



July 15, 2009

To: All IH Employees & Physicians
From: Murray Ramsden, CEO

Re: An Update on IH's 2009/10 Budget Strategy

On behalf of the Interior Health Board and Senior Executive Team, I would like to take this opportunity to provide an update on IH's 2009/10 budget and the year ahead.

However, before I do, I would like to acknowledge the work you have done to improve the health care programs and services available to residents of the Interior.

There's no doubt we've accomplished a lot since 2001 when IH was formed, and we've done that by embracing innovation, changing the way we think about healthcare delivery and taking action to help improve health outcomes for our residents. We've come a very long way over the last eight years.

In the early days of IH, we were very focused on building a strong foundation for our programs and services, and today we continue to move forward with new projects that will strengthen that foundation over the long term. Some of our accomplishments include:

- implementing an Integrated Service Delivery Model which enables patients to move seamlessly between services, settings and providers in response to changing care needs;
- establishing a Network of Care that identifies the roles of our acute care facilities with centres of excellence for specialized services and community hospitals or treatment centres for basic emergency services;
- investing in significant Information Technology (i.e., regional Electronic Health Record; PACS System; new MRIs and CT scanners, TeleHealth, InterRAI, Picis Infection Surveillance System, CONNEX);
- addressing acute care capital infrastructure needs (i.e., 2nd Floor re-development at Royal Inland, the East Kootenay Regional Hospital expansion and renovation, the Shuswap Lake General Hospital renovation, the new health centre for Lytton, the major expansion projects underway for Kelowna General and Vernon Jubilee hospitals);
- developing a continuum of care for seniors, which includes our share of the government's 5000-bed commitment;
- investing in Surgical Programs to increase surgical capacity, improve patient access and address wait list issues;
- expanding Mental Health & Addictions Services (i.e., outreach programs, South Hills Tertiary Psychiatric Rehabilitation Centre, Hillside Centre in Kamloops, Adolescent Psychiatry Unit at KGH); and
- improving primary health care delivery with the opening of eight primary health care centres across IH.

Through all of this, we know that it's our people that have helped us to accomplish so much. It is because of your energy and commitment, that we have been able to achieve so many of our successes, growing this organization and improving the healthcare services we are able to provide the people living here in the Interior. However, these accomplishments have not always come easily; difficult decisions have had to be made on our priorities each year, regardless of the state of our financial position. This year is no exception.

As you all know, from messaging within the organization over the last several months and more recently through the media, in spite of the additional funding provided by the province for this year, Interior Health is facing significant service pressures as are the other health authorities across the province. This year, we will need to make some choices, some of them difficult, in order to do the best job we can for the people we serve and meet the government mandate to balance the budget.

As a result of the current economic situation, we do not expect to receive additional one-time funding from the Ministry of Health Services this year. Demands on our system continue to grow, and we're now growing beyond the resources

we have available. So, it's essential that we carry on with finding efficiencies and also look at re-allocating some of our resources to areas of growth.

The administrative spending controls we put in place at the end of March, as **Phase One** of our approach, included the hiring freeze and reductions in discretionary spending (i.e., travel, external education, consulting contracts). These measures will be extended over the remainder of the year, and we'll also be introducing additional controls, such as: freezing minor capital equipment purchases and non-essential facility upgrades and renovations; and eliminating the provision of meals at all Interior Health meetings.

Phase Two of our strategy involved holding paid hours at our 2008/09 levels, as well as identifying further administrative efficiencies.

Paid hours equate to 75% of our total budget expenditure, and therefore have an enormous impact on our financial picture. One of our key budget management strategies is to have clinical areas operate at last year's funding levels for paid hours. To date, this has not occurred. We're currently seeing an over-run, and if this continues, the projection is for a \$10 million deficit related to paid hours. This is not acceptable, so we will be introducing measures to bring any over-runs back into a balanced position. One of these measures will be reducing non-essential overtime. On average, overtime is a \$25 million annual expense for IH. This is a huge cost for our organization, but one that is entirely within our control. By better managing overtime, we can reduce impacts on staff or services to clients and patients. Holding paid hours for clinical areas to 2008/09 levels is an essential piece of our budget strategy and will require support and commitment from leadership, employees and physicians across the organization.

Approximately, 100 administrative positions have been eliminated from the budget and more than half of these are currently vacant positions which we have held off on recruiting into over the past three months. Over the next two weeks, any necessary staffing reductions in admin and support areas will occur. We know that this is extremely difficult and unsettling for staff across our organization, but these changes are necessary to ensure that every available dollar is put towards caring for patients. I want to acknowledge the contributions these employees have made in supporting the health services we provide.

In my last message, I talked about feasibility studies we were conducting related to longer-term cost savings strategies for **Phase Three**. Over the past several months, we have been collecting and reviewing data from the clinical areas to guide our decision-making about possible areas for redesign – areas where we could improve quality and reduce costs. Some preliminary plans have been presented to government, but due to the size of the fiscal challenge for 2009/10 and expected challenges for future years, more savings need to be found. Our Chief Operating Officers have been working with their Medical Directors to determine further strategies and additional information will be provided when details are finalized. At this time, we're considering proposals related to:

- Cost Reduction & Revenue Generation Opportunities (i.e., consolidating service contracts, decreasing non-wage OR costs)
- Integration, Standardization & Consolidation Opportunities (i.e., pursuing consolidation of administrative services, reviewing inventory of acute care beds, standardizing staffing mix across the organization)
- Caps or Reductions in Acute & Community Care to Protect Priority Services (i.e., expanding seasonal slow-downs for elective surgery, standardizing hours of service for health centres)

In addition to our phased approach, there are a number of ongoing strategies that can be employed to find further efficiencies. We're encouraging the use of innovative and lean design approaches to help us find efficiencies and free up staff time for direct patient care, and we'll also continue to work with other health authorities to reduce duplication, gain efficiencies through economies of scale, and share services to free up resources to be directed to clinical services.

Further details of efficiencies will be communicated in the coming weeks and we will endeavor to speak with our staff that may be impacted before announcements are made. In the meantime, I'll be counting on your continued support, cooperation and involvement in the weeks and months ahead, as we work to live within our means.

Again, thank you for the contribution you have made in the past, and for your help in achieving our goals for Interior Health for this year.

Murray Ramsden
CEO