

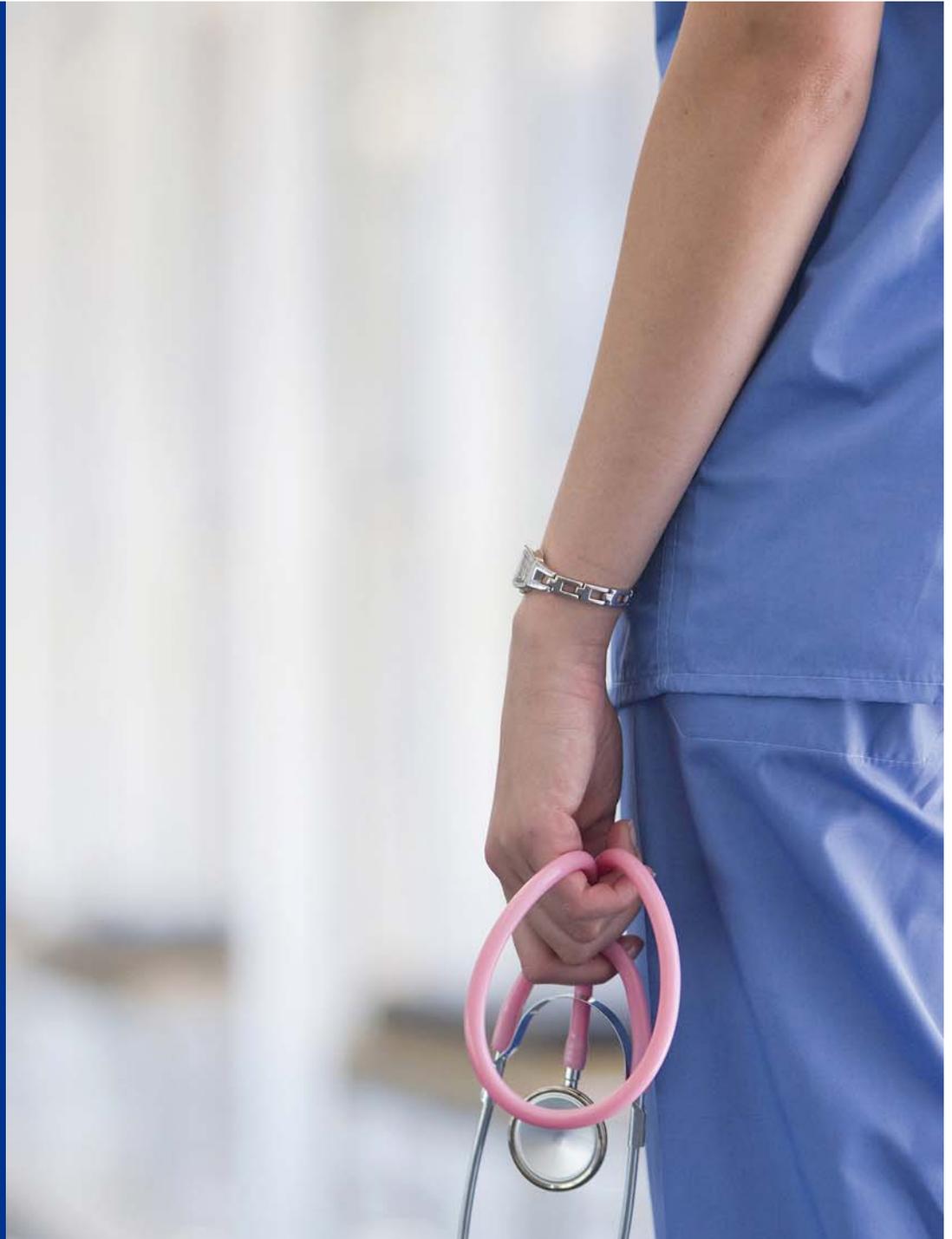


Municipality of Centre Hastings

Tri-Area Medical Centre Review

Final Report

September 24, 2020





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Ms. Typhany Choinard, CMO
Chief Administration Officer and Municipal Clerk
Municipality of Centre Hastings

7 Furnace Street, Box 900
Madoc, ON K0K 2K0

September 24, 2020

Dear Ms. Choinard,

We are pleased to provide our report concerning KPMG's review of the administrative processes and expenditures relating to the Tri-Area Medical Centre (the 'Centre') jointly operated by the Municipality of Centre Hastings and Townships of Madoc and Tudor/Cashel (the 'Municipalities'). Our engagement was undertaken based on the scope of work outlined in Engagement Letter dated March 5, 2020.

As outlined in the Engagement Letter, the purpose of the review was to identify potential opportunities and strategies for cost reductions, enhanced operating efficiencies and improved communications between the Centre, the participating Municipalities, physicians and the broader communities. As outlined in further detail in our report, there is widespread consensus as to the benefits of the Centre and the contributions to the residents of the participating Municipalities. At the same time, the review has identified certain issues that could be addressed to enhance the operation and understanding of the Centre, and we have provided potential courses of action that could be considered by the Municipalities in order to address these opportunities for enhancement.

Our review benefitted significantly from the input and contributions of the Centre's management team, physician group and representatives of the participating Municipalities who participated in a number of different ways. Reviews such as this can be difficult for stakeholders and we would be remiss if we did not express our appreciation for the cooperation afforded to us.

We trust our report is satisfactory for your purposes and appreciate the opportunity to be of service to the Municipality. Please feel free to contact the undersigned at your convenience should you wish to discuss any aspect of our report.

Yours truly,

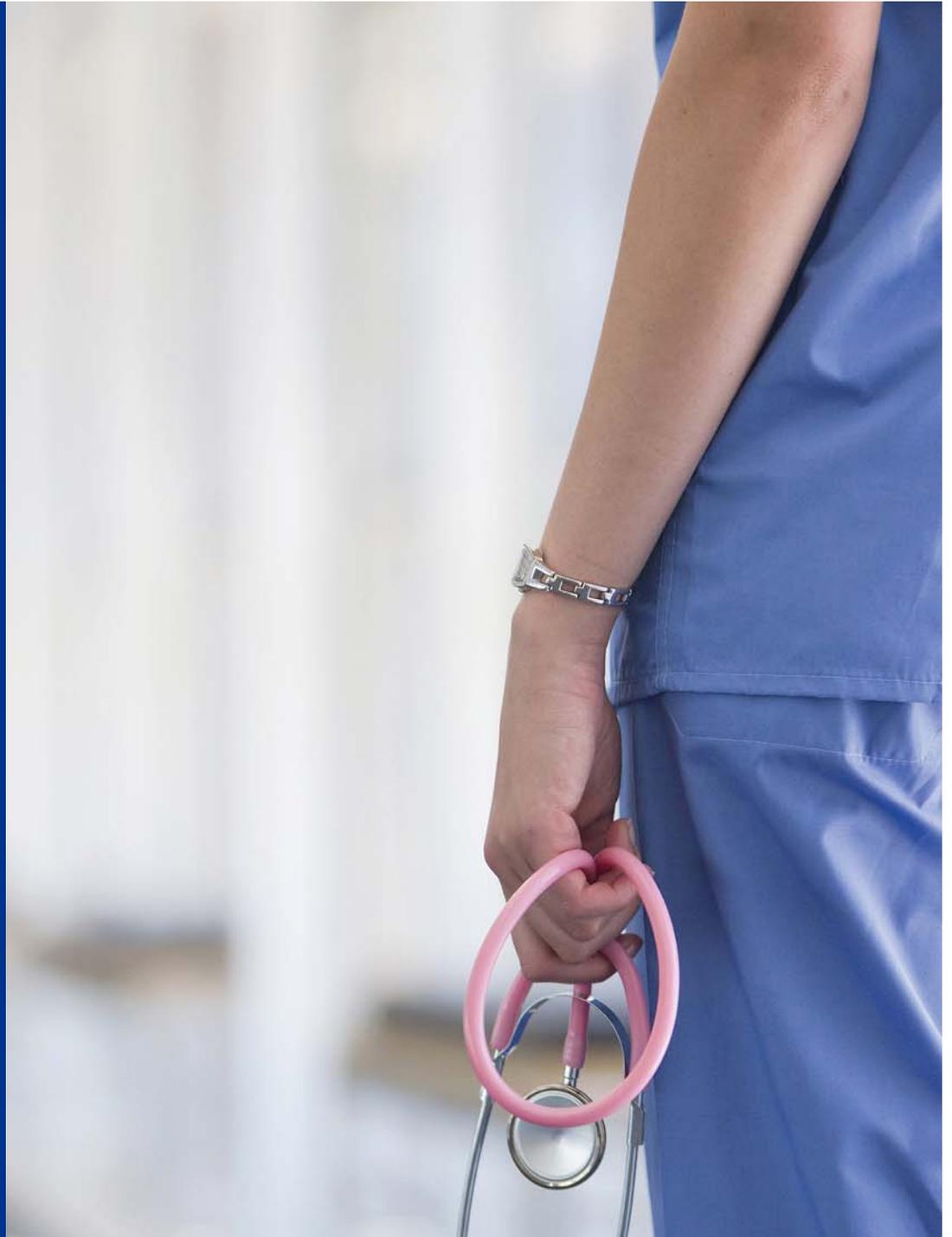
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Municipality of Centre Hastings
Tri-Area Medical Centre

Executive Summary



Executive Summary

KPMG LLP ('KPMG') has been retained by the Municipality of Centre Hastings (the 'Municipality') to undertake a review of the administrative processes and expenditures relating to the Tri-Area Medical Centre (the 'Centre'). This report outlines the results of our analysis, including potential courses of action for consideration by the Municipality.

