Provincial Health Services Authority - BCMHS/Riverview

2002/03 Budget Management Plan ($millions)

	Total
2001/02 Projected Expenditures	117.2
2001/02 Projected "Structural" Surplus/Deficit before restructuring and 1-time costs	(1.1)
1-time costs	(0.3)
Restructuring Costs Recognized in 2001/02	(0.2)
2001/02 Revised Projection	(1.61)

(note: Do not include MOHS's proposed funding to cover this years deficit)

	2002/03		2003/04		2004/05	
	$	FTE's	$	FTE's	$	FTE's
Projected Surplus / (Deficit) Prior to Management Reduction Strategies	(7.9)		(1.7)		(1.7)	
	-					
Management Reduction Strategies:	-					
	-					
Revenue Generation	-					
1. Additional funding from MoHS	3.4					
2. Life support - drugs	-					
3. Geriatric accomodation charges	0.5		0.2			
4. Other (Cost recovery - shared services)						
General Efficiencies (non-clinical)	-					
1. Exec/Admin (CEO, direct reports, exec)	0.2	3.0				
2. Shared Services	-					
3. Outsourcing	0.1	1.0				
4. Business Systems	-					
5. Workplace Initiatives	3.5	48.0	0.1	3.0		
Best Practices (clinical)	-					
1. Alternatives to Care						
2. Clinical Efficiencies	-					
3. Environmental & Protection	-					
4. Bed Consolidations (no access reduction)	-					
	-					
	-					
Program Adjustments/Closures	-					
1. Bed Reductions	2.4	36.0	1.2	18.0	1.7	27.0
2. Facility/bed conversions	-					
3. Facility Closures	0.0		0.0			
4. Program Consolidation	-					
5. Program Reduction	-					
6. Selected Programs	-					
7. Selected Sites	-					
	-					
Total Management Reduction Strategies	10.1	88.0	1.4	21.0	1.7	27.0
Strategies as a % of 2001/02 Expenditures	0.1		0.0		0.0	
Revised Projection Surplus (Deficit)	2.2		(0.3)		-	

BCMHS/Riverview Hospital
Mental Health Sector
FY 02/03 – 04/05
Budget & Service Redesign Plan

PART ONE – BUDGET DEVELOPMENT

I. BUDGET PROCESS

- Operating budget launched on November 29'th, 2001
- Budgets were prepared by cost center managers and reviewed by the responsible director
- Each manager made budget presentations to the executive team starting January 28, 2002 and concluding Feb 5, 2002.
- Executive spent the full day Feb 11'th reviewing the consolidated plan and developing strategies to address the cost pressures and scheduled bed closures.
- Executive met again on Feb 25'th to review the three year budget and finalize decisions regarding budget management strategies.
- Capital budget process launched March 6'th. This process will develop 1,2,3 and 10 years plans for clinical equipment, capital improvement projects and new program development.

II. BUDGET ASSUMPTIONS

- Our consolidated budget was used as the starting point. This budget contains all inflationary pressures as identified by the cost center managers other than wage rate changes for FY 02/03.
- Revenue budgets were developed using our base Ministry funding and status quo for other sources of revenue.
- Inflationary pressures for salaries & benefits were then layered onto this model using the following assumptions:
  1. Scheduled wage lifts for BCGEU & PEA for FY 02/03 & 03/04.
  2. UPN & BCNU wage lifts will be comparable to the health sector BCNU rates for FY 02/03 & 03/04 once those agreements are concluded.
  3. No wage inflation for FY 04/05
  4. Staff reductions as at April 1,2002 as a result of ERIP/VDP participation were factored into the calculation of wage inflation. Further FTE reductions occurring due to implementation of strategies after April 1, 2002 were factored into FY 03/04 wage pressures.
  5. Base funding will be provided at 100% of cost for FY 01/02 related to UPN/BCNU agreement that is currently being negotiated.
- For budgets in FY 03/04 & 04/05 base budget costs were inflated by 1% annually.
- Capital carrying costs were estimated to be $300,000 per annum for each of the three years that would support a capital spending plan of $3,000,000 annually.
- Strategies to address deficits were then layered onto this model.

PART TWO - SERVICE REDESIGN PLANS

Riverview Hospital has developed a plan of action to balance its budget in total over the FY 02/03 – 04/05 period. Our strategies and their anticipated impacts are outlined below:

I. REVENUE GENERATION

- Implement billing of geriatric patients effective July 1, 2002. Currently patients who are committed under the Mental Health Act do not pay an accommodation fee. Where appropriate, these committals should be reversed and the patients admitted under the Hospital Act. If the patient is deemed ready for discharge and the care provided residential in nature, then after 30 days we can begin to bill accommodation similar to what is done today in acute care for ALC patients. Estimated revenue will be $328K in FY 02/03 and $164K in FY 03/04. As the families of these patients or other "persons with power of attorney" are currently collecting the government OAS payments, we expect this change will not be well received. The implementation date for this strategy is July 1, 2002.
- Cost-recovery billing of shared services with FPI effective April 1, 2002. Estimated to be $120K in FY 02/03. This will be an added cost to FPI who currently are receiving some services for free.
- We are projecting a base funding adjustment of $3.43 for FY 02/03 to cover 86% of our projected wage pressures after accounting for planned reductions taking place April 1, 2002.

