

## **2023-24 Annual General Meeting**

### **Treasurer's Report**

### **June 19, 2024**

I am pleased to present the Treasurer's Report on behalf of Southlake Regional Health Centre's Board of Directors. The comments in this report are based on the audited financial statements of the hospital which are available for review on Southlake's website.

I am Chair of the Finance, Property and Audit Subcommittee of the Board of Directors. We meet on a regular basis to review the ongoing financial operations of the Hospital with both management of the hospital and the auditors.

The previous few years have been very challenging for the hospital sector given the pandemic. While some of these problems have abated, others have remained such as health human resources. The last fiscal year was one where the Hospital continued to ramp up surgical and cardiac volumes post COVID-19 pandemic. Comparing to prior year, quality-based procedures and cardiac volumes have increased by 16% and 7%, respectively. Continued staffing pressures both at Southlake and the entire sector have led to a reliance on expensive temporary staffing agencies which is being monitored and addressed by the hospital. The implementation and eventual reversal of Bill 124 which restricted wage and salary increases to the hospital's employees has had a significant impact on Southlake's finances. While the hospital successfully managed the Bill 124 related payment requirements for all employee groups, the funding for these payments was delayed and ultimately, the sector was required to fund a portion of these wage increases through local share.

I would like to share with you some of the Hospital's financial highlights.

- The Hospital ended the year with a \$6M deficit which compares to a \$10M deficit in the prior year. This result included \$16M of retroactive Bill 124 funding for prior year wage and salary increases, but funded in the current year.
- Year over year revenue increased 9%, mainly from Ministry/Ontario Health funding associated with Bill 124 (including the \$16M previously referenced) and the growth efficiency model base increase. Other revenue increases were related to patient care volume growth and specified program expansion.
- Year over year expenses increased 8% driven by labour costs. Salaries, wages and employee benefits increased 7% from prior year, primarily due to Bill 124 related rate increases and nursing agency costs. Medical surgical supplies increased 12% from prior year in response to higher cardiac and surgery volume as part of the recovery plan. Drugs expense was up 22% primarily due to higher utilization of cancer chemotherapy drugs under New Drug Funding Program (NDFP).

Southlake's financial health is strong at March 31, 2024 with \$86M in cash reserves and an unutilized line of credit. This compares to \$93M in cash reserves at the end of March 31, 2023.

Targeted capital deployment include areas such as infrastructure, digital health and clinical capital

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which are all important areas to Southlake and require ongoing investment. A total of \$32M was spent in capital this year (\$30M in prior year), with \$22M of capital funding received from both the Province and the Foundation.

As we move into fiscal 2025, the Hospital continues to have significant funding gaps which is consistent across the Provincial sector. Without an indication of any funding relief to address the structural financial challenges of the Hospital and the lingering unfunded impact of Bill 124, the Hospital is forecasting a significant deficit position for the next fiscal year. Navigating ongoing cost pressures, the expected increasing demand for services as well as replacement of critical Hospital infrastructure will continue to place significant pressures on the physical and financial capacity of the Hospital.

As we head into fiscal 2025, the hospital continues to work with the Ministry while also reviewing and implementing operational improvements with the goal of eliminating the structural deficit in the coming years. The Board is acutely aware of the quality, financial, and people impacts that will need to be carefully managed and monitored as we head to another year with financial and operational uncertainty and complexity.

Your package includes copies of the audited financial statements for the year ending March 31, 2024. I would like to express thanks to our auditors, Deloitte LLP, and members of the Southlake Finance, Property & Audit Committee for their wisdom and feedback. I commend the Southlake Finance team who have worked hard to ensure that accurate and timely financial information required by the Board throughout the year has been available. They have also provided key data and context to help address the financial challenges and uncertainties of the hospital.

The Board of Directors acknowledges the support of the Ministry of Health and the Central Region of Ontario Health, along with our regional and municipal government partners for their continued support over the last year. On behalf of the entire board, would also like to express our profound appreciation to the Southlake Foundation and the many generous people from our community who continue to support the Hospital in great numbers and provide the funds to purchase vital equipment and infrastructure for our patients and staff. Thank you.

Respectfully submitted,

Andrew Tamlin  
Treasurer