Ontario Local Health Integration Network

JPRC

OHA Ontario Hospital Association — Delivering on the promise of health care.

Ontario

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# Hospital Service Accountability Agreement Update

## Frequently Asked Questions:

## 2008-10 Hospital Service Accountability Agreement (H-SAA)

*Responses to the following questions were jointly prepared by the Ontario Hospital Association (OHA) and the Local Health Integration Networks (LHINs), execpt for the process-related questions, which were prepared by the LHINs.*

### PROCESS

**In this issue**



*This document will be updated as needed. For more information, please contact your local LHIN.*

**Q1** The agreement speaks to factors beyond the control of the hospital and the ability not to have to submit an improvement plan. Is there a process established to resolve the factors beyond the control of the hospital?

**A1** A factor beyond the control of a hospital, defined in s. 2.1, is a factor that may or will affect the hospital's ability to fulfill its obligations ("performance factors") under the Hospital Service Accountability Agreement (H-SAA). This type of factor is called a "Performance Factor." The process for addressing Performance Factors is set out in s. 9 of the H-SAA. LHINs and the hospitals agree to follow a proactive and responsive approach to performance management and improvement. As outlined in s. 9, if a LHIN determines that a performance factor is beyond the control of a hospital, it will collaborate with the hospital to develop and implement a mutually-agreed upon joint response plan which may require an amendment to the hospital's obligations under the agreement. In such cases, the hospital will not need to submit an improvement plan or be deemed to have breached the terms of the agreement for the purposes of the *Commitment fo the Futre of Medicare Act* (CFMA).

**Q2** Will there be any flexibility with the March 31st deadline for signing the H-SAA?

**A2** No. LHINs must have hospital service accountability agreements in place by March 31st in order to continue to provide funding to hospitals. This accountability requirement is set out in the Transfer Payment Accountability Directive, copies of which were provided to hospitals by their LHINs last year. For a copy of the Directive, please contact your LHIN.

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## Q 3 Will the Ministry of Health and Long-Term Care (MOHLTC) be monitoring the agreement or the negotiations in any way?

**A 3** The Hospital Service Accountability Agreement is an agreement between the hospitals and the LHINs. The MOHLTC is not a signatory to the H-SAA and is not involved in the negotiations.

## Q 4 What will a LHIN do if the hospital does not sign the H-SAA by March 31st.?

**A 4** The actions taken by a LHIN on April 1, 2008 will depend upon the individual LHIN and its assessment of the circumstances it faces. The LHIN is prohibited from providing funding to a health service provider without a signed service accountability agreement. LHINs have authority under the CFMA to require a provider to sign an agreement. In such circumstances, the LHINs may also impose the terms of the agreement.

# FUNDING

## Q 5 Will multi-year funding announcements be considered (this continues to be a planning challenge)?

**A 5** Under the *Local Health System Integration Act* (LHSIA), LHINs are required to enter into multi-year accountability agreements with the MOHLTC. The MLAAs are public documents and must include, among other things, a plan for spending the funding allocated to the LHIN based on the expenditure estimates submitted annually to the Ontario legislature for approval. While it is up to each LHIN to determine the terms and conditions for funding local health services providers, LHINs appreciate the importance of a multi-year horizon for planning and funding and will continue to facilitate both through the publication of the next iteration of the Hospital Annual Planning Submission (HAPS) Guidelines and announcement of the planning allocations for 2010-11 and planning targets for 2011-12 no later than June 30, 2009, or 14 days after confirmation from the MOHLTC.

## Q 6 Is the 2008/09 Operating Base funding that was previously announced still subject to change in the future? If so, is it possible to see it decrease for some organizations, or would it only increase?

**A 6** Section 5 of the H-SAA sets out the terms and conditions under which hospital funding is allocated including confirmation, increases, decreases and adjustments. Once funding has been confirmed it is subject to adjustment that may result in either increases or decreases in accordance with s. 5.4, s. 5.5 and s. 5.6 of the H-SAA.

## Q 7 May a hospital and a LHIN sign an agreement if the first year is balanced but not the second due to second year funding not being sufficient?

**A 7** A hospital must achieve and maintain a balanced budget for each fiscal year of the H-SAA. A balanced budget is defined in the agreement as "in a given fiscal year, the total corporate revenues (excluding inter-departmental revenues and facility-related deferred revenues) of the Hospital are greater than or equal to the total corporate expenses (excluding inter-departmental expenses and facility-related deferred expenses) of the hospital when using the consolidated corporate income statements (all fund types and sector codes)." Section 6.1.3 does enable the LHIN to waive the obligation to achieve a balanced budget in limited circumstances but hospitals must have LHIN approval for a plan to achieve a balanced budget within a defined period of time, and comply with subsequent monitoring requirements.

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## Q 8 What is the impact of a hospital's ability to sign a two year agreement if future funding does not keep pace with inflation?

**A 8** Hospitals were given planning allocations and through the HAPS negotiations will be able to adjust the volume of services accordingly.

## Q 9 With this being a two year contract, will there be an opportunity for a refresh to adjust the HAPS and possibly the H-SAA to reflect changed circumstances?

**A 9** Yes. In the past, the Schedules have undergone an update or data refresh during the life of the agreement. This will continue to happen. The funding allocations announced to date include an allocation and a planning target. As the outcome of the government results-based planning process and the actual allocations become known, there may be an adjustment to the dollars allocated to the LHIN. This could have an impact on the final allocations to hospitals and entail a renegotiation of the Schedules.