A. Background to the Review

Since 2014, the Municipality has been providing oversight for the administration of the Centre, which includes a physician group, fully staffed Family Health Team and a variety of other tenants offering medical related services to support the residents of the Municipality along with residents of the Townships of Madoc and Tudor/Cashel. The three participating Municipalities have an agreement to share in the operating costs of the Centre. The physicians are provided with the fully furnished and maintained space rent free, which includes all furniture, computer hardware, technical support, telephone service, photocopier equipment, fax machines and maintenance of the said equipment. The physicians pay for their staff salaries, office and medical supplies and their computer software. In exchange, the physicians provide services to patients according to the terms set by the Ministry of Health for Family Health Organizations and Family Health Teams. The physicians work very closely with the Central Hastings Family Health Team (the "Family Health Team").

A new one-year agreement between the three participating Municipalities for the year 2020 was executed in January 2020, and includes the division of the Centre's operating costs based on the 2016 Canadian Census data of the population of each Municipality as follows:

Centre Hastings	64%
Madoc	28%
Tudor/Cashel	8%

The agreement specifies that the prorated basis payments for Madoc Township will not be required during the term of the agreement, and the agreed payment for Madoc Township for the 2020 year will be \$28,650. The agreement further stipulates that a Service Delivery Review of the Centre will be completed and form the basis for the calculation of the division of operating costs being shared by Madoc Township for the years 2021 through to 2023.

The objective of this review of the administrative processes and expenditures of the Centre was to identify potential opportunities and strategies for:

- Cost reductions;
- Enhanced operating efficiencies; and
- Improved communications between the Centre, the participating Municipalities, physicians and the broader communities

Municipality of Centre Hastings
Executive Summary

B. Key Themes

Our review of the Centre's operations involved several approaches to gathering information and identifying areas for improvement:

- A review of available documentation relating to the Centre and its operations, including but not limited to organization charts, budget documents, corporate policies, historical financial information, corporate agreements, funding agreements and staff listings;
- Consultation with relevant stakeholders, including the Centre's management team, the physician group and representatives of the participating Municipalities;
- The preparation of a draft report for review by the Centre, Municipality and other participating Municipalities to receive feedback.

The results of our analysis identified a number of strong aspects of the Centre's operations, most notably (i) a shared appreciation between the Municipalities and physicians for the Centre's value and purpose, and (ii) an overall feeling that the Centre is operating in a cost-efficient manner. Notwithstanding these positive attributes, the results of our review also identified areas where the Centre could benefit from strong documentation and communication. Key themes involving potential improvements include the following:

- **The current agreement between the Centre and the physicians is informal, resulting in the risk of a lack of clear understanding.** The results of our review have identified that the last formal agreement with the physicians was executed in 2013. All parties involved are aware of the agreement and it has remained informally in-place since then however there is a lack of clarity and accountability in the absence of a formal contract with clearly defined terms, conditions and responsibilities.
- **There appears to be minimal communication between the participating Municipalities regarding the operations of the Centre.** The Municipality is responsible for the overall operations and administration of the Centre. While there is consensus that the Centre provides value, the participating Municipalities are not aware of how the funding that they provide is utilized. Overall, the Municipalities want to ascertain that the Centre remains a fiscally sustainable option to continue to provide the medical services to residents of each Municipality.
- **The budget for the Centre may not be comprehensive and informed.** Based on the results of our review, it appears that the Municipality budgets for the Centre through their Municipal budget process, with no input from the participating Municipalities or the physician group. There was some concern expressed regarding the ability to manage shared costs in the absence of input from the physicians on their expected needs during the year. Our review also identified that expenditures are not consistently coded to accounts, which hinders the ability to perform analysis (trending, variance) to identify areas for cost savings.

Executive Summary

C. Opportunities for consideration

The key themes that have emerged from the review have been provided the basis for opportunities that the Municipality may wish to consider as it seeks to enhance the Centre's operations, including:

- The development of a detailed contract with the physicians, outlining key terms and conditions, financial incentives (if any), shared costs (if any) with a clear definition of how costs are shared and clear accountabilities
- The re-development of a contract between the three participating Municipalities, clearly outlining the costs to be shared by the Municipalities and the methodology to be used to share the costs
- The development of a communication strategy
- A procedural review to ensure expenditures for the Centre are reported consistently year to year highlighting shared expenses
- A review of expenses for the Centre, specifically maintenance contracts which have escalated over time
- The development of a capital plan, along with major repairs and maintenance

A summary of potential courses of action for consideration by the Municipalities is presented on the following pages.

Executive Summary

Opportunity	Description
1. Develop a new contract the physicians	The previous contract with the physicians is outdated and missing key elements, including key terms and accountability. The Centre would benefit from the creation of a new contract that will put in place definitions, responsibilities, accountability metrics and communication touch points.
2. Develop new contracts with participating Municipalities	A more in-depth contract is required that includes guidelines for shared costs as well as opportunities for input into annual budgets and established touch base points to ensure improve communication.
3. Develop an ongoing communication strategy	A quarterly or semi-annual communication touch point between the stakeholders will improve the flow of information between all parties and ensure that everyone is informed regarding how the Centre is operating. The touch point will also provide an opportunity to inform stakeholders of any potential operating pressures and to make decisions in a timely manner that will ensure the long term sustainability of the Centre.
4. Review expense reporting	The Centre’s bookkeeping has been performed inconsistently over the past few years resulting in the same or similar expenditures recorded in different accounts year over year, making analysis and trending difficult. A review of the accounts being used and setting some parameters regarding the type of expenditures to include in each account will allow for easier analysis which will help to identify any issues or potential efficiencies more timely.

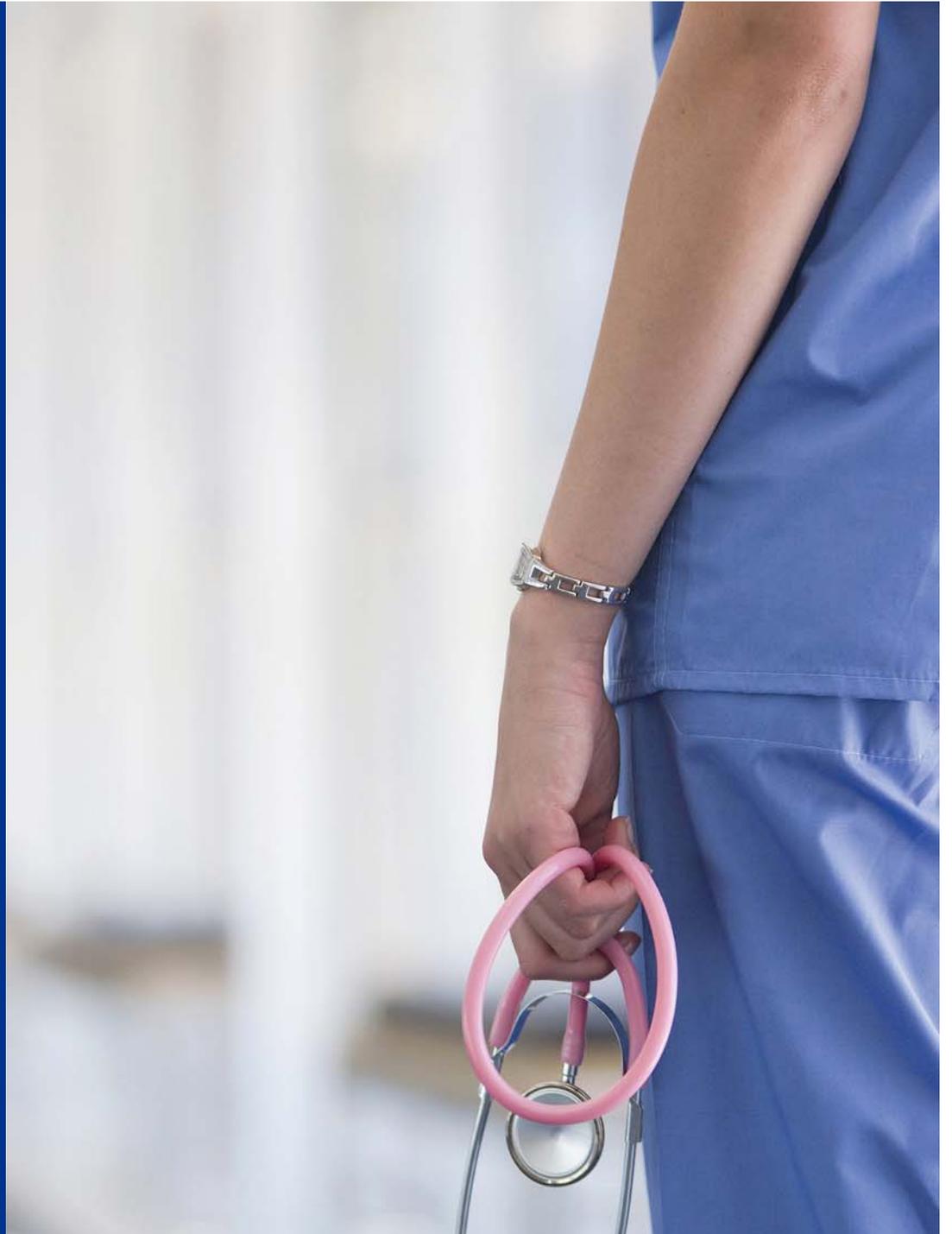
Executive Summary

Opportunity	Description
5. Review of expenditures	The janitorial contract monthly expenditure increased by 18% in 2018 to the current monthly expenditure of \$3,328, reflecting an increase in the level of service being provided, and increased by a further 3% to \$3,428 in 2020. A review of the services and supplies included in the contract as well as alternatives to deliver the required level of service
6. Develop a 5 year capital plan for the Centre, including repairs and maintenance	Over the past few years, the Centre has made significant capital investments, some of which have resulted in cost efficiencies (e.g. hydro costs). Developing a longer term capital plan, including planned investments to drive cost efficiencies, will allow the participating Municipalities to budget accordingly. The plan should incorporate a risk model to allow for fluid decision making each year and better cash management, with capital investment decisions being deferred when required if the associated risks are manageable.



