

The Regional Municipality of York

Committee of the Whole
Finance and Administration
June 11, 2020

Report of the Commissioner of Finance

Hospital Capital Funding for 2020

1. Recommendations

Council receive this report for information.

2. Summary

The purpose of this report is to update Council on the 2019 Paramedic Services off-load times for the approved hospital projects and report on the 2020 contribution to the hospital reserve based on final 2019 assessment growth.

Key Points:

- All of the regional hospitals met the 30 minute off-load target in 2019
- The 2020 reserve contribution will be \$6.968 million to support existing hospital commitments

3. Background

York Region has a long history of contributing to hospital capital expansions

Municipal contributions to capital costs for hospital expansions started prior to the formation of The Regional Municipality of York. Prior to the signing of the 2009 Hospital Capital Funding Memorandum of Understanding (MOU) between the Regional Municipality of York and the hospitals in the Region, the Region had contributed a total of \$113.4 million to hospitals for expansions and capital projects in the Region.

Currently, the Province funds up to 90 per cent of eligible capital costs, which largely consist of the “bricks and mortar” of hospital construction. The remaining 10 per cent of eligible costs are funded by the local share from “community sources,” including York Region, the hospital and the broader community through the hospital’s charitable foundation. All other costs, such as equipment, are also funded from community sources.

Once eligible costs and ineligible costs are accounted for, the provincial share accounts for approximately 65 to 75 per cent of the total cost of constructing a new hospital. The local share accounts for approximately 25 to 35 per cent.

In 2009, Council approved annual contributions for capital funding until 2031

On [October 22, 2009](#), Council authorized the execution of a Memorandum of Understanding (MOU) with the hospitals in the Region and all parties signed on November 19, 2009. This MOU expires on December 31, 2031. The signed MOU is available in Attachment 3 to the [Mackenzie Vaughan Hospital Capital Funding](#) report approved by Council on October 19, 2017.

The MOU projects included the construction of the Vaughan Health Campus of Care, the expansion of Markham Stouffville Hospital, the cancer care clinic project at Southlake Regional Health Centre and funding for a future project at York Central Hospital Association.

In 2011, the Vaughan Health Campus of Care executed an agreement to redirect its share of Regional funding to York Central Hospital Association because York Central Hospital Association was mandated by the Province to construct the new Vaughan hospital. All parties of the MOU consented to this arrangement.

In 2012, York Central Hospital Association changed its name to Mackenzie Health.

Table 1
Annual Capital Contributions to Hospital Financing Reserve
(Not indexed in 2009 dollars)

Hospital	% Share	2009 Contribution (\$Millions)	2010 – 2031 Annual Contribution (\$Millions/year)*
Markham Stouffville Hospital Corporation	27.1	2.168	3.252
Southlake Regional Health Centre	14.3	1.144	1.716
Mackenzie Health:			
Mackenzie Richmond Hill Hospital	13.6	1.088	1.632
Mackenzie Vaughan Hospital	45.0	3.600	5.400
Total	100.0	8.000	12.000

*Not indexed.

In 2019, Council approved reduction in reserve contributions to cover only existing commitments

On December 19, 2019, Council approved a reduction in reserve contributions to support a level that covers only existing hospital commitments ([Report item H.2](#)). The focus on committed projects would result in tax levy savings to help offset various pressures identified as part of the 2020 to 2022 Budget. Accordingly, the Region has provided the hospitals with one year's written notice of the termination of the MOU.

Three Council-approved projects remain financial commitments of the Region despite a termination of the MOU:

- Cancer care clinic project at Southlake Regional Health Centre
- Redevelopment project at Markham Stouffville Hospital Corporation
- Mackenzie Vaughan Hospital project at Mackenzie Health

Release of funds for an approved hospital project would be subject to verification of eligible costs and annual average off-load reporting requirements. Currently, the new Mackenzie Vaughan Hospital is under construction and not yet operational.

Regional contributions are reduced if off-load delay targets are not met

To help manage the costs of Paramedic Services, the Region tied contribution levels to progress on reducing processing time for emergency patients.

The MOU provides that in the event the 30 minute Paramedic Services off-load delay targets are not achieved, York Region may, at the discretion of Council, reduce hospital funding by an amount approximating the additional operating costs incurred by Paramedic Services for the time above the targets.

Since 2009, Council has made a total reduction of \$3.1 million in hospital funding due to hospitals not meeting their off-load delay targets. However, since 2015, all hospitals have met the off-load target.

