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Report 2021-169

Report Title: Hospital Funding Request - Revised

Council Meeting Date: October 20, 2021

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Reviewed by: Glenn Dees, Director of Finance

Approved by: Jennifer Moore, CAO

Strategic Plan Priorities: Economic Prosperity and Innovation

Information Report

Purpose

The purpose of the report is to provide Council with an overview of the revised hospital funding request.

Background

The Northumberland Hills Hospital (NHH) and Campbellford Memorial Hospital (CMH) made a presentation to Council on June 7, 2021, to request funding for capital equipment. The initial request was \$1,000,000 annually for 10 years for a total request of \$10,000,000. It was proposed to be divided 75% to NHH and 25% to CMH. County staff presented report 2021-153 Hospital Funding Request Background and Considerations. Council discussed the proposal and requested additional information be provided before making a final decision on funding.

Attached is the revised proposal jointly submitted by NHH and CMH on October 7, 2021.

Consultations

As requested by Council, the hospitals provided 4 examples of Counties, of a similar population, providing funding to community hospitals. Their findings are summarized in Appendix A of the revised proposal. Contributions from Elgin and Wellington Counties were one-time commitments for a fixed amount related to redevelopment and/or specific projects. The examples provided from Lanark and Grey Counties are ongoing multi-year commitments with no fixed amount.

Council also requested information on the economic impact of community hospitals. Appendix B of the hospital submission provides a list of residential communities that have been initiated since 2003 as well as a list of retail outlets that have opened since 2001 in the vicinity of NHH.

The County’s Economic Development department does not have any data available on the direct economic impact of hospitals on regional economic growth. Research has generally been limited to the economic benefit of large research hospitals co-located with educational institutions. Anecdotally, proximity to hospitals is a key driver in attracting residents to retirement communities. Manufacturing and other businesses typically see the location of hospitals as positive but serviced land, workforce, access to transportation corridors, housing and proximity to suppliers and markets are much higher priorities.

Legislative Authority / Risk Considerations

Hospital grants funded by a municipal tax levy are discretionary. There is no legislative requirement for municipal governments to provide funding to local hospitals.

Discussion / Options

A Special County Council meeting was facilitated on September 29, 2021 to address the hospital funding request. At this meeting, Council requested both hospitals to revise their funding request in terms of the amount, and for specific capital priorities (specific equipment), as well as general funding requests; and to submit it to the County's CAO so that Council may consider this at their October 20, 2021 Council meeting.

Financial Impact

The original funding request was for equal annual payments of \$1,000,000 for 10 years totaling \$10,000,000. The revised request is for 1% of the County levy annually over an 8 year period. The total amount of funding cannot be determined as it would be calculated annually based on the levy approved as part of the annual budget. The minimum grant would be approximately \$5.9M. The table below shows the estimated annual grant payment comparison between the original and revised request. The revised request is based on the levy projected in the 10 year forecast presented as part of the 2021 County budget. The annual levy could be approved at higher amounts if, for example, it was increased due to inflation or if assessment growth was higher than the assumptions in the long-term budget plan. The hospital grant would increase each year proportionately to levy increases in this proposal.

Year	Original Request	Revised Request
2022	\$1,000,000	\$632,339.56
2023	\$1,000,000	\$660,128.81
2024	\$1,000,000	\$688,473.18
2025	\$1,000,000	\$719,074.46
2026	\$1,000,000	\$751,135.67

Year	Original Request	Revised Request
2027	\$1,000,000	\$784,747.40
2028	\$1,000,000	\$818,773.24
2029	\$1,000,000	\$853,744.91
2030	\$1,000,000	\$0
2031	\$1,000,000	\$0
Total	\$10,000,000	\$5,908,417.23

The revised grant request is for an eight-year term. However, subsequent communication indicates the request is modelled after example commitments in Lanark County where a 1% grant is considered annually as part of their budget as well as an ongoing commitment of 0.5% of the levy in Grey County that is given to their local hospitals. The annual value of those commitments is \$350,000 and \$360,000 respectively.

Member Municipality Impacts

There is no direct impact on member municipal operations.

Conclusion / Outcomes

The September 29th staff report identified several items for consideration should Council decided to provide a grant to NHH and CMH.

Recommendation/Consideration	Original Proposal	Revised Proposal	Comments
1. Amount and term of the grant, if any, subject to specific considerations noted below	\$10M over 10 years	Estimated minimum \$5.9M over 8 years	
2. Formal funding agreements between the parties	TBD	TBD	
3. Terms for payment e.g. funding would only be paid upon certification of actual expenses aligned with payment milestones and per the terms of agreement	Annual payment	Annual payment	The revised proposal funds a combination of new and historical spending
4. Binding future councils	2+ council terms beyond current	2 council terms beyond current	

Recommendation/Consideration	Original Proposal	Revised Proposal	Comments
5. Grant applies to capital projects only and no operating or administrative expenses would be eligible	Capital, not specified	EPIC (clinical information system)	
6. Staff recommend that a condition of any agreement be that County levy funds cannot be used for debt servicing	TBD	TBD	NHH indicates internal reallocation of NHH Foundation funds and replenishment to accommodate financing based on timing of cash flows. CMH not yet determined.
7. Consider selecting specific capital items/projects	Not specified	EPIC (clinical information system)	
8. Consideration for requiring a rolling forecast annually on identified County financed items inclusive of actual and estimated costs and projected timing	TBD	Costs known, committed in advance of funding approval	
9. Include communications requirements in collaboration with the County's Communications Department	TBD	TBD	County will lead communications
10. Consider the requirement for representation on a hospital board and/or appropriate hospital board committees	Not included	Not included	
11. Specify how potential funding would be split between NHH and CMH	75% NHH 25% CMH	75% NHH 25% CMH	
12. Direction to staff on the parameters for the consideration of future funding requests from other agencies or community groups	TBD	TBD	

Attachments

Revised Hospital Proposal