Municipality of Centre Hastings
Tri-Area Medical Centre

Introduction to Review



Municipality of Centre Hastings
Study Overview

A. Terms of Reference

The terms of reference for our agreement were established in our Engagement Letter dated March 5, 2020 in the Scope of Services section. The intention of our review of the Centre's administrative processes and expenditures was to identify potential opportunities and strategies for:

- Cost reductions;
- Enhanced operating efficiencies; and
- Improved communications between the Centre, the participating Municipalities, physicians and the broader community.

B. Methodology

Our approach to the review involved the following major worksteps:

Confirmation of project scope

- An initial discussion was held with the CAO of the Municipality of Centre Hastings to identify the objectives of the participating Municipalities.
- The scope of services and agreed scope of work were confirmed as part of our Engagement Letter.

Financial review

- The Centre's financial data from 2017 to 2019 was reviewed and summarized to identify (i) the types of expenditures that the Centre has incurred, (ii) seasonal patterns in expenditures, (iii) areas with significant variances of budget to actual spending, and (iv) any significant trends over the 3-year period.
- The Centre's agreement with the 3 participating Municipalities was reviewed to understand the existing cost sharing methodology and ratio for the Centre's operating costs.
- Major contracts with vendors were reviewed to determine what services are being provided and the reasons for cost fluctuations.

Municipality of Centre Hastings
Study Overview

B. Methodology (continued)

Review of agreement with physicians

- The former agreement between the physicians and the now defunct Tri-Area Medical Board was reviewed to determine the terms of the original agreement.

Capital plan review

- The Centre's capital purchases over the past three years were reviewed to determine what was purchased.
- The criteria used to prioritize and ultimately make decisions on capital purchases was reviewed through discussions with the Municipality's personnel and through review of available documentation.

Interviews with key stakeholders

- Interviews were held with representatives for each of the three participating Municipalities as well as a representative from the physician group.
- The focus of the interviews was to determine what each stakeholder group is most concerned about with respect to how the Centre is currently operated, areas identified for improvement, cost efficiencies identified and any other information that each group wanted to share regarding the Centre and this review.
- The key findings from the interviews have been summarized and included throughout this report.

C. Restrictions

This report is based on information and documentation that was made available to KPMG at the date of this report. KPMG has not audited nor otherwise attempted to independently verify the information provided unless otherwise indicated. Should additional information be provided to KPMG after the issuance of this report, KPMG reserves the right (but will be under no obligation) to review this information and adjust its comments accordingly.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and opportunities as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the Municipality of Centre Hastings.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

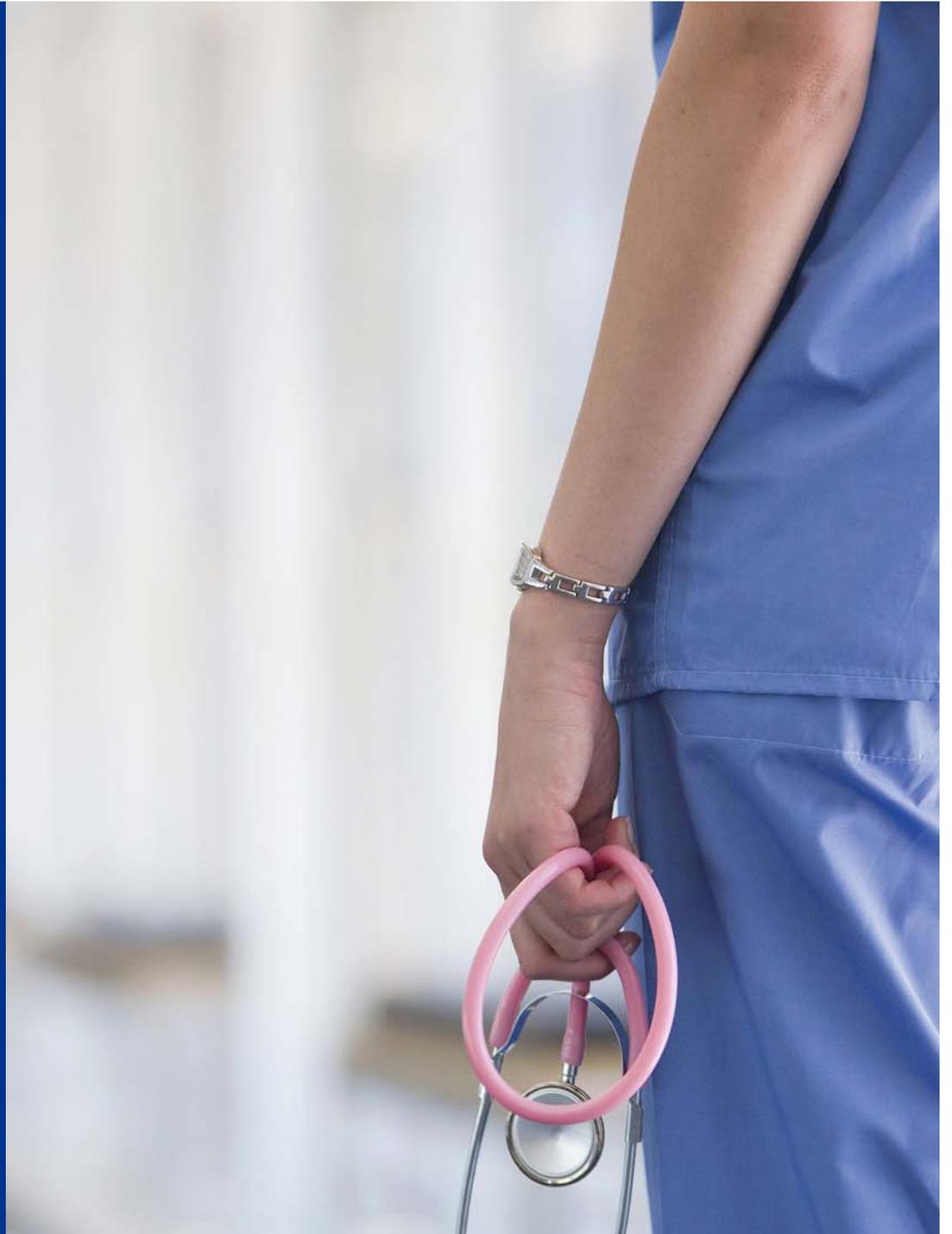
Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

KPMG has no present or contemplated interest in the Municipality of Centre Hastings nor are we an insider or associate of the Municipality of Centre Hastings or its management team. Our fees for this engagement are not contingent upon our findings or any other event. Accordingly, we believe we are independent of the Municipality of Centre Hastings and are acting objectively.



Municipality of Centre Hastings
Tri-Area Medical Centre

Tri-Area Medical Centre Overview



Tri-Area Medical Centre Overview

In 2010, the Centre entered into an agreement with the Municipality, along with the Townships of Madoc and Tudor/Cashel (the “Partners”) to build a new medical centre on property owned by the Municipality. The agreement specified that the Municipality would undertake the construction of the new \$2.6 million medical centre, which would be funded by the Centre (\$1.2 million) and the Municipality (\$1.4 million). The Municipality arranged for funding through an Ontario Government mortgage loan. The site from which the medical centre operates is an 18,000 square foot property; the Family Health Team occupies most of the first floor and the second floor is occupied by various medical service providers. In 2018, a state of the art mobile X-Ray clinic was opened in the Centre.

In December 2013, the Municipality assumed the administration of the Centre from the Tri-Area Medical Centre Board (the “Board”). The Board held an agreement with the physicians, which indicated that the Board would provide a fully furnished and maintained medical centre rent free for physicians, including all furniture for patient waiting areas, reception offices, lunch room and examination rooms, computer hardware, physicians share of computer technical support, telephone service, photo copier equipment, fax machines and maintenance of the said equipment. The physicians pay for their staff salaries, office and medical supplies, as well as the purchase of computer software, which is registered to the physicians and owned by them. In return, the physicians agreed to provide service to patients according to terms set by the Ministry of Health for Family Health Organizations and Family Health Teams.

