strive for the best in care, education, research and the quality of work life.

### Compassion

A quality of presence and caring that fosters healing and wholeness.

### Community of Service

A community of people working together in a climate of mutual support that enables healing and fulfillment of human potential.

### Social Responsibility

Personally and corporately, act to promote the just use of resources entrusted to us for the enhancement of human life.

# Governance

Corporate governance is the exercise by the hospital's Board of Directors of authority, direction, and control over the hospital. The key roles of the Board are to: formulate policy, make decisions, and monitor and assess organizational processes and outcomes.

The main responsibilities of the Board include: developing a shared vision of the organization with associated goals and strategies to carry it towards the vision, hiring the CEO and Chief of Staff, ensuring the quality of patient care, ensuring the organization's financial health, ensuring the Board's own effectiveness and efficiency.

The Board is directly accountable to the Catholic Health Corporation of Ontario (CHCO) who appoints the Board to govern the organization. The CHCO holds reserve powers in certain areas in which the Board does not have final approval. Examples of reserve powers include the appointment of the Chief Executive Officer (CEO), the sale or acquisition of property, changes to the Mission of the hospital, etc. The Board discharges its responsibilities within corporate values directly and through its committees.

Over the past year the Board reviewed its governance structure and functioning in light of emerging governance best practice. The following section describes the revised committee structure that will be in place in fiscal 2006:

#### Audit Committee

This committee has the primary function to assist the Board in fulfilling its oversight responsibilities with respect to: (1) the quality, integrity and appropriateness of financial reporting; (2) the quality, integrity and performance of internal controls regarding finance and accounting; (3) the quality, performance and independence of external auditors; (4) SJHC compliance with legal and regulatory requirements; (5) in conjunction with the Quality Committee, review management's assessment of the principal financial risks of SJHC.

#### Governance Committee

This committee plays a leadership role in shaping SJHC's governance policies and overseeing the composition, structure, operation, and evaluation of the Board and its committees. The committee ensures that directors meet appropriate standards of independence developed by the committee and approved by the Board. The committee develops and recommends to the Board a set of governance principles, which the Health Centre should make public. Director candidates should be identified, evaluated and recommended to the Board by the Governance Committee. The committee should consider director candidates recommended by community organizations, directors, and other sources. The committee creates and maintains a Board-approved process for evaluating the independence, contribution, and effectiveness of incumbent directors as the basis to decide recommending those directors for re-election. The committee reviews the charters and work plans of other Board committees and recommends approval to/by the Board.

#### Quality Committee

This committee (1) ensures optimal utilization of resources and operation of the organization within its resource envelope; (2) monitors the performance of the Health Centre against pre-selected quality indicators regarding patient care, patient satisfaction, service levels, and other criteria. Quality indicators are selected by the CEO and Chief of Staff from recognized standards and best practices adopted by the Ministry of Health and Long-Term Care (MOHLTC) and Ontario Hospital Association (3) Ensures that processes are in place for identifying, monitoring, and managing risks and that they are properly communicated and effectively used; (4) ensures that contingency plans are in place to prevent shortages of professional/technical staff that can jeopardize the patient care and quality of service determined by the Health Centre's Mission and Values; (5) reviews credentialing of medical staff as proposed by the Medical Advisory Committee and recommends approval to the Board; (6) reviews Quality benchmarks; (7) and reviews Human Resource benchmarks.

#### Performance Committee

This committee (1) annually reviews the relevance, applicability, and effectiveness of the Vision and Role Statements and makes recommendations to the Board; (2) annually evaluates the degree to which employees and medical staff adhere to the Mission and Values of the Health Centre in discharging their responsibilities; annually reviews and ensures that the Mission and Values are constantly and effectively communicated to all those required; (3) contributes to the definition of strategic direction and objectives for the Health Centre towards the development and approval of the Strategic Plan; (4) ensures that annual operating plans are consistent with the strategic direction and objectives of the Health Centre; (5) monitors the performance of the Health Centre against strategic and operating objectives and goals, together with the performance of the CEO and Chief of Staff; (6) recommends to the Board the appointment of the CEO and Chief of Staff; establishes measurable annual performance objectives; appraises their performance annually; terminates their mandates if necessary; and provides for succession of these two positions.

# Program Highlights

St. Joseph's Health Centre's services are overseen through five clinical programs: Family, Community, and Emergency Health; Medicine; Mental Health; Mother and Child; and Surgery.

## Mother and Child Program

The Mother and Child Program at St. Joseph's Health Centre provides high-quality health care services to families in a comforting and caring environment. Our Children's and Birthing programs provide a family-centred approach to care that promotes informed consent, interdisciplinary teamwork, and respect for the diversity of each family's needs.

## Surgical Program

Our Surgical Program provides a wide variety of services to persons needing diagnosis and surgical treatment and includes: general surgery, gynecology, thoracic surgery, and ear nose and throat surgery. The Health Centre's ear, nose, and throat surgeons are internationally recognized for their pioneering work in endoscopic sinus surgery. This is just one of many reasons why the department is the number one placement choice for University of Toronto surgery residents.

## Family, Community and Emergency Health Program

This program is made up of a highly skilled group of health care professionals who provide an array of ambulatory services for our patients including those that meet the needs of seniors, persons with mental health and addictions concerns, and persons with kidney disease. The program also includes our 24-hour Emergency Department as well as selected After Hours Clinics.

