

Health Sciences North 2023 Annual Meeting

Financial Report from the
Treasurer

Stéphan Plante



Health Sciences North
Horizon Santé-Nord

hsnsudbury.ca

**Financial Presentation
Treasurer – Stéphan Plante
Annual Meeting – June 13, 2023**

My name is Stéphan Plante, and as Treasurer of the Board, Chair of the Board's Finance Committee and Vice Chair of the Audit Committee, it is my duty to present the report from our independent auditors, KPMG, as presented to the Audit Committee and to the Board.

You will find a copy of the Financial Statements on our website.

KPMG expressed an unqualified or "clean" audit opinion, representing the highest level of assurance under Canadian Auditing Standards.

The Audit Committee had the opportunity to meet with auditors, with and without management.

The financial statements are final, having been approved by the Board on June 6th.

I will limit my comments to the Statement of Operations and to the Statement of Financial Position.

With regard to the Statement of Operations:

- Total revenues for regular hospital operations amounted to \$572.2 million, with an additional \$48.9 million in revenue for pandemic impacts.
- Recurring Ministry revenues increased by \$15.7 million or 4.9% reflecting: Temporary Retention Incentive for Nurses funding not present in 2022 of \$6.4 million, increased funding for Quality-Based Procedures and Priority Programs of \$6.3 million, higher base funding of \$3.6 million and higher MRI and CT wait time funding of \$0.8 million.
- Cancer Care Ontario funding increased by \$2.3 million or 2.9% primarily due to increased New Drug Funding Program revenue of \$2.7 million, higher Integrated Cancer Program and Quality-Based Procedure revenues of \$2.4 million and lower dialysis revenue of \$1.6 million.
- Total expenses increased by \$18.5 million or 3.1%.
- Personnel costs increased from \$317.1 million to \$330.8 million, an increase of \$13.7 million or 4.3%, reflecting a 2.7% increase in hours worked of \$7.2 million, the Temporary Retention Incentive for Nurses paid in current year of \$6.7 million, an increase in pandemic pay premiums paid of \$0.9 million and a decrease in employee future benefit expense of \$1 million.
- Ministry pandemic funding increased by \$4.2 million, reflecting higher level of bedded capacity funding and broad-based funding reconciliation revenue offset by lower incremental pandemic expenses and laboratory funding.
- Bill 124 retroactive wage accrual of \$16.7 million has been presented separately in the Statement of Operations.

- Ontario Health requires hospitals not to have a deficiency of revenue over expenses from Hospital operations. This is the line that hospitals are required to balance.
- HSN completes the 2022-2023 fiscal year with a surplus from Hospital operations of \$4.5 million, excluding Bill 124 liabilities of \$16.7 million.
- After incurring annual deficits from hospital operations of \$4.9 million in 2016-2017 and \$8.9 million in 2017-2018, HSN achieved annual surpluses from hospital operations of \$1.8 million in 2018-2019, \$338,000 in 2019-2020, \$2.9 million in 2020-2021, \$1.9 million in 2021-2022 and \$4.5 million in 2022-2023 excluding Bill 124 liabilities.
- Including net building depreciation, HSN completes the 2022-2023 fiscal year with a surplus of \$2.7 million excluding Bill 124 liabilities.
- Total expenses exceeded revenues by \$14 million due to Bill 124 liabilities.
- According to the Ontario Hospital Association, nearly all hospitals are expected to have an overall deficiency of revenue over expenses due to Bill 124 liabilities that materialized after the end of the fiscal year, as we await how the Ministry will fund these one-time retroactive expenses.

With regard to the Statement of Financial Position:

- The cash balance decreased by \$13.6 million reflecting a cash-adjusted operating surplus (excluding amortization and deferred capital contribution revenue) of \$13.9 million, capital additions of \$46 million, capital donations and grants of \$7.5 million and a net increase in long-term debt of \$8.6 million.
- Accounts receivable increased by \$10.3 million reflecting Healthcare of Ontario Pension Plan overpayments recoverable of \$6.6 million, receivable from ONE Health Information Technology Services for Meditech Expense infrastructure and implementation services of \$6.1 million and a decreased Ministry receivable of \$1.9 million.
- Capital assets increased by \$21.4 million, reflecting \$46 million of capital additions offset by \$24.6 million of amortized expense.
- Accounts payable and accrued liabilities increased by \$9.7 million, reflecting an increased balance payable to the Ministry of \$8.9 million, higher deferred revenue of \$5.5 million, higher salary accruals of \$3.6 million and lower trade payables at year-end of \$9.8 million.
- Deferred capital contributions decreased by \$6.7 million, reflecting \$7.5 million of contributions received offset by \$14.2 million recognized as revenue.
- Long-term obligations (including current portion) increased by \$8.6 million, reflecting new borrowings of \$9.8 million for the Human Capital Management Solution project and principal repayments of \$1.2 million.

That concludes my overview of the financial statements.

The Finance Committee and the Board review annually HSN's financial position and performance with historical benchmarking going back to the creation of the corporation

in 1997, as well as benchmarking on 22 financial and operational indicators with 35 similar-sized Ontario hospitals. I would highlight the following:

- Our cash position at \$29.7 million is at its second highest point in the last 25 fiscal years since the creation of the corporation. Our highest point was 2021-2022. Ten years ago, we had no cash in the bank and our bank indebtedness was \$42 million.
- Our net debt is \$6.4 million. This reflects a conservative approach with no revenues recorded for the retroactive Bill 124 liabilities which otherwise would have put us in a positive net assets position. HSN has been in a positive net assets position in only six of the last 25 fiscal years, with net debt as high as \$59.2 million 10 years ago.
- The median of comparator hospitals was net assets of \$95.6 million in 2021-2022.
- Our long-term obligations, which represent only \$31.9 million or 5.1% of our revenues, are lower today than the average of the last 10 years and are well below the median of comparator hospitals, which was \$132.2 million in 2020-2021.
- Our working capital shortfall of \$58.5 million is an improvement compared to 10 years ago when it was \$102.3 million. We received \$75.6 million in working capital relief since then. Due to our strong cash position, we have not yet borrowed \$24 million for capital expenses incurred for our regional electronic medical record, which allowed us to save \$1.4 million in unnecessary interest costs.
- The median of comparator hospitals was a working capital surplus of \$53.9 million in 2021-2022.

This concludes the financial report for the 2022-2023 fiscal year.