As part of their agreement between the Municipality and the Partners, the Municipality provides oversight of the entire Centre building and property, with all operating costs going through the budget of the Municipality. The Partners contribute their share of the costs of the Centre, prorated based on the current Canadian Census data of the population of each Municipality (year 2016) as follows: (i) Centre Hastings 64%; (ii) Madoc 28%; and (iii) Tudor/Cashel 8%.

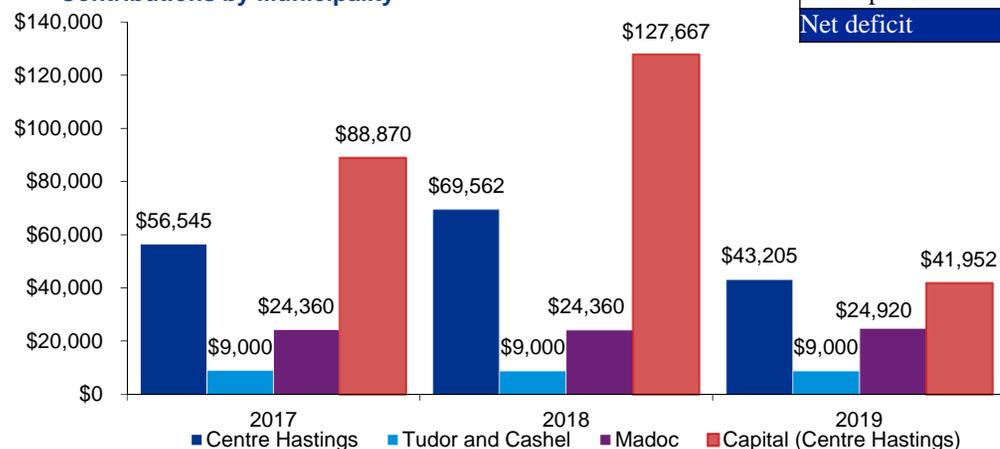
The current one-year agreement includes some relief for the Township of Madoc, with their agreed upon share for 2020 set at \$28,560. Upon completion of the service delivery review for the Centre, Madoc’s share of the operating costs will be reviewed and determined for the years 2021 through to 2023.

A grant through the Municipal Modernization Program was approved on January 20, 2020 to review areas where improvements and efficiencies may be found in terms of purchasing and expenses. The expected outcomes related to service delivery efficiencies and costs savings are (i) a framework for input into purchases so they can be more cost efficient for the Municipalities; (ii) recommendations and specific actionable items that the Municipality can implement to improve working relationships with the Family Health Team and physicians, (iii) Identify any areas where improvements and cost savings can be found; and (iv) identify any guiding documents that are missing or need to be developed.

Tri-Area Medical Centre Overview

The contributions from the participating Municipalities have sufficiently covered the Centre’s operating costs for the past three years however there have been annual deficits when net capital and financing costs are included. Efforts have been made to control costs and increase revenue which has had a favourable impact however further efficiencies need to be identified to stabilize the Centre’s financial position and ensure that the required contributions by the three Municipalities are manageable.

Contributions by Municipality



The Centre’s operating costs consist primarily of utilities (2019 - \$62,000), contracts (2019 - \$57,000) and salaries and benefits (2019 - \$19,000). The largest expenditure for contracts is a janitorial contract (2019 - \$40,000) which has increased by 18% from 2017 to 2019 primarily due to a change in cleaning requirements. Salaries and benefits consist of a part time building maintenance position.

Revenue consists primarily of rentals from other medical providers (2019 - \$85,000) and related recoveries (2019 - \$13,000), which have both increased by 9% from 2017 as well as rental for the Family Health Team (2019 - \$53,000) which has increased by 3% over the same three-year timeframe.

Overall, operating expenditures have decreased by 4% and operating revenue has increased by 7% from 2017 to 2019. Refer to the next page for detailed financial information, showing a positive trend in reducing costs and optimizing revenue for the Centre.

Actual Financial Activity	2017	2018	2019
Operating costs	\$230,481	\$250,898	\$227,975
Operating revenue	(\$140,576)	(147,976)	(\$150,850)
Net operating deficit before municipal contributions	\$89,905	\$102,922	\$77,125
Centre Hastings	(\$56,545) 63%	(\$69,562) 68%	(\$43,205) 56%
Madoc	(\$24,360) 27%	(\$24,360) 24%	(\$24,920) 32%
Tudor/Cashel	(\$9,000) 10%	(\$9,000) 9%	(\$9,000) 12%
Net operating surplus	\$0	\$0	(\$0)
Net financing costs (principle)	\$120,654	\$125,971	\$131,527
Net capital costs	\$88,870	\$127,667	\$31,404
Net deficit	\$209,524	\$253,638	\$162,932

Contributions by the Municipalities for operating costs have been relatively consistent over the past three years.

Capital costs, which are currently covered solely by Centre Hastings, have varied from year to year, with \$88,870 in 2017, \$127,667 in 2018 and \$41,952 in 2019, for total contributions by Centre Hastings in each of the three years of \$145,415 in 2017, \$197,229 in 2018 and \$85,157 in 2019.

Tri-Area Medical Centre Overview - 3 year financial analysis

	2017			2018			2019			2020
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget
<i>Operating revenue</i>										
Rental - other	\$78,000	\$77,372	(\$628)	\$86,832	\$83,171	(\$3,661)	\$94,481	\$84,603	(\$9,878)	\$86,000
Family Health Team rent	\$50,505	\$51,248	\$743	\$52,024	\$52,024	(\$0)	\$52,991	\$52,991	\$0	\$54,200
Cleaning recovery	\$12,000	\$11,956	(\$44)	\$13,350	\$12,781	(\$569)	\$13,056	\$13,056	(\$0)	\$13,200
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200	\$200	\$20,000
Total operating revenues	\$140,505	\$140,576	\$71	\$152,206	\$147,976	(\$4,230)	\$160,528	\$150,850	(\$9,678)	\$173,400
<i>Operating expenditures</i>										
Utilities	\$79,955	\$80,176	(\$221)	\$82,000	\$78,229	(\$3,771)	\$80,900	\$76,355	(\$4,545)	\$82,250
Contracts	\$39,000	\$39,841	\$841	\$50,000	\$55,251	\$5,251	\$60,200	\$57,104	(\$3,096)	\$62,231
Employee expense	\$11,350	\$11,699	\$349	\$13,795	\$19,656	\$5,861	\$18,625	\$18,640	\$15	\$19,195
Repairs & Maintenance	\$40,500	\$26,953	(\$13,547)	\$34,000	\$27,715	(\$6,285)	\$20,500	\$23,006	\$2,506	\$23,000
Physician	\$6,500	\$9,278	\$2,778	\$12,000	\$10,399	(\$1,601)	\$12,450	\$8,347	(\$4,103)	\$14,500
Other expense	\$13,000	\$9,407	(\$3,594)	\$11,800	\$8,923	(\$2,877)	\$0	\$3,075	\$3,075	\$20,000
Professional fees	\$2,500	\$659	(\$1,841)	\$2,100	\$3,749	\$1,649	\$1,000	\$0	(\$1,000)	\$500
Insurance	\$1,621	\$1,621	\$0	\$1,550	\$1,544	(\$6)	\$1,575	\$1,575	(\$0)	\$1,700
Licenses	\$0	\$100	\$100	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest on financing	\$50,748	\$50,748	(\$0)	\$45,431	\$45,431	(\$0)	\$39,874	\$39,874	\$0	\$37,760
Total operating expenditures	\$245,174	\$230,481	(\$15,135)	\$252,676	\$250,898	(\$1,778)	\$235,124	\$227,975	(\$7,149)	\$261,136
Operating deficit before municipal contributions	(\$104,669)	(\$89,905)	\$14,764	(\$100,470)	(\$102,922)	(\$2,452)	(\$74,596)	(\$77,125)	(\$2,529)	(\$87,736)
Municipal recoveries	\$33,000	\$33,360	\$360	\$33,725	\$33,360	(\$365)	\$34,000	\$33,920	(\$80)	\$37,760
Operating surplus (deficit)	(\$71,669)	(\$56,545)	\$15,124	(\$66,745)	(\$69,562)	(\$2,817)	(\$40,596)	(\$43,205)	(\$2,609)	(\$49,976)
<i>Capital</i>										
Capital revenue	(106,000.00)	(43,199.60)	\$62,800	(100,000.00)	(60,162.22)	\$39,838	-	(10,547.24)	(\$10,547)	\$0
Capital expenditures	136,000.00	88,869.89	(\$47,130)	130,000.00	130,000.00	\$0	-	41,951.54	\$41,952	\$50,000
Net capital expenditures	\$30,000	\$45,670	\$15,670	\$30,000	\$69,838	\$39,838	\$0	\$31,404	\$31,404	\$50,000
<i>Financing costs</i>										
Principle repayments	\$120,654	\$120,654	(\$0)	\$125,971	\$125,971	(\$0)	\$131,527	\$131,527	\$0	\$137,335
Total financial costs	\$120,654	\$120,654	(\$0)	\$125,971	\$125,971	(\$0)	\$131,527	\$131,527	\$0	\$137,335
Net deficit	(\$222,323)	(\$222,869)	(\$546)	(\$222,716)	(\$265,371)	(\$42,655)	(\$172,123)	(\$206,137)	(\$34,014)	(\$237,311)

