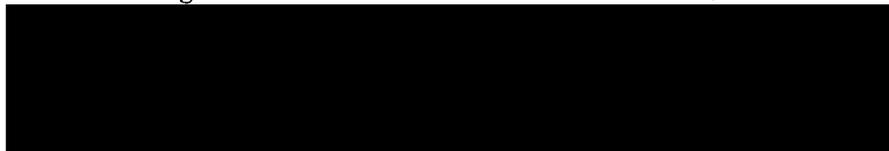


***Meeting of Executive Management***  
***July 6, 2004 – 9:30 a.m. – Room S112, Executive Office***

**Present:**

Mr. George Tilley  
Mr. Stephen Dodge  
Mr. Bruce Gorman  
Ms. Louise Jones

Ms. Sharon Lehr  
Ms. Patricia Pilgrim  
Dr. Robert Williams

***Action By:*****1. Metrics Manager Demonstration****2. Minutes of the Last Meeting**

The minutes of the meeting held on June 29, 2004, were reviewed, and amendments will be submitted to Ms. Barbara Legge-Pike.

**3. Business Arising****3.1. Budget 2004/05**

A letter was tabled dated July 5, 2004, from the Minister of Health and Community Services confirming Government's approval to allow us to retain strike savings (estimated at \$4 million). The letter also indicates that the Corporation is not expected to make a \$2.8 million contribution to debt repayment, but we are, however, expected to make our best efforts to contribute some monies to this plan. A draft narrative document requested by the Department outlining the service delivery impacts and FTE position reductions, factoring in the decision on the strike savings and debt repayment was circulated. The deadline for submission of the document and our recast budget is July 9, 2004.

EMC reviewed the draft document and provided the following comments:

- a cautionary note should be included about the potential for periodic restrictions on O.R. volumes to accommodate the rising cost of surgical supplies. The Perioperative Program's budget is \$300,000 less than last year with no

*Executive Management Minutes*  
*July 6, 2004*

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allowance for inflation, and maintaining current service levels will be challenging. The Program Leadership Team is meeting to consider how to address the shortfall. The potential to increase revenue by reimbursement of uninsured services provided by Plastic Surgeons and Dental Services could be pursued.

- elimination of 30 positions – reference should include that layoff notices will be issued to effect the bumping process and that the vast majority, if not all, of the staff will be accommodated within the organization.

The document will be revised to reflect this discussion and forwarded to Government as well as the Board. A meeting of the Finance Committee will be scheduled as soon as the audited financial statements are anticipated within the next couple of days.

*Tilley*

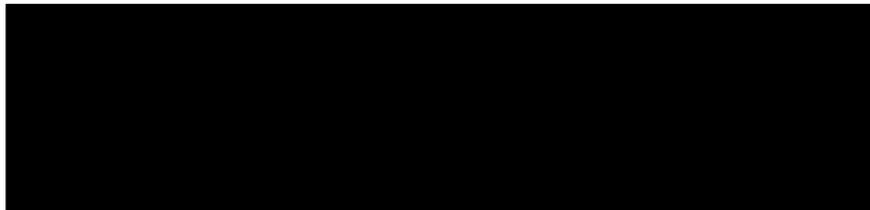
Meetings with All Management and the union consultation groups have been rescheduled until next week.

The Human Resource Plan was circulated. Human Resources will ensure that vacant positions in the organization are monitored.

*Dodge*

There was discussion on the need to ensure good communication and exchange of information to managers and staff. As well, a formalized process is needed to ensure accountability, i.e. regular meetings involving Vice Presidents, Directors, Budgeting, and Human Resources.

### 3.2. Child Health Issues



[REDACTED]

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**From:** Sharon Lehr [sharon.lehr@easternhealth.ca] **Sent:** Tue 07/10/2008 12:07 PM  
**To:** Joyce Penney; Dianne Smith  
**Cc:**  
**Subject:** FW: 2004/2005 Budget  
**Attachments:**

As per your request.