## Medicine Program

The Medicine Program provides care to patients needing cancer treatment, rehabilitation services, critical care, cardiology services, and those with general medical concerns. The Geriatric Medicine group provides skilled and compassionate care to our large inpatient seniors population.

## Mental Health Program

Our Mental Health Program consists of Shared Mental Health Care, Crisis Intervention, a Day Treatment Program, Withdrawal Management Services, an Assertive Community Treatment Team (ACTT), the Women's Health Centre, and inpatient care for persons with serious mental illnesses.

<b>Hospital Operations: This chart includes selected metrics and the percentage increase/decrease from fiscal 2004</b>			
	2005	2004	Change
Beds & Bassinets	372	375	-0.8%
Separations	19,672	18,805	4.6%
ER Visits	71,170	64,144	11.0%
Births	3,119	2,878	8.4%
Ambulatory Care Visits	201,084	186,462	7.8%
Diagnostic Imaging Procedures	142,020	129,227	9.9%
OR Procedures	23,824	22,429	6.2%
Volumes increased from the prior year primarily due to fiscal 2004 being a SARS year.			

# Financial Performance

## Overview

Two key measures of a hospital's financial performance are current ratio and operating margin. In fiscal 2005, St. Joseph's Health Centre performed well in both areas with a current ratio of 1.3 and an operating margin of 5.9%.

The hospital's performance over the past 5 years in these key measures is as follows:

CURRENT RATIO AND OPERATING MARGIN 2001-2005					
	2005	2004	2003	2002	2001
Current Ratio	1.3	1.2	0.8	1.3	1.5
Operating Margin	5.9%	4.2%	-1.8%	0.7%	2.3%

\*May not add due to rounding

## Analysis of Working Capital

SJHC ended fiscal 2005 with working capital of \$11.4 million representing an increase of \$6.4 million over fiscal 2004.

Working Capital (\$Thousands)			
	2005	2004	Change
Current Assets	\$49,760	\$32,599	\$17,161
Current Liabilities	\$38,365	\$27,609	\$10,756
Working Capital	\$11,395	\$4,990	\$6,405
Current Ratio	1.3	1.2	

\*May not add due to rounding

This change is made up of a number of balance sheet changes:

Changes	(\$Thousands)
Item	Change
Cash and short-term investments	\$30,171
Accounts receivable	-\$13,268
Inventories	-\$9
Prepaid expenses and other assets	\$267
Accounts payable and accrued liabilities	-\$2,599
Accrued salaries, deductions, and benefits	-\$2,492
Current portion of bank loans	-\$217
Due to Ontario MOHLTC	-\$6,516
Deferred revenue	\$1,068
<b>Total</b>	<b>\$6,405</b>

\* May not add due to rounding

*Analysis of Working Capital continued ...*

Cash and Short Term Investments

Increased by \$30.1 million due primarily to the collection of the prior year receivable from the MOHLTC and the operating surplus in 2005.

Accounts Receivable

Decreased by \$13.3 million from the prior year. The receivable at March 31, 2004 included \$13.3 million from the MOHLTC for fiscal 2005 operating funding including funding under the Post Construction Operating Plan (PCOP). This amount was received in April, 2005.

Prepaid Expenses and Other Assets

Increased by \$0.3 million due primarily to the increase in insurance premiums.

Accounts Payable and Accrued Liabilities

Increased by \$2.6 million due to construction work in progress on the Main Entrance project as at March 31, 2005.

Accrued Salaries, Deductions and Benefits

Increased by \$2.5 million in fiscal 2005 due primarily to provisions for unsettled union contracts at the year end including ONA and CUPE.

Current Portion of Bank Loans

Increased by \$0.2 million. The loan to purchase the MRI (principal and interest funded by the Foundation) was fully paid as at March 31, 2005. The current portion of bank loans of \$0.6 million related to a 10 year loan arrangement entered into in April, 2004.

Due to Ontario MOHLTC

Increased by \$6.5 million primarily related to Fiscal 2005 PCOP revenue (\$6.4 million) expected to be recovered by the MOHLTC.

Deferred Revenue

Decreased by \$1.1 million due primarily to the recognition in fiscal 2005 of a portion of fiscal 2004 PCOP revenue that had been deferred in fiscal 2004.

# Analysis of Operating Results

SJHC recorded an operating surplus of \$8.6 million in fiscal 2005 compared to an operating surplus of \$5.9 million in fiscal 2004. As a public hospital in Ontario, SJHC operates under the Public Hospitals Act and has an accountability relationship with the Government of Ontario through the Ministry of Health and Long-Term Care (MOHLTC).

Certain classes of revenues and expenses are included when calculating an operating surplus or deficit for external reporting purposes that are not included when reporting an operating surplus or deficit to the MOHLTC. For both reporting purposes and analytical purposes, management segments our financials according to the following categories:

Performance By Segment				
	(\$Million)			
	2005	2004	\$ Change	% Change
Hospital Operations	10.9	7.4	3.5	32%
Commercial Operations	1.2	0.9	0.3	25%
Building Amortization and Interest on Long-Term Debt	(3.4)	(2.4)	(1.0)	29%
<b>Overall</b>		<b>5.9</b>		<b>-</b>

\*May not add due to rounding

## Hospital Operations

Includes a broad range of inpatient services, diagnostic, ambulatory, and emergency services.