Tri-Area Medical Centre Overview - Debt Financing Overview

In order to finance the construction of the medical centre building, the Municipality secured two long term loans:

	Ontario Infrastructure Projects Corporation	Community Futures Development Corporation
Loan Amount	\$1,600,000	\$300,000
Annual interest rate	4.63%	3.95%
Loan period in years	15	15
Payments	\$74,571	\$1,895
Payment frequency	Semi annual	Monthly
Total annual payment	\$149,142	\$22,744
2020 interest expense	\$31,851	\$2,911
2020 principal repayment	\$117,291	\$19,752
Final payment due	May-25	Feb-24

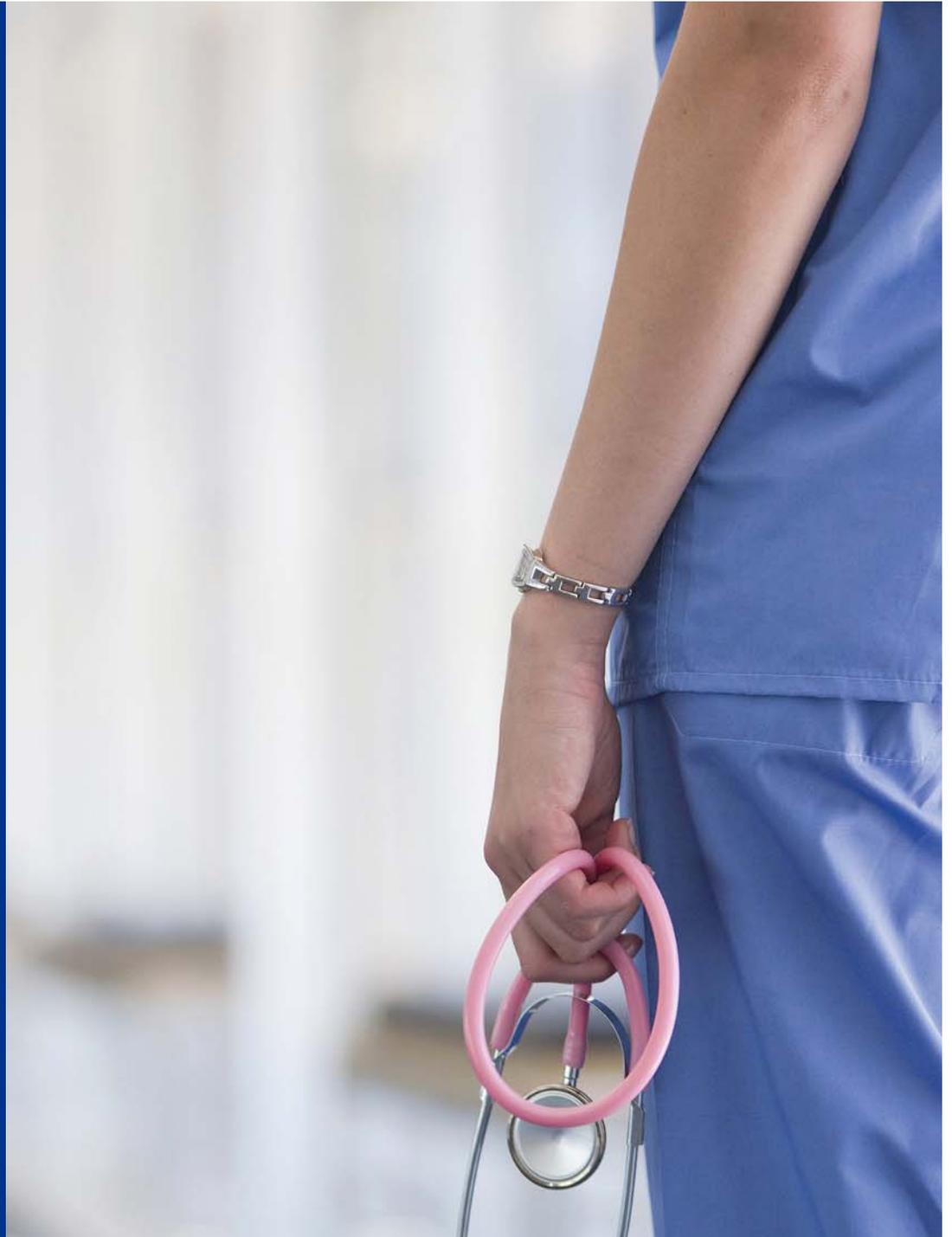
The Ontario Infrastructure loan is secured by the medical centre building and the Community Futures Development loan is secured by the land on which the medical centre is built. The interest on the loans is an operating cost that is shared by the participating Municipalities.

Given the nature of the financing and the fact that they will both be fully repaid within the next five years, we do not suggest that any action be taken to change the terms of either loan.



Municipality of Centre Hastings
Tri-Area Medical Centre

Key findings



Municipality of Centre Hastings
Key Findings

During the course of our review, a number of themes emerged concerning both positive aspect to the Centre's operations and areas of potential improvement, which we have summarized below.

A. There is a shared appreciation between the Municipalities and the physicians for the Centre's value and purpose.

The results of our interactions with the participating Municipalities and the physicians have provided us with the impression that all stakeholders are appreciative of the Centre's purpose and they all feel that there is an overall good value received from the Centre.

Based on interactions with the physicians, there is great value to the arrangement that exists whereby the physicians are provided with a space rent-free and some expenses paid for, and it was expressed that the arrangement is mutually beneficial in that it entices physicians to operate in smaller communities that would otherwise risk being underserved.

B. The Centre is operating cost efficiently.

Although it was recognized that some tweaking of operational expenses may be required, there was a recognition that the Centre is being run efficiently. The participating Municipalities expressed some concern over the Centre's ability to remain sustainable, and feel that the sharing of expenses should be organized to ensure that there is sufficient contributions from each Municipality.

The stakeholders also agreed that maintenance requests are dealt with efficiently and the arrangement with the Municipality's employee providing maintenance is working well.

C. The current agreement between the Centre and the physicians is informal, creating the risk of a lack of clear understanding.

In December 2013, the Municipality assumed the administration of the Centre from the Tri-Area Medical Centre Board (the "Board"). The agreement that was in place between the Board and the physicians has not been renewed since the change in administration. There was consensus among all stakeholders that a contract between the Centre and the physicians is required in order to ensure there is clear communication and expectations. Some of the elements to be outlined in the contract include:

- Rent charge for the space the physicians use as their medical practice (whether rent is free or not);
- A clear definition of which costs are paid by the physicians and which are paid by the Centre (if any);

C. The current agreement between the Centre and the physicians is informal, creating the risk of a lack of clear understanding (continued)

- Expectations with respect to an agreed upon annual budget, including the process for reimbursement of physician expenses (if any) and the approval of any additional expenses; and
- Expectations with respect to accountability. For example, there is some concern regarding the inability of some residents within the Tri-Area Municipalities to acquire a family physician, while some non-residents are rostered patients of the physicians. The contract should clearly outline an agreed upon approach to ensure that the residents of the participating Municipalities are able to access a family physician. Accountability may be built into the process by developing statistics that can be reported by the physicians to the Municipalities periodically, including total number of rostered patients per Municipality and wait list details. Percentages of patients rostered from each participating Municipality is not likely the best metric for basing decisions on.

D. There appears to be minimal communication between the participating Municipalities regarding the operations of the Centre.

Based on interactions with the representatives from the three participating Municipalities, it has been identified that there has been a gap with respect to communication between Centre Hastings and the other two Municipalities regarding the Centre. Steps have been taken to increase the communication over the past year, including the creation of the Tri-Area Medical Centre Advisory Committee (the “Committee”). The Committee is comprised of two members of Council and staff representatives from each participating Municipality and the purpose is to advise and make recommendations to their respective Councils on issues regarding the Tri-Area Medical Centre.

One of the expected outcomes related to this service delivery review is recommendations and specific actionable items that the Municipality can do to improve communications between the Centre, the participating Municipalities, physicians and the broader communities.

E. The budget for the Centre does not appear to be comprehensive and informed.

The Municipality prepares the budget for the Centre, which includes both the shareable and non-shareable revenues and expenditures. There has been no input from the stakeholders with respect to the annual budgets. There have been discussions with the physician group with respect to budgets for the costs paid on behalf of the physicians but it has not been a productive process thus far, with the physicians indicating that they are unsure as to what the Municipality is looking for and concern regarding whether it would be a static budget that they would be expected to spend within annually or a guideline that could be adjusted as the year progresses.

The budget for capital and repairs and maintenance expenditures has not been based on planned or expected expenditures, with no multi-year capital budgets for the Centre prepared to help inform the annual budget process.