S

*Sharon Lehr*

Director of Budgeting

Eastern Health

Mount Pearl Square

760 Topsail Road

Mount Pearl, NL

A1N 3J5

*752-4600*

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**From:** George Tilley  
**Sent:** Wednesday, June 23, 2004 11:07 PM  
**Cc:** Barb Legge-Pike; Sharon Lehr  
**Subject:** 2004/2005 Budget

"Confidential"

Trustees:

As you will recall since the last meeting of the Board we made a presentation to Government with

respect to the extent of our financial problem, the measures that we were comfortable taking along with those we were concerned with. We suggested to Government, among other things, that our concerns would be dramatically lessened if we could retain our strike savings and forgo payment on our outstanding debt.

While we have yet to hear Government's "final, final" decision, things have been happening.

First, we received the official letter from Government last week with essentially no change to their earlier position (ie. it's our problem). Surprisingly, the letter made no reference to our presentation to the Ministers of the Treasury Board and included an extensive number of outdated references. We brought this to the attention of the officials of the Department of Health and they agreed to have a revised letter forwarded.

Second, based on the assumption that the "flawed" letter was an indication of Government's intention, our Chair wrote both the President of Treasury (Sullivan) and the Minister of Health (Marshall) on Friday, June 18th. appealing Treasury Board's decision not to allow us to keep the strike savings. In a conversation with the Deputy Minister (Fry) on Tuesday of this week we learned they will be presenting this request to the Premier, who had not been involved in the earlier decision. As part of the briefing note that is being prepared for him, reference is being made to the measures that we would have to take along with the implications for patient services (accessibility issues), particularly as it relates to our operating rooms and diagnostic services. We expect to hear back from Government by late this week or early next.

The bottom line is we will have to:

### **Phase I:**

- not respond to growth pressures for many existing services;
- pursue additional clinical efficiency measures and in particular, close an additional 24 inpatient beds (11 in Medicine/Surgery, 4 in Women's Health and 8 in Child Health). (24 staff positions). We believe this to be tough but achievable with everyone's cooperation based on our successes in the past;
- eliminate an additional 21.6 positions throughout the organization, requiring a redistribution of workload amongst remaining staff. Likely to be perceived negatively by staff but overall possible recognizing the tough financial circumstances we are facing;

**Total Positions affected - 45.6****Phase II:**

If we are not successful in being able to retain the strike savings (approximately \$4 million) we will have to dig further, and specifically reduce services to the public by:

- closing the equivalency of 2.5 operating rooms (approximately 2,200 less surgical procedures)- (6 staff positions)
- eliminating the additional resources we put into specific areas of our Diagnostic Imaging Department last year because of significant accessibility concerns. Specifically in MRI, Mamagraphy, Ultrasound and CT.  
(4 staff positions);
- close of the libray at St. Clare's (1 staff position)

**Total positions affected - 11****Grand Total of positions to be affected 55.6 FTEs**

In light of the significant strides we made over the past two years to get our cost down through clinical efficiency improvements, attendance reductions, etc. we have not been able to identify any other alternative but to curtail services.

As you appreciate the clock continues to tick making it impossible to achieve the annual value of these savings within the remaining months, but obviously we begin the process. We are just about to finish our first quarter, with no budget! Our target is to implement many of these measures following our annual summer phase down. On a side note, we have yet to get a clear position from Government pertaining to the last off versus attrition issue.

We'll keep you posted.

George

CIHRT Exhibit P-3577 Page 7

GOVERNMENT OF  
NEWFOUNDLAND AND LABRADORDepartment of Health and Community Services  
Office of the Minister

JUL 05 2004

Mr. John Abbott  
Chair  
Health Care Corporation of St. John's  
South Wing, Waterford Hospital  
St. John's, NL  
A1E 4J8

Dear Mr. Abbott:

**RE: 2004/05 Budget**

I am writing as a follow up to my June 10 letter related to the Corporation's 2004/05 budget. I wish to update you on Mr. G. Tilley's June 7 presentation to Treasury Board Ministers and subsequent discussions within Government on the Corporation's approved budget.