The excess of revenues over expenses from hospital operations increased by 32% from the prior year due to full implementation of benchmarking initiatives and recognition of revenue from the Post-Construction Operation Plan.

## Other Votes

Programs funded by the Ministry of Health and Long-Term Care outside the unrestricted funding. These programs are primarily mental health and addiction related.

Revenues equaled expenses in fiscal 2005 and 2004.

## Commercial Operations

Includes revenues and expenses related to parking, Outpatient Pharmacy, Gift Shop, Second Cup outlet (contract relationship with franchise) and Lifeline.

Income from commercial operations increased by 25%, largely due to the impact of SARS in the previous year that reduced revenue.

## Building Amortization and Interest on Long-Term Debt

Amortization of acquisition costs of building and building service equipment net of amortization of related grants received, as well as interest on long-term debt.

Costs increased by 29% due to amortization of completed phases of the redevelopment project as well as interest costs on a long-term loan taken out for capital replenishment, in 2005.

The following table presents this segmented view of the organization's financial performance:

<b>Hospital Operations (\$Millions)</b>						
Revenues	Hospital Operations	Other Votes	Commercial Operations	Sub -Total MOHLTC Reporting Purposes	Building Amortization and Interest on LTD	Audited Financials
MOHLTC Grants	162.3	3.6		165.9		165.9
Patient Revenue	12.0			12.0		12.0
Preferred Accommodation	2.5			2.5		2.5
Other Income	7.4		4.2	11.6		11.6
Amortization of deferred contributions-equipment	2.0			2.0		2.0
Amortization of deferred contributions-building				-	1.4	1.4
<b>Total Revenue</b>	<b>186.2</b>	<b>3.6</b>	<b>4.2</b>	<b>194.0</b>	<b>1.4</b>	<b>195.4</b>
Expenses						
Salaries, wages, and benefits	126.6	3.3	0.9	130.8		130.8
Medical and surgical supplies	11.2			11.2		11.2
Drugs and medicines	7.0		1.5	8.5		8.5
Other supplies and expenses	24.2	0.3	0.6	25.1		25.1
Amortization of Equipment	6.3			6.3		6.3
Amortization of Building				-	4.5	4.5
Interest on long-term debt				-	0.3	0.3
<b>Total Expenses</b>	<b>175.3</b>	<b>3.6</b>	<b>3.0</b>	<b>181.9</b>	<b>4.8</b>	<b>186.7</b>
<b>Excess of revenue over expenses</b>	<b>10.9</b>	<b>-</b>	<b>1.2</b>	<b>12.1</b>	<b>(3.4)</b>	<b>8.7</b>

\* May not add due to rounding

# Revenue Analysis

Total revenue increased from \$184.7 million in fiscal 2004 to \$195.4 million in fiscal 2005. The changes in the revenue were as follows:

Revenue (\$ Millions)				
	2005	2004	\$ change	% change
MOHLTC Operating Grants	162.3	155.2	7.1	4%
Patient Revenue	12.0	10.9	1.1	9%
Preferred Accommodation	2.5	2.3	0.2	8%
Other Income	11.6	10.0	1.6	14%
Other Votes	3.6	3.6	0	0
Amortization of deferred contributions-equipment	2.0	1.3	0.7	35%
Amortization of deferred contributions-building	1.4	1.4	-	0%
<b>Total Revenue</b>	<b>195.4</b>	<b>184.7</b>	<b>10.7</b>	<b>5%</b>

\*May not add due to rounding

The preparation of our financial statements reflects the guidelines developed by the Canadian Institute of Chartered Accountants relating to not-for-profit organizations. The following table reorganizes the categories in the financial statement to allow for an analysis of the sources of revenue.

Revenue By Segment (\$ Millions)				
	MOHLTC	Individuals and Third Party Payers	Foundation	Audited Financial Statements
MOHLTC Grants	162.3			162.3
Patient Revenue	9.0	3.0		12.0
Preferred Accommodation		2.5		2.5
Other Income		11.6		11.6
Other Votes	3.6			3.6
Amortization of deferred contributions-equipment	1.6		0.4	2.0
Amortization of deferred contributions-building	1.0		0.4	1.4
<b>Total Revenue</b>	<b>177.5</b>	<b>17.1</b>	<b>0.8</b>	<b>195.4</b>

\* May not add due to rounding

## Ministry of Health and Long-Term Care - Revenue

The major source of revenue is the MOHLTC providing 90.8% of total revenue in fiscal 2005. This funding is made up from a number of different types of funding: operating grants, patient revenue, other votes, and funding for capital acquisitions recognized as deferred contributions. The \$162.3 million in operating grants is made up of the following elements:

<b>MOHLTC Operating Grants (\$Millions)</b>				
	<b>2005</b>	<b>2004</b>	<b>\$ Change</b>	<b>% Change</b>
Ongoing:				
Unrestricted	141.1	136.5	4.6	<b>3.4%</b>
Volume-Based	19.5	10.9	8.6	<b>78.9%</b>
Physician On-Call	1.2	1.1	0.1	<b>9.1%</b>
One-Time:				
SARS	-	4.4	(4.4)	<b>(100%)</b>
Nursing Safety	-	0.5	(0.5)	<b>(100%)</b>
PCOP Start-Up	-	1.3	(1.3)	<b>(100%)</b>
Restructuring	-	0.5	(0.5)	<b>(100%)</b>
Pacesetter	0.5	0	0.5	<b>(100%)</b>
<b>Total MOHLTC</b>	<b>162.3</b>	<b>155.2</b>	<b>7.1</b>	<b>4.6%</b>

\* May not add due to rounding

### Unrestricted Funding

Unrestricted funding increased by \$4.6 million or 3.4% from the prior year.