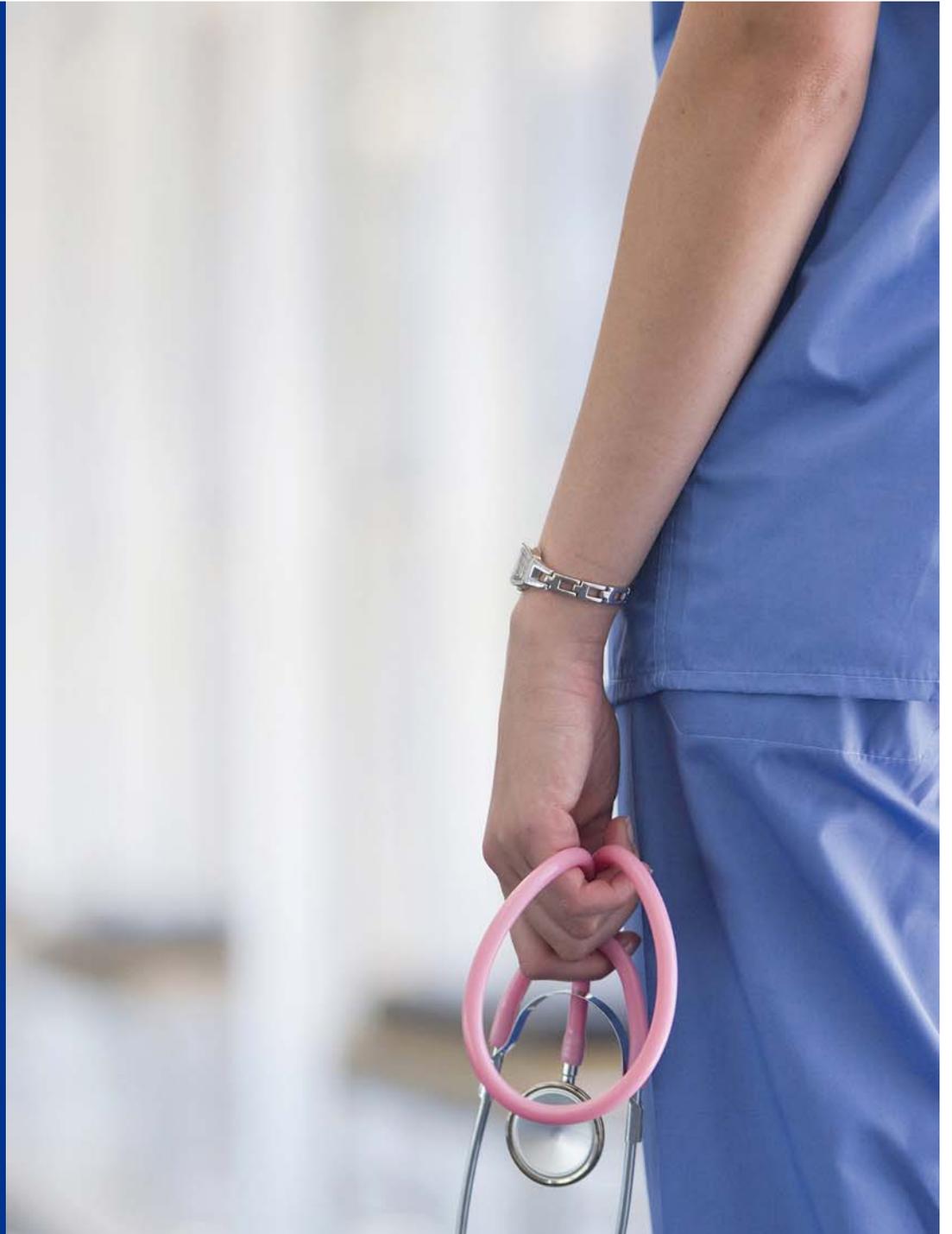
E. The budget for the Centre does not appear to be comprehensive or informed (continued)

There have been inconsistencies over the past few years for how expenses are coded to expense accounts, resulting in difficulties in looking at trends in expenditures and forecasting future needs. The chart of accounts should be reviewed to establish a clear set of accounts to be used with guidelines regarding which expenditures will be coded to the various accounts. The consistency will ease the process of analysing expenditures and identifying savings opportunities based on trend analysis and a review of variance from budget on a regular basis.



Municipality of Centre Hastings
Tri-Area Medical Centre

Potential Courses of Action



Opportunities for Consideration

This section of our report outlines opportunities that could be considered by the Centre as a means of addressing the findings from our review. Given that the scope of this review, the opportunities identified from the review fall into one of two categories:

- Changes that can lead to cost reductions for the Centre; and
- Changes that will result in improved communications between the Centre, the participating Municipalities, physicians and the broader community.

We believe that the opportunities will differ based on the nature of the stakeholders required for implementation. Specifically, we suggest that some opportunities – those that are purely operational in nature – can be implemented by the Municipality of Centre Hastings without explicit approval from the physicians or other participating Municipalities on the basis that these are operational matters and fall within the Municipality’s authority. Other opportunities – for example those involving changes that impact other stakeholders – are considered to be more collaborative in nature and as such, would require consultation with other stakeholders prior to implementation.

The potential opportunities for consideration follow.

Develop contract with physicians

As noted throughout this review, there is currently no contract between the Centre and the physicians. When the Tri-Area Medical Board dissolved in 2013 and the Municipality assumed the administrative responsibilities for the Centre, there was a verbal agreement to maintain the contract that was in place between the Board and the physicians. Based on discussions with the physicians and with the Municipality, we understand that the contract is vague and open to interpretation and that some key elements are missing from the contract. All three participating Municipalities communicated some concern with respect to the number of residents within their Municipality that are not currently served by the physician group, while a number or percentage of rostered patients for the physicians may reside outside of the Municipalities.

A clear and detailed contract is essential for both parties to ensure that terms and conditions, as well as accountabilities, are agreed and communicated. In developing a contract, we suggest that the Municipality consider:

- Including a clear statement whether or not the space for the physicians to operate their medical practice is provided rent-free on an ongoing basis;
- Establishing guidelines for which costs are to be absorbed by the participating Municipalities (if any);
- Establishing a budget process with the physicians to determine what their annual expected Municipality costs are to ensure transparency;
- Establishing key accountability measures.
- Developing a quarterly or semi-annual review process to share year to date costs compared to the budget as well as the status of any statistics that have been developed; and
- Including a clause specifying that the Municipalities will not interfere with the operations of the physician's practices.

It is recommended that the budget process established as part of the contract include an annually negotiated amount for costs to be absorbed by the Municipalities, if any. If costs are to be absorbed by the Municipalities, the budget process will provide an opportunity for physicians to negotiate cost sharing for any additional costs that they may be expecting. This process will allow each Municipality to budget for their expected share of the Centre's costs and ensure the long term sustainability of the Centre.

A sample contract that the Municipality can use at their discretion, and amend as required, is included in Appendix 1.

Develop new contract with participating Municipalities

The existing 1 year contract between the three Municipalities expires on December 31, 2020, with the results from this reviewing being used to inform a new contract. The current contract specifies the methodology to be used to share the costs of the Centre between the three Municipalities, based on the 2016 census population data. During our interactions with the Townships of Madoc and Tudor/Cashel, we have come to understand that there has been little communication between the Municipalities regarding how the contributions made to the Centre are being utilized. The contract between the Municipalities should include:

- A clear formula for how each Municipalities' share of the costs for the Centre will be established. The current methodology of using the percentage of each Municipalities' population from the most recent census is reasonable. The formula should clearly identify the costs that are shared by the Municipalities and a breakdown of the costs and how they are shared will be provided with the requests for funding. Refer to Appendix 2 for a sample worksheet.
- The establishment of a budget approval process for the Centre's costs. Each Municipality will be given the opportunity to review the proposed budget and provide input with potential cost savings to be considered within an established timeframe.
- The establishment of a reporting framework to report on the spending compared to the budget throughout the year. An annual reconciliation of the actual costs compared to budget should also be used to determine if any adjustments are required to the amount owed by each Municipality to ensure that no one Municipality is taking on a larger cost burden than intended. The Tri-Area Medical Centre Advisory Committee that was established in 2020 can be used as a forum for such reporting. There may also be an opportunity for any surplus funds on a year to year basis to be allocated to a reserve on the same cost-sharing ratio for future capital needs of the Centre.
- A clear process for how funding will be requested and how frequently. Based on our review, we suggest that the annual request include a reconciliation process, with any required adjustments forming part of the next year's payment allocation:
 - The annual request would be set after the approval of the annual budget for each Municipalities' share of the approved budget
 - A reconciliation subsequent to year end would be completed and any billing or credit adjustment would be including in the subsequent year's payment, or allocated to a reserve on the same cost-sharing ratio (see capital plan note below).

The agreement with the Municipalities currently does not include any capital costs as shareable. With the development of a five year capital plan, there is an opportunity to identify capital costs that are relevant to the physician practice (e.g. building infrastructure) and the definition of costs included can be expanded to include relevant capital costs to be shared.