Firstly, I want to thank you, Mr. Tilley and your staff for the time and efforts spent in preparing for and making the presentation to Treasury Board Ministers on the Corporation's financial position. I believe it was a good opportunity for Ministers to hear first hand the challenges facing the organization in delivering services and programs within approved funding levels.

I am aware that the Corporation is projecting an \$11.7 million budget shortfall in 2004/05 and significant service delivery measures must be taken to achieve a balance budget position. To mitigate some service impacts, Government will allow the Corporation to use its strike savings (estimated at \$4 million) towards achieving a balanced budget this year. While we do not expect the Corporation to make a \$2.8M contribution to its debt repayment plan this year, we ask that you make best efforts to contribute some monies towards this plan.

We are now requesting that the Corporation provide the Department with a 1-2 page narrative document to outline the service delivery impacts and FTE position reductions, taking into consideration our decisions on the strike savings and the debt repayment. Ms. D. Fry, Deputy Minister, had some discussions with Mr. G. Tilley, Chief Executive Officer, on this matter last week. We understand that the Corporation will be able to adjust its 2004/05 operating plan to avoid the closures of the operating rooms and the service reductions in Diagnostic Imaging. We have asked Mr. Tilley to provide the narrative document by July 9 when the Corporation's recast balanced budget is due to the Department.

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We look forward to working with the Board and the executive team in delivering quality services in St. John's within set fiscal targets. If you have any questions, please contact me.

Sincerely,



**ELIZABETH MARSHALL, C.A., M.H.A.**  
Minister

/dah

 Attachments can contain viruses that may harm your computer. Attachments may not display correctly.

**From:** Sharon Lehr [sharon.lehr@easternhealth.ca] **Sent:** Tue 07/10/2008 10:01 AM  
**To:** Joyce Penney  
**Cc:** Sheila Howse  
**Subject:** FW: 2004/2005 Operating Budget Plan  
**Attachments:**  [2004-2005 Operating Budget Plan.doc\(27KB\)](#)

Joyce,

Here's a copy of email of George's email to Debbie Fry submitting our Plan on July 6, 2004.

Thanks

Sharon

*Sharon Lehr*

Director of Budgeting

Eastern Health

Mount Pearl Square

760 Topsail Road

Mount Pearl, NL

A1N 3J5

*752-4600*

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**From:** George Tilley  
**Sent:** Tuesday, July 06, 2004 2:43 PM  
**To:** Deborah Fry (E-mail)  
**Cc:** Moira Hennessey (E-mail); Sharon Lehr  
**Subject:** 2004/2005 Operating Budget Plan

Debbie,

Further to our recent telephone conversation and the subsequent letter of July 5, 2004 from your Minister I am enclosing the narrative document from our organization to outline the service impacts and the FTE position reductions associated with the curtailment measures

necessary for us to target a balanced budget for the current fiscal year. Our plan is to announce these measures within our organization beginning on Tuesday, July 13, 2004 so if there are further changes, I need to hear about them prior to the end of this week.

John Abbott will be responding to the Minister's letter in the near future.

Thanks for the efforts you put into getting the shortfall down to this level. The implications of having to reduce service levels to that necessary under the original number would clearly have had a much more severe impact on health care delivery in this Province. I am still concerned however with the lack of understanding on the part of officials in Treasury Board of the health care system along with the implications of some of the positions they are taking. My sense is that, compared to other provinces, we are more willing to accept a lower standard of service delivery. Furthermore, I am equally concerned that there maybe a belief that restructuring of the health care system in this Province is going to result in adequate savings to "fix the system". As you will appreciate, to the extent that there are savings they will only buy some short term relief. The reality is that health care delivery is constantly changing and unfortunately this also means getting more expensive.