### Volume-Based

Volume-based funding includes funding for the MOHLTC priority programs such as dialysis, hip and knee implants, cataract surgeries and MRI scans, as well as funding for enhanced services under the Health Centre's Post Construction Operating Plan (PCOP). The increase in volume-based funding from the prior year relates primarily to PCOP volumes. The Health Centre also received \$0.6 million in fiscal 2005 to improve wait times in priority areas.

### Physician On-Call

The Health Centre serves as a paymaster for compensation to physicians for certain on-call services.

### SARS

Reimbursement was received in fiscal 2004 for incremental expenditures and lost revenue due to the SARS outbreak.

### Nursing Safety

One-time funding was received in fiscal 2004 toward creating a safer environment for nurses.

### PCOP Start-Up

Funds were received in fiscal 2004 related to the opening of new facilities (e.g. new operating rooms and ambulatory area). These funds related to the opening of the facilities and were not based on volume.

### Restructuring

Restructuring revenue was recognized in fiscal 2004 relating to a reimbursement of 85% of eligible restructuring costs in fiscal 2003. The MOHLTC stopped funding for restructuring costs commencing with those costs incurred in fiscal 2004.

### Pacesetter

\$0.5 million was received on a one-time basis in fiscal 2005 for being designated an efficient hospital. This funding was not available in fiscal 2004.

### Patient Revenue

Patient revenue from OHIP during fiscal 2005 was \$9 million, an increase of \$1 million from the prior year. OHIP revenue is derived from billings to OHIP for diagnostic procedures (e.g. X Rays) rendered to outpatients. Approximately 50% of the revenue is paid to physicians as professional fees with the Health Centre retaining the technical fee component. The increase in revenue from the prior year is due primarily to the SARS outbreak in fiscal 2004 which restricted outpatient activity.

### Other Votes

Total revenue from Other Votes was \$3.6 million in fiscal 2005 as well as in fiscal 2004. Other Votes are special programs that are separately funded on a cost reimbursement basis up to the approved annual budget by the MOHLTC. They are distinct from other hospital operations in that any funds provided for these programs are recovered by the Ministry if unspent during the year. The programs, therefore, operate on a break-even basis.

These programs consist of the following:

- Recovery Support

Working to integrate adult patients into the community with emphasis on work readiness and other rehabilitation options.

- Shared Care

Providing expertise to family physicians working with adults who suffer from mental illness, including working with the physicians to ensure ongoing stabilization of patients.

- Assertive Community Treatment

Team provides around-the-clock support outside the Health Centre to acute adult patients. Patients are referred to the program by psychiatrists and are admitted based on specific criteria.

- Psychiatric Day Hospital

Partial hospitalization program that serves as an alternative to acute inpatient care for people in crisis. It can also provide a transition for people moving from inpatient care to community care.

- Withdrawal Management

Provides residential care for people who are intoxicated, experiencing withdrawal, or in a crisis relating to their substance abuse. Once through the worst phase of withdrawal, the recovery process is initiated. For those motivated toward positive lifestyle changes, limited short stay support is provided.

- Emergency Crisis Intervention

Assessment of adult patients visiting the emergency department in a crisis situation and determining the next steps including the necessity of admission or follow-up. A crisis situation is defined as severe mental health issues requiring further specialized assessment and/or treatment.

- Psychiatric Sessional Fees

Payment of sessional fees to psychiatrists for treatment of adult, child, and adolescent outpatients. Sessional fees represent funds to reimburse psychiatrists for time not billable to OHIP, for example, conversations with patient's families.

#### Amortization of Deferred Contributions

Contributions received from the MOHLTC are deferred for capital additions to building and equipment and amortized to income on a similar basis to the amortization of the related assets. Amortization of grants increased by approximately \$0.7 million from the prior year due to additional MOHLTC grants for diagnostic equipment and equipment required under our redevelopment plan.

## Individuals and Third Party Payers - Revenue

Revenue from individuals and third parties account for the second major source of funding. The revenue of \$17.1 million can be broken down as follows:

#### Patient Revenue

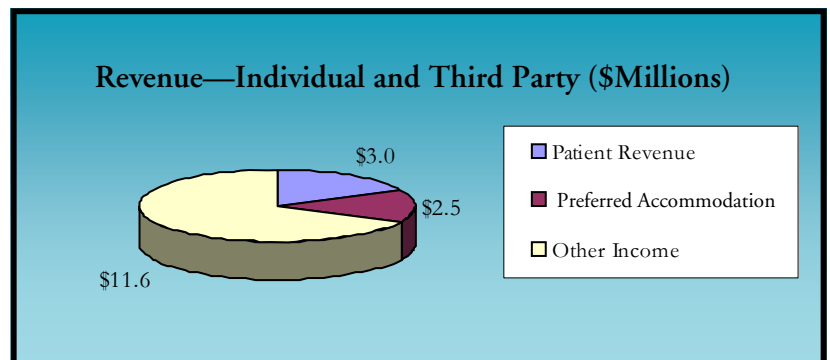
This revenue includes billings to Workplace Safety and Insurance Board for hospital treatment related to workplace injuries, billings to other provincial health ministries for out-of-province patients, revenue from the federal government for qualifying refugees, and billings to patients or insurance companies for non-residents of the country. This revenue approximated \$3 million in both fiscal 2005 and 2004.