4. Analysis

After indexation, the Region's contribution to the reserve for 2020 is \$7 million

The MOU contains a provision that adjusts the Region's annual Hospital Financing Reserve contribution by the rate of change in its prior year's assessment growth. Through the 2020 Budget, Council approved to set aside \$7 million for 2020 to support existing hospital commitments. The annual reserve contribution of \$7 million is already indexed to the prior year's assessment growth.

Assuming the Region's annual assessment growth is approximately 1.5 per cent from 2021 to 2031, the forecasted total cumulative Regional contribution to the Hospital Financing Reserve would be approximately \$223 million (Attachment 1). Actual contributions will vary

subject to actual assessment growth and imposition of further delay reductions if targets are not met.

In 2019, all three regional hospitals met the off-load target of 30 minutes

In 2019, all three regional hospitals met the 30 minute average target time. Table 2 outlines the hospitals' off-load performance for 2019.

Table 2
2019 Patient Transport Volumes and Average Off-Load Times

Hospital	Number of Transports	Average Off-Load Times at Hospital per Transport (minutes)	Time Over 30 minute Target (minutes)
Markham Stouffville Hospital Corporation	10,913	21	0
Southlake Regional Health Centre	16,195	24	0
Mackenzie Health:			
Mackenzie Richmond Hill Hospital	24,158	18	0

As a result of meeting the processing time targets, the Region will not reduce the 2020 reserve capital contribution of \$6.968 million. Table 3 allocates the reserve contribution by hospital to fulfil existing commitments.

Table 3
2020 Capital Contribution to Hospital Financing Reserve (\$ Millions)

Hospital	2020 Contribution to Reserve	Off-Load Delay Reduction	2020 Contribution to Reserve
Markham Stouffville Hospital Corporation	0.122	0	0.122
Southlake Regional Health Centre	0	0	0
Mackenzie Health:			
Mackenzie Richmond Hill Hospital	0	0	0
Mackenzie Vaughan Hospital	6.846	0	6.846
Total	6.968	0	6.968

The Region has paid \$71.8 million for the three approved hospital projects

By the end of 2019, the Region has paid three hospitals \$71.8 million for the approved projects under the 2009 MOU (Table 4).

At the end of 2019, the Region's remaining commitment to Markham Stouffville and Mackenzie Vaughan Hospitals was estimated to be \$150.9 million. This estimate includes forecasted adjustments for future assessment growth (2020-2031).

Table 4
Payments to Hospitals for the three approved projects

Hospital	Approved commitment (\$M)	Payments (2009-2019)		Remaining commitment (\$M)
		(\$M)	(%)	
Markham Stouffville Hospital Corporation	50.9	38.8	76.2	12.1
Southlake Regional Health Centre	17.4	17.4	100.0	0
Mackenzie Vaughan Hospital*	154.4	15.6	10.1	138.8
Total	222.7	71.8	32.2	150.9

*Mackenzie Vaughan Hospital's full share under the MOU is estimated at \$154.4 million, including forecasted future adjustments for assessment growth.

Investment in hospital capital projects supports the Region's Strategic Plan

Investing in hospital capital projects and working with the hospitals to reduce off-load delays supports the 2019 to 2023 Strategic Plan objective to improve access to health and social support services.

5. Financial

The 2020 Regional contribution for hospital funding is included in the approved 2020 Budget

On December 19, 2019, Council approved the 2020 operating budget ([Report item G.5](#)), which included a contribution of \$6.968 million for the Region's Hospital Financing Reserve to fulfil existing commitments.

6. Local Impact

Growing municipalities need increased hospital capacity

The provincial Places to Grow legislation sets a target for population for the Region of 1.79 million by 2041. The combination of high pace of growth with an aging demographic increases the need to support and increase hospital capacity to provide appropriate levels of health care.

Residents in the local municipalities benefit from improved access to health care

The Region's contribution to fund hospital capital projects will provide residents in local municipalities with improved access to health care. Also, Regional incentives to achieve an annual average target off-load time promote more timely access to health care for residents.

7. Conclusion

All three regional hospitals met the off-load delay target in 2019. The Region continues to set aside capital funding to fulfil its existing commitments to Markham Stouffville and Mackenzie Vaughan Hospitals.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by: **Laura Mirabella, FCPA, FCA**
Commissioner of Finance and Regional Treasurer

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

May 28, 2020
Attachment (1)
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