George

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George Tilley  
President and CEO  
Health Care Corporation of St. John's  
Phone: (709) 777-1330  
email: [George.Tilley@hccsj.nf.ca](mailto:George.Tilley@hccsj.nf.ca)  
Website: [www.hccsj.nf.ca](http://www.hccsj.nf.ca)



**2004/2005 Operating Budget Plan**  
**Health Care Corporation of St. John's**

**Budget Shortfall Projection (December 2003):**

Projected Expenditure Growth	\$10.3 m
<u>Provincial Budget Reduction</u>	<u>\$ 1.4 m</u>
<u>Total</u>	<u>\$ 11.7 m</u>

**Proposed Budget Measures (July 2004)** **Projected Savings**

1. Retention of strike savings	(\$ 4.1 m)
2. Reduce debt repayment	(\$ 2.2 m)
3. Ignore pressures for service increases/improvements	(\$ 2.4 m)
4. Clinical Efficiency Measures (Bed Closures)	(\$ 1.4 m)
5. Position reductions associated with workload realignments	(\$ 1.0 m)
6. <u>General Restraint</u>	<u>(\$ 0.6 m)</u>
<u>Total</u>	<u>(\$11.7 m)</u>

**Budget Measure Impact Summary:**

1. Elimination of 46.1 positions (15 positions currently vacant):
  - Management –3
  - NAPE HS – 20.1
  - Nape LX – 3
  - NLNU – 20
2. Elimination of 24 inpatient beds (adult and children's services);
3. Increase in frequency of system back ups and resultant patient complaints associated with fewer inpatient beds;
4. Periodic volume reductions in our Operating Rooms to accommodate rising cost of surgical supplies and full occupancy periods;
5. Physician criticism associated with restrictions on growth and service enhancements;
6. Staff criticism associated with position elimination along with expectations of them absorbing additional workload;

**Notes:**

1. The occupied positions will require lay off notices to be served in order to effect our attrition plan, which essentially is targeted to protect permanent employees;

2. The savings noted (for items 4, & 5) are annualized figures. Their late implementation will reduce the actual savings achieved accordingly;
3. Fewer beds will necessitate greater cooperation amongst all regional organizations as well as the long term care sector to ensure patients are discharged from our inpatient beds in a timely fashion;
4. Compared to like centres across Canada, these cost projections are on the low end;
5. In light of one time nature of the strike savings, discussions need to begin as soon as practical with regards to the 2005/2006.

**Public Message:**

The HCCSJ has projected a \$3 million shortfall this year. The shortfall is down thanks to the previous efforts of all managers, staff and physicians in improving clinical efficiency, employee attendance as well as overall productivity; thereby allowing us to redirect resources internally to address unavoidable cost increases for the current year.

To respond to this shortfall the cost reduction measures include:

1. the completion of our clinical efficiency objective in our adult hospitals, along with the introduction of this objective into our children's service. Past successes suggest there are some remaining inpatient areas where we can achieve shorter lengths of inpatient stays as well as redirecting more to the less expensive ambulatory environment. Overall this measure will allow for the overall closure of twenty-four (24) inpatient beds as of September 2004, following our annual summer slow down;
2. not allowing for any growth or service improvements in clinical areas as was experienced in the past two fiscal years;
3. general cost restraint measures (e.g. travel, education, maintenance) throughout the organization;
4. in addition to not recruiting for 15 currently vacant positions, approximately 30 staff will be issued lay off notices in order to initiate the staff "bumping" provisions in the various collective agreements. Every effort will be made to accommodate displaced employees in other positions in the organization that are expected to become available in the upcoming months as part of regular staff turnover.