#### Preferred Accommodation and Co-payment

This revenue relates to billings to patients or insurance companies for requested semi-private or private rooms. Revenue increased by \$0.2 million (12%) to \$2.5 million from the prior year as prior year revenue was adversely impacted by SARS.

#### Other Income

Other income increased by \$1.6 million (16%) to \$11.6 million due primarily to increased interest income, related to substantial increase in available cash, and increased revenue from commercial operations due to fiscal 2004 being negatively affected by SARS.



\*May not add due to rounding

Other Income includes:

- Commercial operations
- Recoveries from Cancer Care Ontario for Chemotherapy drugs
- Cafeteria revenue
- Interest income
- Supplier rebates and discounts
- Compensation recoveries
- Office rentals
- Patient telephone revenue
- Worker's Compensation rebates

## Foundation - Revenue

The third major source of revenue is from the St. Joseph's Health Centre (SJHC) Foundation. During fiscal 2005 SJHC Foundation provided grants of \$0.9 million that supported equipment acquisitions and building improvements.

## Grants and Amortization

The following table presents the grants received from the MOHLTC and SJHC Foundation for equipment acquisitions and building improvements. The table also shows the amount of amortized income relating to the amortization of the related assets.

<b>Grants and Amortization (\$ Millions)</b>			
	<b>MOHLTC</b>	<b>Foundation</b>	<b>Total</b>
Grants Received—Building	2.1	0.5	2.6
Grants Received—Equipment	6.0	0.4	6.4
<b>Total Grants Received in Fiscal 2005</b>	<b>8.1</b>	<b>0.9</b>	<b>9.0</b>
Amortization—Building Grants	1.0	0.4	1.4
Amortization—Equipment Grants	1.6	0.4	2.0
<b>Total Amortization in Fiscal 2005</b>	<b>2.6</b>	<b>0.8</b>	<b>3.4</b>

\*May not add due to rounding

## Expense Analysis

Total expenses increased from \$178.8 million in fiscal 2004 to \$186.7 million in fiscal 2005 as seen in table below:

<b>Expenses (\$ Millions)</b>				
	<b>2005</b>	<b>2004</b>	<b>\$ Change</b>	<b>% Change</b>
Salaries, wages, and benefits	130.8	127.3	3.5	2.7%
Medical and surgical supplies	11.2	10.2	1.0	8.9%
Drugs and medicines	8.5	8.0	0.5	5.9%
Other supplies and expenses	25.1	22.8	2.3	9.2%
Amortization of Equipment	6.3	6.7	(0.4)	-6.3%
Amortization of Building	4.5	3.8	0.7	15.6%
Interest on Long-term debt	0.3	-	0.3	100.0%
<b>Total Expenses</b>	<b>186.7</b>	<b>178.8</b>	<b>7.9</b>	<b>4.2%</b>

\*May not add due to rounding

The following table presents the major classes of expenses according to our operating segments:

Expenses (\$Millions)						
	Hospital Operations	Other Votes	Commercial Operations	Building Amortization and Interest on LTD	Reclassification of Other Votes	Audited Financial Statements
Salaries, wages, and benefits	126.6	3.3	0.9		(3.3)	127.5
Medical and surgical supplies	11.2					11.2
Drugs and medicines	7.0		1.5			8.5
Other supplies and expenses	24.2	0.3	0.6		(0.3)	24.8
Other Votes					3.6	3.6
Amortization of Equipment	6.3					6.3
Amortization of Building				4.5		4.5
Interest on Long-term debt				0.3		0.3
<b>Total Expenses</b>	<b>175.3</b>	<b>3.6</b>	<b>3.0</b>	<b>4.8</b>	<b>-</b>	<b>186.7</b>

\*May not add due to rounding

*The reclassification of the Other Votes is necessary because in the audited financial statements, Other Votes is presented as a single line expense rather than separated by nature of expense and showing compensation and non-compensation.*

## Hospital Operations

### Salaries and Wages

The Health Centre employs 2,200 staff of which 69% are unionized and are covered by collective agreements with 3 unions, Canadian Union of Public Employees (CUPE), Ontario Nurses Association (ONA) and Brewery General and Professional Workers' Union. These unions are organized into 7 bargaining units.

Salaries, wages and benefits can be broken down as follows:

Compensation (\$Millions)				
	2005	2004	\$Change	%Change
Salaries and Wages	93.5	89.1	4.4	4.9
Benefits	20.7	21	-0.3	-1.4%
Medical Remuneration	12.1	10.3	1.8	1.75%
Restructuring	0.3	2.6	-2.3	88.5%
<b>Total</b>	<b>126.6</b>	<b>123</b>	<b>3.6</b>	<b>2.9%</b>

\*May not add due to rounding

Salaries and wages account for 53% of total hospital expenses and increased by 4.9% from the prior year. Factors involved in this increase are as follows:

- Provision for ONA settlement
- Increase of 2.25% on CUPE settlement
- Across the board 2% increase for non-union
- Step increases for all categories
- Increases in certain job classes due to market pressures
- Rate premium due to increased use of nursing agency personnel

Overall full time equivalent staff (FTE's) declined slightly due to the combined effect of adding FTE's due to increased volumes funded through PCOP and reducing FTE's aimed at improving operating efficiencies based on comparisons with other Ontario hospitals.