## Q10 How is working capital addressed in the H-SAA?

**A 10** Working capital is currently monitored through the Current Ratio Performance Indicator in the H-SAA. The working capital deficit in Ontario has been in development for some time, and it will be some time before it gets resolved. In the meantime, hospitals will continue to be monitored on a balanced set of indicators emphasizing not only Financial Health but also Organizational Health, Patient Access and Outcomes and System Integration.

## Q11 How are community mental health and addictions (Fund Type 2) services addressed in the H-SAA?

**A 11** All sector codes and fund types are included in the calculation of the Current Ratio and Total Margin Performance Indicators in order to provide an overall picture of the financial health of the hospital corporation. Therefore, from a financial perspective, Fund Type 2 services are already included. As LHINS and hospitals move forward on future iterations of the H-SAA, consideration will be given to including indicators and volumes related to Fund Type 2 services, including community mental health and addictions.

### INSURANCE

## Q12 Why does the H-SAA include insurance and indemnity provisions?

**A 12** These provisions are risk management tools that are used to ensure that a larger share of the risk inherent in a contract, is appropriately allocated to the party best able to control that risk. Reduced to its most basic elements, the LHIN-hospital relationship is one of funder and provider. The transfer of funding is a low-risk activity. The provision of health care services to third parties is a complex, high risk, activity requiring a high level of expertise at all service delivery levels. As the delivery of services is under the control of the hospital, it is appropriate that the hospital bear the risk inherent in the provision of the services.

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## COMMUNITY ENGAGEMENT

### Q13 Is it not true that the LHSIA identifies that the LHIN has primary responsibility to conduct Community Engagement? If so, doesn't s. 7.2 of the H-SAA template "download" this responsibility to hospitals?

**A 13** Section 16(6) of LHSIA requires that Health Service Providers "engage the community of diverse persons and entities" (i.e, local residents, patients, service providers and employees) when developing plans and setting priorities for the delivery of health services. Hospitals can utilize a number of methods for engaging communities and are encouraged to work with their LHIN to determine the methods best suited for their communities.

## PLANNING AND INTEGRATION

### Q14 With respect to planning, what is the obligation of hospitals vis-à-vis LHINs?

**A 14** Pursuant to s. 7.3 of the H-SAA, hospitals must inform their LHIN if they are planning to "significantly reduce, stop, start, expand, cease to provide or transfer" services to another hospital or another site. They must also inform LHINs if they intend to use their surplus to start or expand clinical services (see s. 5.6.4). This reflects the expectation that the hospitals are actively collaborating and participating in the planning at the local level and that they will work with their LHINs on any plans they might have for changing services.

### Q15 How does the Health System Improvement Pre-Proposal (H-SIP) tie into the agreement? Is H-SIP the process to follow for communication with the LHIN?

**A 15** H-SIP is not referenced in the H-SAA. It is a LHIN planning tool designed to facilitate the review of a health service provider's proposed service plans and integration activities to ensure that these are consistent with the LHIN's IHSP and health system goals. H-SIP is part of the HAPS process and gives a 'heads up' to the LHINs for what a hospital is planning or thinking about, without going through the full detail of developing a business plan. Unless a hospital is advised otherwise by its LHIN, the H-SIP is intended to be used primarily to propose integration activities and service changes. For more information, please contact your LHIN.

### Q16 When does a hospital need to seek LHIN approval for proposed changes in service?

**A 16** The H-SAA states that LHIN approval is required in circumstances where it impacts the hospital's ability to meet a performance obligation (see s. 6.2). There are also legislative obligations. Under LHSIA, there is a requirement that all health providers identify integration opportunities, including those related to stopping, starting or changing services. Once they have identified an initiative and wish to move forward with this initiative, the Act requires them to seek LHIN approval when the proposed integration initiative involves another entity, i.e., another health service provider (see s. 27).

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## REPORTING

**Q17** In Schedule B, Appendix 1, the Hospital Calendarized Reporting Chart, indicates a new MIS reporting requirement detailing opening balance sheet reporting (we assume you mean closing March 31st reporting) is due April 20th. Currently there is no MIS reporting due between Q3 (as at Dec 31) and May 31st (as at March 31). Is it intended that the new April 20th MIS reporting requirement represent final fiscal year-end reporting? This will be a challenge as the auditors will not have begun their year-end work and the information is not presented to the hospital board either by April 20th.

**A 17** The OHA and LHINs are currently reviewing the reporting requirements with a view to releasing a revised Hospital Calendarized Reporting Chart in early February.

**Q18** Is there any possibility of altering the planning cycle as the HAPS is due prior to data from the 2nd quarter being available and the timing results in two major submissions (2nd Quarter and HAPS) both being due at the same time?

**A 18** No, the HAPS deadline cannot be changed at this time. Hospitals are encouraged to plan and allocate internal resources accordingly.

# Hospital Service Accountability Agreement *Update*

*Hospital Service Accountability Agreement Update* is published by Ontario's Local Health Integration Networks, in collaboration with the JPPC, Ministry of Health and Long-Term Care and the OHA.

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If you have specific questions related to your Hospital Annual Planning Submission, contact your local LHIN.

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