GOVERNMENT OF  
NEWFOUNDLAND AND LABRADOR

Department of Health and Community Services  
Office of the Deputy Minister

*File Dd/H Cover  
Budget  
Copy/submit to  
Sharon L*

December 21, 2004

Office of the Deputy Minister  
Financial Services  
DEC 29 2004  
HCCSJ

Mr. George Tilley, CEO  
Health Care Corporation of St. John's  
South Wing, Waterford Hospital  
St. John's, NL  
A1E 4J8

Dear Mr. Tilley:

**Re: 2004/05 Budget**

Firstly I want to thank you, the Board and staff for the time and efforts spent in preparing for the budget and deficit recovery plan. Government is aware of the challenges facing the organization in delivering services and programs within approved funding levels. I congratulate the Board on achieving a surplus in 2003/04.

With respect to the 2004-05 budget, I apologize for the delays in providing a written response to your plan. Despite the ambiguity around budget messaging this year, I am pleased that your organization has taken steps to mitigate any projected budget deficit. After considering strike savings and the measures taken, I understand the Board is hopeful a balanced operating position can be achieved for 2004-05.

Given the passage of time the Department contacted all Boards on October 21<sup>st</sup> to determine the status of the action plans. Based on our discussions, the Department has categorized your measures as follows:

Measure	Done
<b>Eliminate Positions</b>	
ICU/CCU - 2 Nurses (\$132,000); 1 Clerk (\$36,000)	X
Audiology - 1.6 audiologists (\$116,200)	X
Health Records - 2.2 clerks (\$77,900)	X

-2-

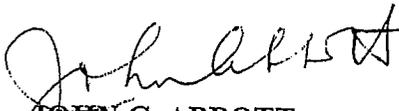
Measure	Done
1 Urology Technician (\$43,300)	X operationally could not achieve
Medicine/Surgery - 1 Nurse (\$70,000); 4 Aides (\$141,600);	X
Central Laundry - 6 staff (\$207,000)	X
Laboratory - 2 staff (\$106,800)	X
Children's Rehabilitation van - Equipment Operator (\$36,000)	X
1 Duplicating Equipment Officer (\$36,000)	X operationally could not achieve
<b>Bed Reductions (\$1.4 million)</b>	
adult surgery beds at St. Clare's (9-10) - current occupancy levels - 85-90% (in past medical beds would overflow into surgery beds - medicine will have to live within their assigned bed allocations. Corporation will continue to explore moving more services to outpatients but there may be increased waittime in ER for admission (as 35-45 clients occupying medical beds are awaiting placement in long term care).	X
4 bed closure in Women's Health (gynecology unit) - currently has 18 beds with 75% occupancy.	X
6 bed closure in child health based on clinical efficiencies and more efficient staffing (further efforts will be made to move more procedures to outpatients) - currently 65% occupancy for 50 beds	X (work in progress; may not get implemented until 05/06)
<b>Capping Services at last year's levels</b>	
implantable defibrillators (\$500,000)	X
Operating Rooms - forced restraint (\$320,000) - impacts ability to do more knee/hip replacements	X operationally could not achieve
ambulatory clinics (\$187,000)	X
angiography (\$63,200)	X
endoscopy procedures (\$76,500)	X

Measure	Done
genetic clinics (\$29,500)	X
<b>Delayed Introduction of New Services/Decision Support Tools</b>	
plastic surgery (\$13,000); otolaryngology (\$20,000) and gynecology (\$64,000) - new supplies and techniques	X
Decision Support Tools (IT and Health Records positions) (\$600,000)	X
Aortic stenting, pulmonary rehab clinic, laparoscopic nephrectomy, out patient hernia repair, laparoscopic spinal surgery (\$566,000)	
<b>Efficiency Measures</b>	
general restraint (\$600,000) measures which are not anticipated to have major service impacts.	X

I appreciate your patience and understanding. I am confident your executive team will continue to prudently monitor the Board's finances on a monthly basis, to curtail all discretionary spending and to take advantage of attrition opportunities which may arise in the future.

I also acknowledge receipt of your 2005-06 budget submission. In accordance with Government's new accountability initiative, we will work to improve on providing timely feedback to health organizations on their financial and operating plans.

Sincerely yours,

  
**JOHN G. ABBOTT**  
 Deputy Minister