#### Benefits

Benefits account for 12% of total expenses and decreased slightly from the prior year due to the increase in agency usage, however, this decrease was offset by higher salary costs of agency staff.

#### Medical Remuneration

The increase of \$1.8 million from fiscal 2004 is due to increased activity in outpatient clinical areas (including ER) as well as retroactive payments made during the year. Medical staff are granted privileges to provide services in the hospital but are not employed by the hospital. In certain areas the Health Centre acts as a paymaster and bills OHIP on behalf of physicians who provide diagnostic services to patients on a fee-for-service basis.

#### Restructuring Costs

Restructuring costs of \$2.6 million in the prior year consisted of severance related primarily to the Health Centre's achievement of operating efficiencies, which enabled cost savings without impacting patient care. Savings were reflected in both fiscal 2005 and 2004. FTE's in fiscal 2004 decreased by approximately 3% from the prior year.

#### Medical and Surgical Supplies

Costs increased by \$1 million (10%) from the prior year due to the following:

- Surgical activity in the prior year was restricted due to SARS,
- Surgical volumes were increased in fiscal 2005 due to the PCOP,
- Prosthesis and implant costs increased due to increased volumes of hips, knees and intra ocular lenses funded through provincial wait time strategy.

#### Drugs and Medicines

Costs increased by \$0.4 million (6%) from the prior year due primarily to inflation in drug costs as well as some increased usage.

#### Other Supplies and Expenses

Costs increased by approximately \$2 million (9%) from the prior year, due to increasing volumes for PCOP purposes, other volume increases relating to coming off a SARS year, substantial increase in insurance costs, opening of the offsite dialysis unit and facility renovations during fiscal 2005.

Costs in this category include:

- Laundry services
- Utilities
- Insurance
- Equipment and software maintenance
- Food (patient and non-patient)
- Laboratory supplies
- Equipment and facility rental
- Renovations
- Professional fees

#### Amortization of Equipment

Amortization costs declined by \$0.4 million (6%) from the prior year due to fully depreciated assets (information technology related).

Laundry services are provided by Booth Centennial Healthcare Linen Services, a not-for-profit entity owned and operated by 23 hospitals. Employing 500 staff and processing 22 million kilograms of laundry annually, this shared service was expanded and merged in 1995. Shared laundry services was one of the first horizontal integration efforts in Ontario and there are now 4 shared laundries serving Ontario hospitals.

The Health Centre is a member of HealthPRO Procurement Services, which is a national group purchasing organization with purchasing volumes of \$580 million dollars annually. Participation in HealthPRO contracts allows its members the benefits of the lowest commodity pricing for the highest quality products, the ability for clinical input, and for annual dividend returns.

## Other Votes

Other votes in fiscal 2005 consisted of 92% staff compensation with little change in cost from the prior year.