II. ADMINISTRATION & SUPPORT EFFICIENCIES

- Use of public sector ERIP/VDP program to reduce approximately 42 non-patient care FTEs. Severance costs borne by government. This is a voluntary program and should not generate adverse media. Three positions will come from executive administration and the savings for FY 02/03 are projected at $240K. The remaining reductions will come from transport, industrial services food & nutrition services, financial operations & human resources. The projected savings are $1,500K for FY 02/03. The implementation date for this strategy is April 1, 2002.
- Restructure support services with reducing staff by 10 FTE effective July 1, 2002. Estimated savings net of implementation costs are projected to be $317K in FY 02/03 and $83K in FY 03/04. The reductions will occur in financial operations & transport services.
- Implement improvement in attendance management to effect a reduction in days lost from an average of 16 days per FTE to 11 days per FTE. Estimated savings $600K in FY 02/03.
- Negotiate a reduction in the administrative overhead applied to our BCBC expenditures from 12.5% to 8% effective April 1, 2002. This strategy should result in annual savings of $540K for FY 02/03.
- Closure of one cafeteria. The implementation date for this strategy which be April 1, 2002 and is expected to generate savings of $200K for FY 02/03.
- Cancel vehicle-leasing program. The implementation date for this strategy is April 1, 2002 and the estimates savings per annum amount to $166K for FY 02/03.
- Through the ERIP/VDP program we are planning to outsource some of the maintenance functions presently performed in-house. We are projecting savings of $60K for FY 02/03 and will affect 1 FTE.

III. BEST PRACTICES

- The closure of beds will allow Riverview to move 20 patients into our new residential prototype unit (Connolly Lodge) will provide an enhanced quality of life for those patients. We estimate that this unit will cost $100K per annum less than similar type units on our grounds. However, due to uncertainly because of lack of historic information we did not factor this into our projections.
- Quality of life benefits will also accrue to the 34 patients moving to Prince George and Victoria.

IV. PROGRAM ADJUSTMENTS/CLOSURES

- Effective April 1, 2002, cancel contract with the Fraser Health Region to operate the cottages located on Riverview site. Savings amount to $175K for FY 02/03. Since the FHR will need to absorb the $175K into their budget they may object.
- Closure of beds. 50 beds are scheduled to close by July 1, 2002. This has been done to accommodate the movement of 34 patients and $4 million to the Northern & Vancouver Island Health regions, meet anticipated budget cost pressures and address clinical staff shortages. These closures will result in an estimated FTE reduction of 49 direct care FTEs and 5 non-patient support FTE for a total of 54 FTE. Outstanding vacancies will absorb staff reductions due to bed closures avoiding any staff layoff. The saving are projected to be $2,350K for FY 02/03 and $1,170K for FY 03/04.
- The planned bed closures will allow us to close one of our buildings which will result in overhead costs projected to be $33K in FY 02/03 and a further $17K for FY 03/04.
- The reduction in capacity at Riverview will impact our ability to address patients' waitlisted for admission to our facility. These patients may end up in acute care facilities, the criminal justice system or other community based agencies.

V. BARRIERS TO IMPLEMENTATION

- Move to the Health sector

Until our wage rates become competitive with other health care providers we will continue to have difficulty filling clinical vacancies. In the future this may impact our capacity to deliver safe quality care to our patients and may force further bed closures.

The move to the health sector may also facilitate further cost-saving opportunities in the area of contracting out and consolidation of certain corporate-type services within the PHSA.

- Mental Health Plan

Our lack of knowledge surrounding the implementation of the Mental Health Plan has had a detrimental effect on our ability to plan for our funding challenges. The only assumption contained in our plan is that 34 patients together with base funding of $4 million dollars will be leaving Riverview during FY 02/03.

- Lack of Province-wide discharge strategy

There are currently many patients requiring admission to our programs who cannot access them due to our inability to discharge those patients who have been identified as ready for discharge. Mechanisms must be created which facilitate the flow-through of patients.

VI. BUDGET STRATEGY – FY 04/05

The budget management template indicates a projected deficit of $1.74 million for FY 04/05. Our budget is balanced over the FY 02/03 – 04/05 period in total.

Although not included in our budget management template our strategy to balance our FY 04/05 would be to close one additional patient care unit or 25 beds effective April 1, 2004. This would result in the reduction of 27 FTE of which 24 would be clinical and 3 non-clinical support. Our current clinical vacancies could absorb our clinical staff reductions but it is difficult to project what our vacancies will be two years in the future.

Health Service Redesign Plan
Current and Proposed Service Levels

RIVERVIEW HOSPITAL

INDICATOR	Utilization/Workload				% Change	% Change	Target as Identified by HA		
	Fiscal Year			2001/2002			Fiscal Year		
	1998/1999	1999/2000	2000/2001	Projected Year End	98/99 to 99/00	99/00 to 00/01	2002/03	2003/04	2004/05
Inpatient days	275,159	273,853	268,571	264,736	-0.5%	-2%	245,653	245,653	245,653