

Financial – Costs

This risk pertains to increased costs (e.g., salaries, supplies, inflation), inadequate alignment of costs with revenue streams and ensure financial viability of the organization, limited capital funding sources, and inappropriate coverage or inaccurate assessment of risk/liability exposure. Such issues can have significant impact on operations and potentially hinder the ability to offer specific services or programs, thereby affecting patient care. The information in this document has been provided by HIROC Subscriber healthcare organizations (acute and non-acute), as entered into the Risk Register application.



Key Controls/Mitigation Strategies

- Board of Directors and Executive Leadership
 - ✓ Strong executive leadership involved in budgeting and sustainability planning
 - ✓ Engagement of Board of Directors or appropriate Board committee
 - ✓ Regular monitoring of financials with reports to the Finance and Audit Committees and the Board of Directors
 - ✓ Annual strategic planning
 - ✓ Financial Management Meetings to review organizational-wide cost pressures and discuss potential mitigation strategies
 - ✓ Short-term and long-range financial planning to:
 - Anticipate cost pressures
 - Determine financial management strategies
 - Establish mitigation strategies and monitoring mechanisms
 - ✓ Ensure liability insurance is sufficient to cover risks and reduce financial losses



- Budgeting
 - ✓ Case costing
 - ✓ Tight budget control
 - ✓ Labour economics as per collective agreements and non-salary expenses informed by published and known inflation factors are built in the budget
 - ✓ Detailed budget prepared annually monitored against each department at the granular level
 - ✓ Appropriate budget allocation for utilities and interest expenses
 - ✓ Continuously explore opportunities for cost saving initiatives, revenue and funding optimization, and innovative ways to provide exceptional patient care with efficient staffing models



- Financial Monitoring, Reporting, and Benchmarking
 - ✓ Rapid closure of month-end results
 - ✓ Robust tracking tools in place to identify incremental costs related to extraordinary events (e.g., COVID-19 pandemic)
 - ✓ Monthly performance review and Executive meetings with site(s)
 - ✓ Regular monitoring of financial statements and variances:
 - Standardized process for monitoring of monthly variance reports
 - Financial statements, variances and monthly progress reports on financials are monitored by the Program Managers, Directors and VP's
 - Action plans/strategies to address and recover from unfavorable variances
 - ✓ Robust Financial Reporting framework that continually analyzes variances, proactively forecasts expenses and targets financial performance
 - ✓ Benchmarking to monitor performance is completed quarterly by leadership
 - ✓ Continuous monitoring of use of financial resources and comparison against budget and historic trending
 - ✓ Annual benchmarking by 3rd party consultant and/or Health Indicator Tool (HIT) indicators used to identify mitigating actions where costs due to inflation are not funded

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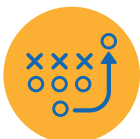
- ✓ Budget tracking sheet for managers
- ✓ Budget redevelopment work to rebalance budgets and link to standards and planned service levels
- ✓ Budget to Actual Monitoring and actions to mitigate variances reported monthly on progress report
- ✓ Continuous monitoring of budget, work with contractors to value engineer designs/solutions, scope management, regular meetings with the Ministry of Health



- External Relationship Management (Funders/Donors, Partnerships)
 - ✓ Manage potential financial risks associated with funder agreements and other contracts
 - ✓ Maintain positive relationships with funders
 - ✓ Actively work with service partners and the provincial associations to advocate for additional funding
 - ✓ Pursuit of funding increases (funders/donors)
 - ✓ Apply for grants to deliver programs and services
 - ✓ Explore opportunities for revenue sources and funding optimization
 - ✓ Continue to look at innovative ways to generate additional revenue streams
 - ✓ Open and proactive communication with partners on forecasts, assumptions, funding impacts and achievement of expected deliverables



- Internal Policies and Procedures
 - ✓ Robust financial policies and procedures including:
 - Cost estimate reviews
 - Industry benchmarking
 - Strategic Procurement
 - ✓ Business Case template and policy on resources allocation and unbudgeted operating expenses
 - Financial policies
 - Quarterly budget/financial reports
 - Annual general financial public report
 - Regular communication with funder regarding needs/shortfalls
 - Negotiation communication with landlord
 - ✓ Ensure robust accounting, capital budgeting processes and purchasing policies and procedures (e.g., pre-approval of expenditures, segregation of duties, approval authorities, etc.)



- Agreements, Contracts, and Procurement
 - ✓ Planning for collective agreement bargaining
 - ✓ Increased fixed contract opportunities to mitigate inflections
 - ✓ New contracts are priced competitively
 - ✓ Request for three-year proposals to ensure ongoing costs are within operational ability
 - ✓ Solicit proposals from the market periodically
 - ✓ Use thorough evaluation grid for selection and procurement
 - ✓ Partner with a number of Group Purchasing Organizations (GPOs) and a Shared Service Organization (SSO) to benefit from economies and scale and group purchasing
 - ✓ Ongoing discussions with membership and other SSOs
 - ✓ Equipment maintenance and vendor contracts managed diligently
 - ✓ Regular review of contractual agreements to ensure:
 - they are priced competitively
 - they operate within agreed upon budget
 - compliance with legislative requirements
 - gaps and opportunities are identified and addressed

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- Maintenance and Operations
 - ✓ Ensure facility maintenance and replacement schedules are in place to mitigate unexpected facility related costs
 - ✓ Build in efficiency targets for consumables to offset inflationary pressures
 - ✓ Operational efficiency reviews to identify financial opportunities
 - ✓ Linkage to operational performance and financial performance
 - ✓ Reports for energy usage monitored regularly, reviewed, and disputed as required



Monitoring/Indicators

- ✓ Corporate Auditor review of controls
- ✓ Annual audit of financial statements performed by independent/external auditor
- ✓ Regular review, analysis and reporting of:
 - Financial variances
 - Financial statements
 - Financial scorecard
 - Financial health
 - Budget
 - Expenses, including sick and overtime cost
 - Deficit/surplus positions
 - Key indicators such as total margin and current ratio
 - Benchmarking results
 - Energy savings (volumes) and rebates
- ✓ Workplace Compensation Board regional reports (premium change information based on claims experience)