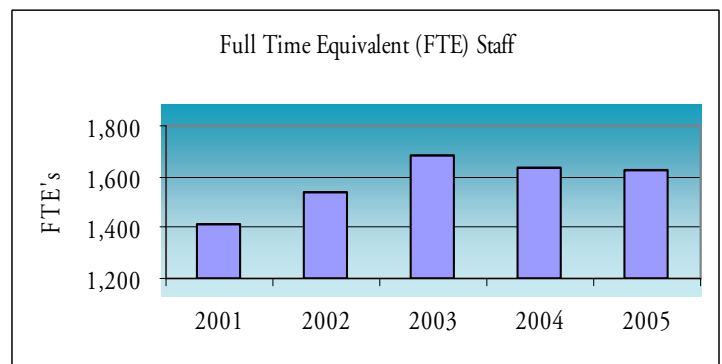
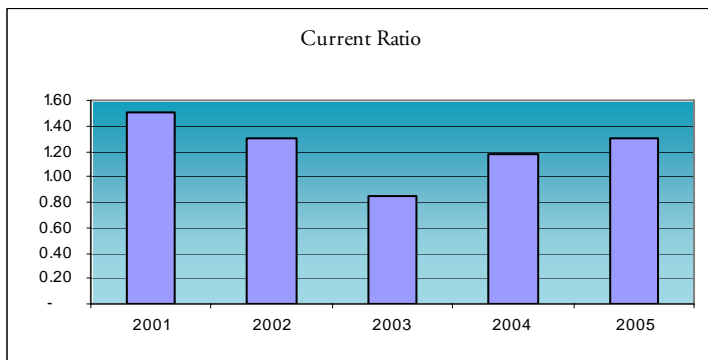
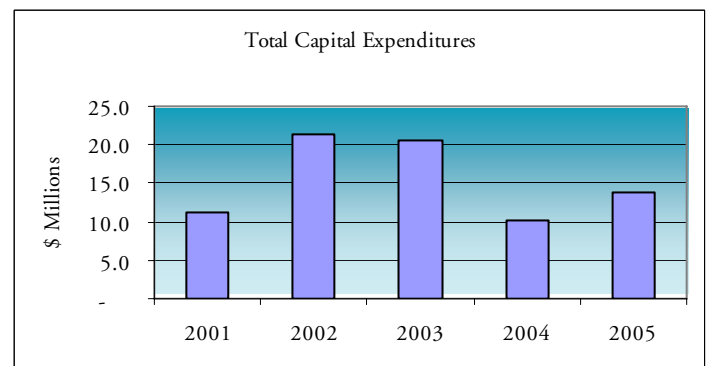
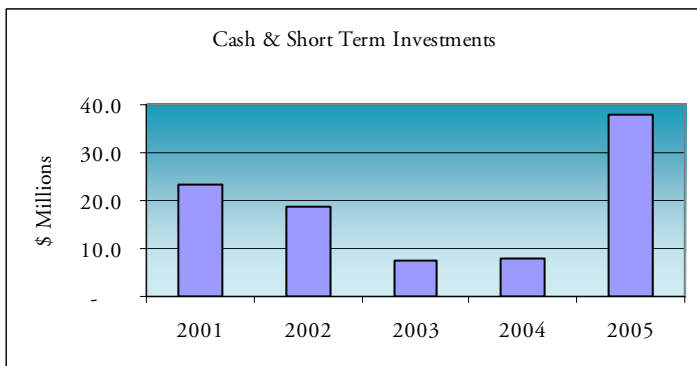
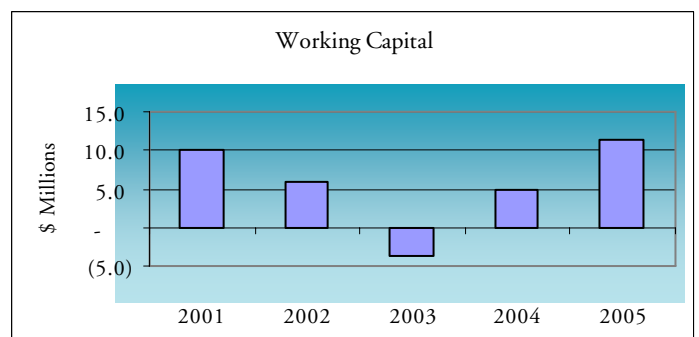
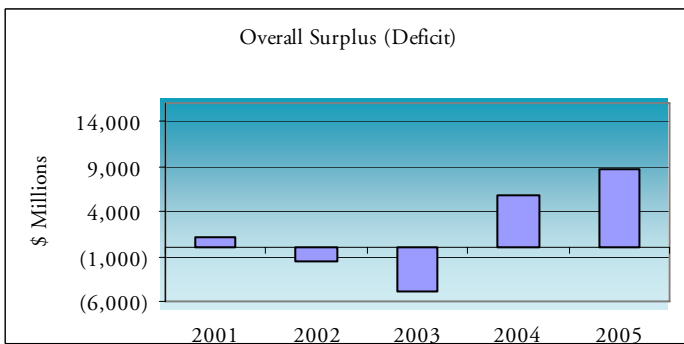
## Commercial Operations

Total expenses from commercial operations increased by \$0.3 million (13%) from the prior year as activity was curtailed in the prior year due to SARS.

## Building Amortization and Interest on Long-Term Debt

Building amortization costs increased by \$0.7 million (18%) from the prior year as components of the redevelopment project were completed and costs amortized. Interest increased by \$0.3 million due to a loan advanced during the year that will be repaid through proceeds from commercial operations.

# Trends - Consolidated

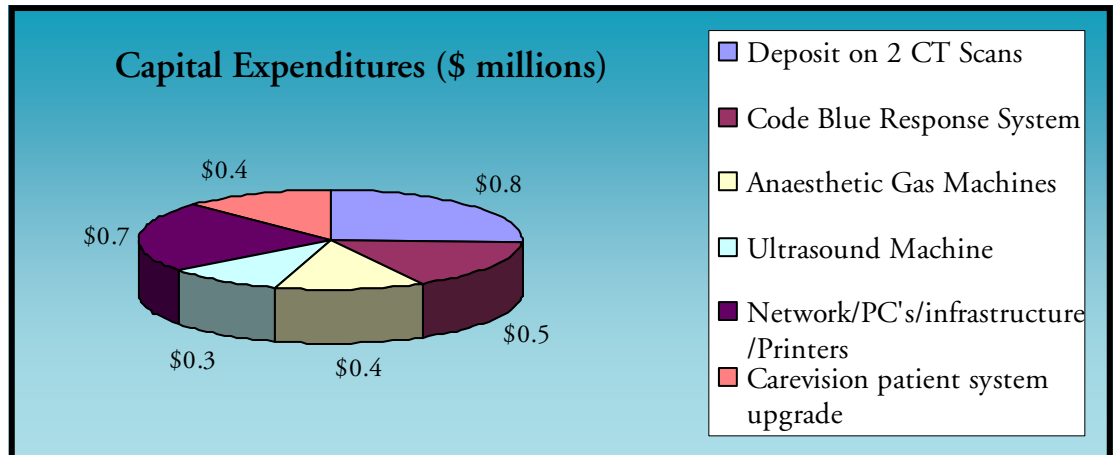


# Capital Expenditures

Capital expenditures are financed through cash from operations, MOHLTC and SJHC Foundation grants.

Total capital additions in fiscal 2005 were \$13.8 million including \$8.1 million on the redevelopment project related primarily to construction costs for the main entrance and 7th floor mental health project, and \$5.7 million on equipment acquired as part of annual equipment plan.

Examples of equipment expenditures are as follows:



\*May not add due to rounding

## Managing For Performance

The Sisters of St. Joseph, a group of women dedicated to service, founded St. Joseph's Health Centre with a specific purpose and Mission: to meet the needs of patients and the community in a manner that reflects the Gospel values of respect, dignity, and compassion.