Establish a communication strategy with stakeholders

A communication gap exists with respect to the Centre and the various stakeholders. Steps have been taken to address the gap, including the undertaking of this review as well as the establishment of the Tri-Area Medical Centre Advisory Committee between the three participating Municipalities. In order to improve communication between all stakeholders, we suggest the following:

- Expand the Terms of Reference for the Tri-Area Medical Centre Advisory Committee to include a set number of meetings as well as to expand the purpose. The Committee should meet at least semi-annually to review the budget for the Centre and to receive updates on the Centre's financial position. Quarterly meetings may be preferred by the Municipalities to ensure that they can provide regular updates to their respective Councils on how the funding is being used, but may not be necessary.
- Establish a quarterly or semi-annual meeting between the Municipality and the physicians to establish budgets, discuss any potential additional cost pressures, and report any set accountability metrics. The meetings should also include a collaboration opportunity to discuss any medical initiatives that the Municipality is considering. Although the physicians may not be directly involved with the initiatives, they can provide insights, feedback and guidance to assist the Municipality in making wise investments with the Centre's offerings. This meeting may not need to include budget discussions if the physician agreement does not include a provision for absorbing physician costs.
- Establish an annual review between the participating Municipalities and the physicians to discuss results and expectations regarding the future of the Centre. Based on our discussions with stakeholders, there is agreement that the Centre provides value to each group. In order to ensure that there is ongoing value provided to all parties involved, regular discussions should be incorporated to share concerns, insights, recommendations and successes. The annual review will also provide an opportunity to establish accountability measures that will be targeted over the next year. A metric such as percentage of rostered patients from each Municipality is not likely to be the best metric to base decisions on for a variety of reasons, outlined below:
 - Time spent with each patient varies and a physician with a patient roster smaller than other physicians does not equate to less time spent, nor is necessarily indicative of time available for adding patients overall.
 - Similarly, patient access is primarily administered by the College of Physicians and Surgeons of Ontario, and imposing barriers or restrictions is not governed at the local municipal level.
 - Patients who move to another geographical area do not necessarily de-roster from the physicians and are only legally able to be de-rostered at the direct request of the patient.

Review expense reporting for the Centre

Based on our review of the financial information for the Centre over the past three years, we have identified that there is inconsistency with respect to how costs are recorded from year to year. It is difficult to perform trending and variance analysis with the inconsistencies. We suggest that the Municipality review how expenses are recorded to report the Centre's financial information and streamline the reporting to ensure that there is clear guidance with how expenditures are reported from year to year. With the enhanced reporting being recommended in this report, the refined expense distribution will ensure that the reporting is consistent and clear to all parties.

Review of expenses for the Centre

Based on our review of the Centre's financial information from 2017 to 2019, we have found that the Centre is operating cost efficiently with few areas identified for review.

- The janitorial costs for the Centre make up approximately 25% of the total operating costs, and have increased 18% from 2017 to 2018. The increase is partly attributable to an increase in space used at the Centre, with an x-ray clinic added in 2018. The current contract term expired December 31, 2019 and the renewal for 2020 includes a 3% increase in cost. Given the amount of the contract, it is recommended that:
 - a) A review of duties take place to ensure that services are provided at an appropriate level for the Centre;
 - b) Consideration be given to the availability of existing internal staff to provide the janitorial services, which could produce savings; and
 - c) If internal staff is not a viable solution, a Request for Proposal for janitorial services be issued for a three year term
- Snow removal service needs should be reviewed to determine if it could be provided by in-house staff with a re-alignment of staffing and equipment. There would be cost savings associated with moving the service in-house.

As a method to increase accountability and enhance the reporting for the Centre, the Municipality should prepare a list of past initiatives, reviews and measures taken to reduce costs for the Centre to be shared with the Tri-Area Medical Centre Advisory Committee. The list should be refreshed and shared annually, including planned improvements/initiatives over the next year.

Develop a capital plan

Capital related cost for the Centre have varied over the past three years, with spending of \$109K in 2017, \$150K in 2018 and \$75K in 2019, and a budget of \$63K for 2020. To provide more insight into capital requirements for the Centre, we suggest that a 5 year capital plan be established for the Center. The plan will help inform the annual operating budget and cash flow requirements for the Centre. The capital plan should include:

- Expected capital costs associated with building lifecycle
- Capital costs associated with cost savings initiatives (e.g. lighting upgrade), which should include the expected operating savings to be realized from the initiative
- Capital costs associated with new tenants/initiatives (e.g. x-ray clinic, fit outs), which should include any additional rent or funding associated with the initiative.

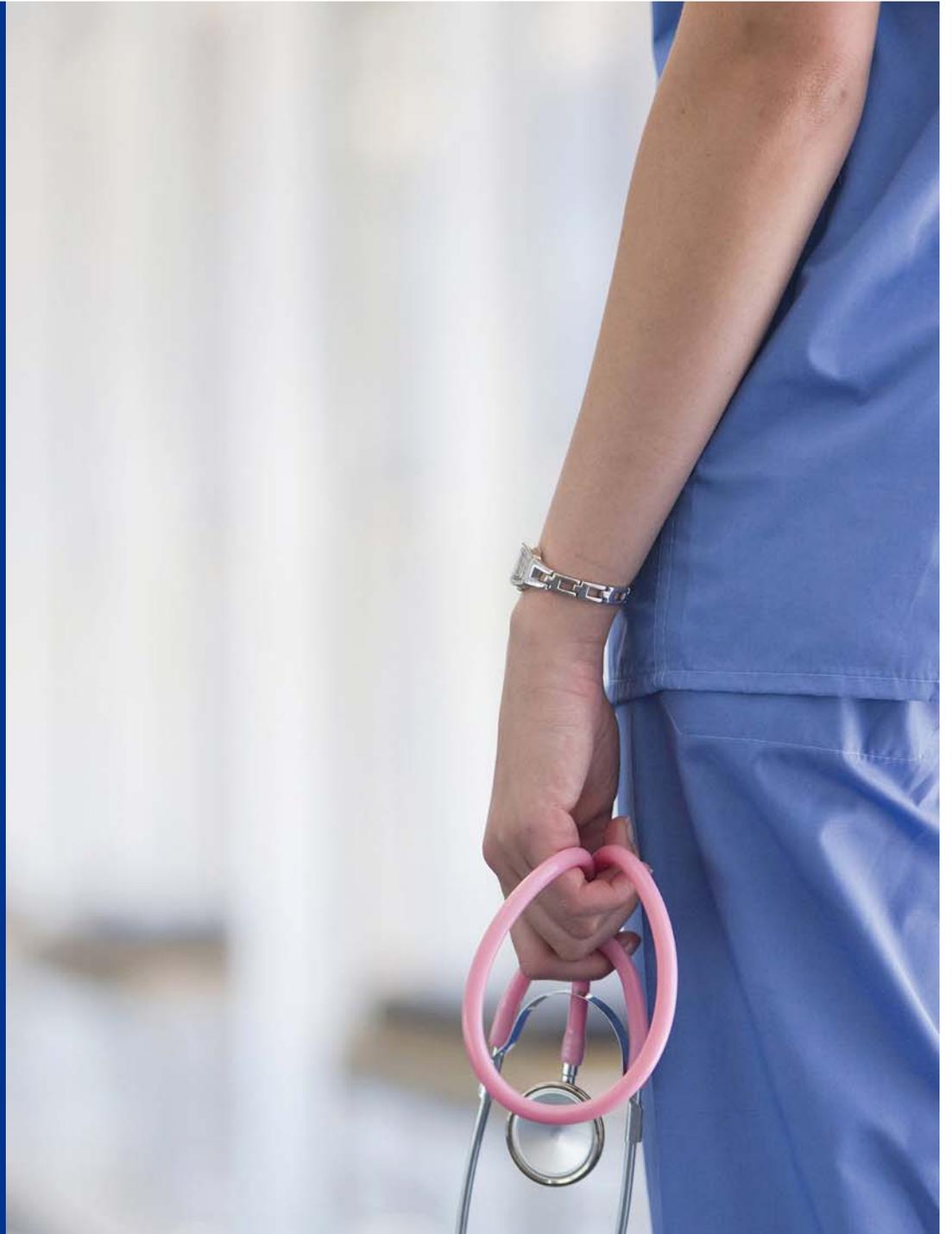
Along with the capital plan, we suggest a review of repairs and maintenance expenditures and include major expected repairs and maintenance expenditures with the 5 year capital plan.

Once the plan is established, capital costs that could be considered shareable with the other Municipalities can be identified and a discussion regarding including them as shared expenses can take place.



Municipality of Centre Hastings
Tri-Area Medical Centre

Appendix 1 – Sample Physician Contract



Appendix 1 - Sample Physician Contract

AGREEMENT

BETWEEN:

THE CORPORATION OF THE MUNICIPALITY OF CENTRE HASTINGS
a municipal corporation and hereinafter called
"Centre Hastings", being the Party of the First Part

AND

DOCTORS XXX,XXX AND XXX

a group of physicians that operate the Family Health Organization and hereinafter called
"the Physicians", being the Party of the Second Part

WHEREAS the parties have been working together to provide primary care physician services to the residents of the Townships of Centre Hasting, Madoc and Tudor and Cashel through the Tri-Area Medical Centre, hereinafter called "the Medical Centre";

AND WHEREAS the Physicians operate their medical practices from the main/ground floor of the Medical Centre which is located on lands owned by Centre Hastings described as Lot 16 & 17, North of St. Lawrence Street (formerly Division Street); Part Lot 1, East Durham Street (formerly Donald Street); registered Plan 105; Part of Lot C, East of Durham Street (formerly Donald Street), registered Plan 218; in the Municipality of Centre Hastings, in the County of Hastings, being all of PIN 40189-0100 (LT) and being hereinafter called "the Property";

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein the parties agree as follows:

1. The parties agree that the Physicians will receive exclusive rights to utilize the Property for the sole purpose of operating their family medicine physician practices free of any rent and related common fees.
2. The parties agree that the Physicians will provide service to patients according to terms set by the Ministry of Health for Family Health Organizations.
3. The parties agree that the physicians will be responsible for all operating costs associated with their practices.
4. The parties agree that an annual budget discussion will be held, at which time the physicians may negotiate for the sharing additional one-time costs that they may be expecting. The determination and payment of such items will follow the process as described in Schedule "A" attached hereto.

