

# **The Regional Municipality of York**

Committee of the Whole  
Finance and Administration  
May 9, 2019

Report of the Commissioner of Finance

## **Hospital Capital Funding for 2019**

### **1. Recommendations**

Council receive this report for information.

### **2. Summary**

This report updates Council on the allocation of the \$14.991 million contribution approved in the 2019 Budget to the participating hospitals. The allocation is in accordance with the 2009 Hospital Capital Funding Memorandum of Understanding (MOU) between the Regional Municipality of York and four hospitals, as outlined in Table 3 of this report

### **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 MOU, 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 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 [Mackenzie Vaughan Hospital Capital Funding](#) report approved by Council on October 19, 2017.

The MOU is the Region's commitment towards providing stable funding for a portion of the local share for York Region's hospitals' capital construction projects. These projects included the construction of the Vaughan Health Campus of Care, the expansion of Markham Stouffville Hospital, Southlake Regional Health Centre and 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.

In essence, the funds designated for York Central Hospital Association were repurposed to the Mackenzie Richmond Hill Hospital and the funds designated for the Vaughan Health Campus of Care were redirected to the Mackenzie Vaughan Hospital.

The MOU committed the Region to set aside \$12 million annually beginning in 2010 with an \$8 million contribution in 2009. Also, the Region agreed to index the \$12 million annual contributions based on prior year's assessment growth or decline. The MOU also stipulates these funds be set aside in a reserve and the interest earned on this reserve is to be used as a partial offset to the Region's annual contribution.

The distribution of the Region's contribution between the four hospitals was based on capital construction projects anticipated between 2009 and 2026 at the time the MOU was signed. In 2007, the province announced support for planning for new hospital in Vaughan and as a result, the Vaughan Health Campus of Care received the largest share allocation of 45 per cent (Table 1) in the 2009 MOU. The hospitals 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. The MOU annual contributions amongst four hospitals detailed in Table 1 are in 2009 dollars and do not include the index based on the Region's prior year's assessment growth or decline.

**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
<b>Total</b>	<b>100.0</b>	<b>8.000</b>	<b>12.000</b>

\*Not indexed.

### **Council approval would be required to fund eligible hospital capital projects under the MOU**

The MOU requires the hospital to obtain provincial project and funding approval prior to requesting draws from the Region's commitments under the MOU. Council approval would be required to fund any further hospital capital projects under the MOU. Release of funds for an approved hospital project would be subject to verification of eligible costs and annual average off-load reporting requirements.

Although the Region sets aside hospital funding under the MOU, Council may at its discretion, terminate the MOU by providing hospitals with one year's written notice. A cancellation would preclude funding of additional projects. However, any hospital projects already approved by Council would remain financial commitments despite a termination of the MOU.

### **Currently, three projects are eligible for capital funding under the MOU**

Council has approved three projects under the MOU: the Cancer Clinic at Southlake Regional Health Center, the Markham Stouffville Hospital Redevelopment project and the Mackenzie Vaughan Hospital project.

The Southlake project was approved for \$17.4 million and all of its funding has been paid out. Markham Stouffville received approval for \$50.9 million and by the end of 2018 has received \$30.7 million in funding. In 2017, Mackenzie Vaughan received Regional Council approval for its full share under the MOU, which is approximately \$143.0 million before future adjustments for assessment growth. By the end of 2018, Mackenzie Vaughan has received \$11.8 million.

### **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. All of the MOU signing partners agreed to off-load delay targets for each year, reaching 30 minutes by 2014, a standard that holds until 2031.

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 (Attachment 1). However, since 2015, all hospitals have met the off-load target.

## **4. Analysis**

### **After indexation, the Region's contribution to the reserve for 2019 is over \$14.9 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. The MOU committed the Region to set aside \$8 million in 2009, and a further \$12 million per year starting in 2010. The annual contribution is indexed to the previous year's assessment growth, and by 2019 has grown to an annual contribution of \$14.991 million.

Assuming the Region's annual assessment growth is approximately 1.5 per cent from 2019 onwards, the forecasted total cumulative Regional contribution to the Hospital Financing Reserve through to 2031, net of \$3.1 million in previous Council approved off-load delay reductions, would be approximately \$341 million (Attachment 1). Actual contributions will vary subject to actual assessment growth and imposition of further delay reductions if targets are not met.

### **In 2018, all three regional hospitals met the off-load target of 30 minutes**

In 2018, all three regional hospitals met the 30 minute average target time. Table 2 outlines the hospitals' off-load performance for 2018.

**Table 2**  
**2018 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	10,455	22	0
Southlake Regional Health Centre	16,479	23	0
Mackenzie Health:			
Mackenzie Richmond Hill Hospital	23,817	18	0

As a result of exceeding the processing time targets, the Region will not be reducing the 2019 capital contribution (Table 3).

**Table 3**  
**2019 Capital Contribution to Hospital Financing Reserve**

Hospital	2019 Contribution to Reserve (\$ Millions)	Off-Load Delay Reduction (\$ Millions)	2019 Contribution to Reserve (\$ Millions)
Markham Stouffville Hospital Corporation	4.062	0	4.062
Southlake Regional Health Centre	2.144	0	2.144
Mackenzie Health:			
Mackenzie Richmond Hill Hospital	2.039	0	2.039
Mackenzie Vaughan Hospital	6.746	0	6.746
<b>Total</b>	<b>14.991</b>	<b>0</b>	<b>14.991</b>

## **The MOU 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 2019 Regional contribution for hospital funding is included in the approved 2019 Budget**

On February 28, 2019, Council approved the 2019 operating budget ([Report item G.3](#)), which included a contribution of \$14.991 million for the Region's Hospital Financing Reserve.

## **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.

### **Regional contributions to hospital funding improves access to timely health care**

The Region's contribution to fund hospital capital projects will provide residents 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**

The Region continues to set aside capital funding for hospitals through annual contributions to a Hospital Financing Reserve in accordance with the MOU.

This contribution will fund hospital capital projects that provide residents with improved access to appropriate and timely health care. Currently, Council has approved three projects for capital funding under the MOU. Additional hospital projects would require Council approval for capital funding under the MOU.

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

Recommended by:

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Approved for Submission:

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Attachment (1)  
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