As an organization with a purpose and a Mission, we are accountable for fulfilling that purpose and Mission. During the past year, 4 areas of focus were identified as success factors or key results areas—those areas in which we need to perform well in order to fulfill our purpose and Mission, and our accountability for quality, safety, and efficiency:

Outstanding Quality and Service— "A superior patient care experience"

**We provide effective health services with dignity and respect:**

- We respond to the unique needs of our diverse, multicultural and socio-economic community.
- We are committed to excellent clinical outcomes and advancing the patient and family experience of care.
- We use best practice and innovation, supported by measurement and evaluation, to improve the quality, satisfaction and safety of patient care.

Dynamic Environment— "A great place to work"

**We provide a progressive environment that fosters teamwork and enables each person to excel in his or her role:**

- In keeping with our Catholic heritage, we foster a safe, compassionate and trusting culture where diversity is embraced and each person is treated with dignity and respect.
- We create the opportunity for personal and professional growth through progressive leadership and the provision of appropriate resources and facilities.

### *Managing for Performance continued ...*

- We offer the best community-based setting for the advancement of academic activities in the pursuit of excellence in patient care.

Effective Linkages— “A valued partner”

**We reach out and link with others to promote a healthy community:**

- We work with others to facilitate access to the full continuum of care.
- We draw upon our staff, technologies and service to respond to the health care needs of our community, consistent with our strategic plan.
- We are a responsible and considerate neighbour and demonstrate concern for the community’s welfare.

For each expected outcome, the organization established corporate objectives to 2008 and annual milestones to achieve the 2008 objectives. In addition, performance indicators have been established that provide measures of accomplishment and performance. In this way we are able to manage for performance with a focus on quality, safety, and efficiency.

Outstanding Quality & Service:

By 2008, we will be known as the leader in patient experience of care (access, patient flow, service) for community teaching hospitals;

Excellent Performance:

By 2008, we will be known for the innovative use of resources while maintaining responsible fiscal management;

Dynamic Environment:

By 2008, we will be the “workplace of choice” known for personal and professional growth, team excellence, academic achievements and state-of-the-art facilities; and

Effective Linkages:

By 2008, we will be known as a leader in effective linkages and partnerships that foster a healthier community.

## **Risk Management and Management Controls**

Due to the nature of health care, risk is a constant issue. The management of risk is of critical importance and in recognition of this importance, management undertook the development of a risk framework in 2004/2005 with the assistance of Deloitte & Touche. This framework forms the basis of a systematic and disciplined approach to risk management. Through this initiative, the management team identified the areas of dominant and significant risk, and this will be updated annually. Based on the risk framework, the management team prioritized the risks and grouped the top 10 in three larger risk categories:

- Financial and business practices
- Quality of care
- Human resources

For each of the risk categories, best practice attributes were identified for primary control areas, thereby, creating the management control framework. This framework gives management and the Board a focused tool to oversee the areas of evaluation and testing in each year and cumulatively on a three to four year rolling period. Our plan is to annually test areas that are representative of the three broad risk categories.

# Looking Ahead

In 2005/2006, a central focus will be the alignment of our resources with the new three-year plan. In particular, we will look to management at all levels to make progress on the plan's four success factors and operating objectives in fulfilling our accountability for quality, safety, and efficiency.

In addition, we will continue with the progress to date of carefully measuring the success of these factors and objectives through a series of well-defined operating metrics.

This year and next, we will add to our successes in creating operational efficiencies through processes involving an enhanced financial reporting system, a comprehensive risk management framework, and a strategically focused information model.

In operational terms, we will carefully manage expense control this year, including interest charges on our 2005 bank loan. Given these measures and reasonably predictable funding from the Ontario Ministry of Health and Long-Term Care, we plan to achieve a balanced operating budget.

With the introduction of Local Health Integration Networks and our own focus on community integration, we look forward to increasing our involvement in cooperative and joint regional undertakings and partnerships, in support of both improved service and operational efficiencies.

## St. Joseph's Health Centre's Board of Directors April 2004 to March 2005:

Joseph Calderone

Chris Compeau, M.D.

Dave Davis, M.D.

J. Kenneth Deane

John DeMarco

Barbara Franklin

Sister Roberta Freeman

Tom Harmantas, M.D.

Rev. Michael Hughes

Shoba Khetrpal

Michael Lang, *Vice Chair*

Marcelo Mackinlay, *Vice Chair*

Don McDermott

Carol Perry, *Chair*

Sister Anne Purcell

Almerinda Rebelo

Richard Ross

John Spekkens

Charlotte Stanton

Marica Varga, M.D.

# St. Joseph's Health Centre's Senior Management April 2004 to March 2005:

Carolyn Baker  
Vice President Clinical Programs

Dr. Tom Harmantas  
Chief of Staff

Robert DaCosta  
Vice President Organizational Development  
and Community Linkages

Hazel Markwell  
Director Clinical Ethics

J. Kenneth Deane  
President and CEO

Dale McGregor  
Vice President Corporate Services  
and Chief Financial Officer

Vas Georgiou  
Vice President Operations and Clinical Support

Jane Mosley  
Chief Nursing Executive and Interdisciplinary  
Practice Leader

Len Gamache  
President of St. Joseph's Health Centre Foundation