Appendix 1 - Sample Physician Contract (cont.)

5. The parties agree that accountability measures will be developed annually as part of the process as described in Schedule "A" attached hereto.
6. It is agreed that Centre Hastings will not be involved with the day to day operations of the Physician's medical practices.
7. The parties agree to meet on a semi-annual basis to review results and negotiate costs, as described in Schedule "A" attached hereto.
8. The parties adopt the above recitals as true and accurate facts relied upon by the parties hereto to enter into this Agreement and agree that this Agreement will take effect as at DATE.
9. It is agreed that there is no representation, warranty, collateral agreement or condition affecting this Agreement or the Property other than as expressed herein in writing.
10. This Agreement shall be binding upon the successors and assigns of the parties hereto.
11. This Agreement shall continue in effect indefinitely unless it is agreed by both parties to amend the Agreement. Either party will provide 3 months' notice to the other party in writing that they intend to request amendments to this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement in duplicate as of the date indicated below by affixing each party's seal as attested by the signing hereof by their respective proper signing officers.

SIGNED THIS ____ DAY
OF _____, 20____

THE CORPORATION OF THE
MUNICIPALITY OF CENTRE HASTINGS
PER:

POSITION: NAME

POSITION: NAME

We have the authority to bind the
Corporation

SIGNED THIS ____ DAY
OF _____, 20____

THE PHYSICIANS PER:

NAME

NAME

NAME



Appendix 1 - Sample Physician Contract (cont.)

SCHEDULE "A"

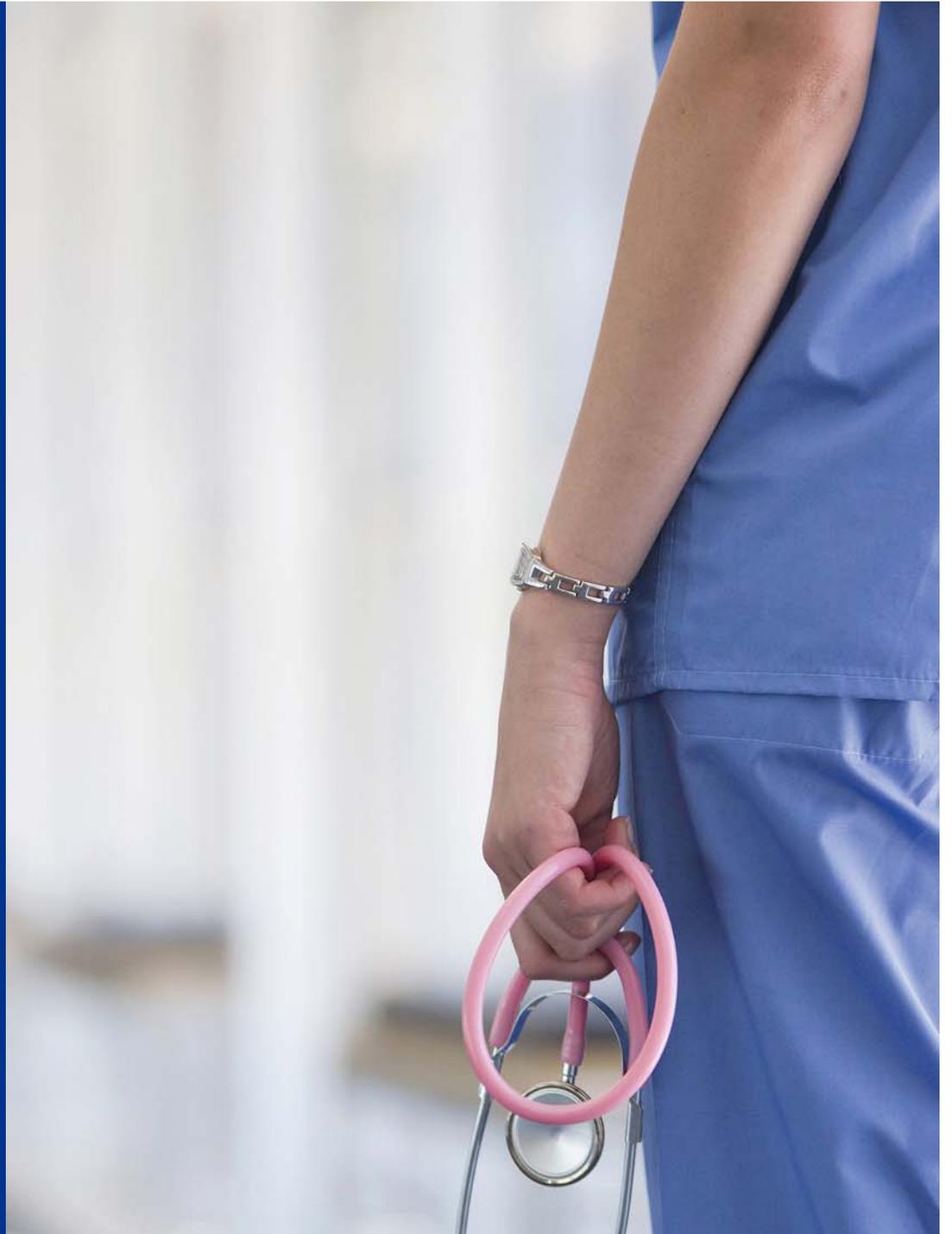
The parties to this Agreement agree that the process to determine the costs to be absorbed the Centre Hastings is as follows:

1. Centre Hastings and the Physicians will meet prior to the start of the year to discuss expenses for the upcoming year. The Physicians will provide Centre Hastings with a budget consisting of a list of expected purchases over the next year that they would like the Municipality to absorb. If the expenditures is agreeable to both parties, the budget will be approved.
2. Expenses approved through the budget will be submitted by the Physicians to Centre Hastings quarterly for payment.
3. Accountability metrics will be discussed and set at the meeting, consisting of measures to ensure that the Agreement continues to bring value to all parties involved. The metrics chosen will focus on ensuring that the intended recipients are able to access the services of primary care physicians. An example is the number of rostered patients from each participating municipality (Centre Hastings, Madoc and Tudor and Castrol) compared to the total number of rostered patients for the physicians.
4. The budget will be reconciled after year end and any billing or credit adjustments will be included in the first payment of the subsequent year.



Municipality of Centre Hastings
Tri-Area Medical Centre

Appendix 2 – Sample Cost Sharing Worksheet



Appendix 2 - Sample Cost Sharing Worksheet

Tri Area Medical Centre
Allocation of shared costs
Year Ended December 31, 20xx

Total Budget	Shareable portion	note 1		
		64% Centre Hastings	28% Madoc	8% Tudor and Cashel
Centre operating expenditures:				
Utilities		\$ -	\$ -	\$ -
Contracts		-	-	-
Employee expense		-	-	-
Repair & maintenance		-	-	-
Physicians (note 2)		-	-	-
Professional fees		-	-	-
Insurance		-	-	-
Other		-	-	-
Total expenditures		\$ -	\$ -	\$ -
Amount due from municipalities		\$ -	\$ -	\$ -

Note 1

Expenses allocated based on the current (2016) Canadian Census data of the population of each municipality.

	Population	% of total population
Centre Hastings	4,774	64%
Madoc	2,078	28%
Tudor and Cashel	586	8%

Note 2

Physician expenses based on budget of expected costs to be absorbed by the municipalities as established through annual budget negotiations.



Appendix 2 - Sample Cost Sharing Worksheet (cont.)

**Tri Area Medical Centre
Allocation of shared costs
Year Ended December 31, 20xx
Year end Reconciliation**

	Annual budget	Actual costs	Shareable portion	64%	note 1 28%	8%
				Centre Hastings	Madoc	Tudor and Cashel
Centre operating expenditures:						
Utilities				\$ -	\$ -	\$ -
Contracts				-	-	-
Employee expense				-	-	-
Repair & maintenance				-	-	-
Physicians (note 2)				-	-	-
Professional fees				-	-	-
Insurance				-	-	-
Other				-	-	-
Total expenditures				\$ -	\$ -	\$ -
Less payments received				\$ -	\$ -	\$ -
Amount due from municipalities				\$ -	\$ -	\$ -

Note 1

Expenses allocated based on the current (2016) Canadian Census data of the population of each municipality.

	Population	% of total population
Centre Hastings	4,774	64%
Madoc	2,078	28%
Tudor and Cashel	586	8%

Note 2

Physician expenses based on budget of expected costs to be absorbed by the municipalities as established through annual budget negotiations.

Description of changes:





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