



Izaak Walton Killam Health Centre

Management Discussion & Analysis

March 31, 2020

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For the Fiscal Year Ended March 31, 2020 (unaudited)

This document is provided to describe the connection between the IWK's Strategy and the organization's financial performance¹ for the fiscal year ended March 31, 2020. The narrative has been prepared by Management and is not part of the annual audit procedures. This document is designed as a supplement to the audited financial statements, and therefore should be read in conjunction with the audited financial statements.

Strategic Performance

An internationally recognized academic health sciences centre, the IWK is dedicated to the highest standards of patient and family-centred care, research and education. Our strategic action plan identifies eight strategic priorities, which is consolidated into four strategic and operational areas of focus which reflect where we are today and where we aspire to be moving forward.

- System Leadership, Partnership & Advocacy
- Innovation & Research
- Becoming a High Reliability Organization
- Responsible Stewardship

The IWK Health Centre continues to strive towards achieving its strategic aspirations.

Included in our aspiration to Become a High Reliability Organization is the IWK's goal to Improve Access and Enhance Patient Journeys, the IWK improved patient wait times in a number of service areas with lean improvement projects. Significant performance improvement has been achieved in the Emergency Department, Ambulatory Orthopedics, Surgical Gynecology, and Autism programs, amongst others. Fiscal 2020-21 will see the continuation of organization-wide lean improvement with respect to surgical and ambulatory care delivery, along with corporate initiatives such as supply chain and procurement.

As well, the IWK achieved its goal of Using Risk Management for Strengthened Strategic Advantage via full implementation of the organization's Enterprise Risk Management Framework that embeds risk management principles into key operational business processes.

Under the key Responsible Stewardship strategic aspiration, the IWK was able to achieve a balanced financial position showing strong management of budget and resources for fiscal 2019-20. In addition, continued progress was made to further improve the internal control environment.

A true testament to the commitment to improve the quality and safety of the care delivered to patient, families and our community is demonstrated by the IWK being awarded Accreditation with exemplary standing (the highest level of performance) in our most recent Accreditation Canada survey.

The IWK's strategic goals for fiscal 2020-21 have been brought forward to the organization's Board of Directors and implementation will be balanced with the need to invest organizational resources to support COVID-19 pandemic planning and management through the coming year.

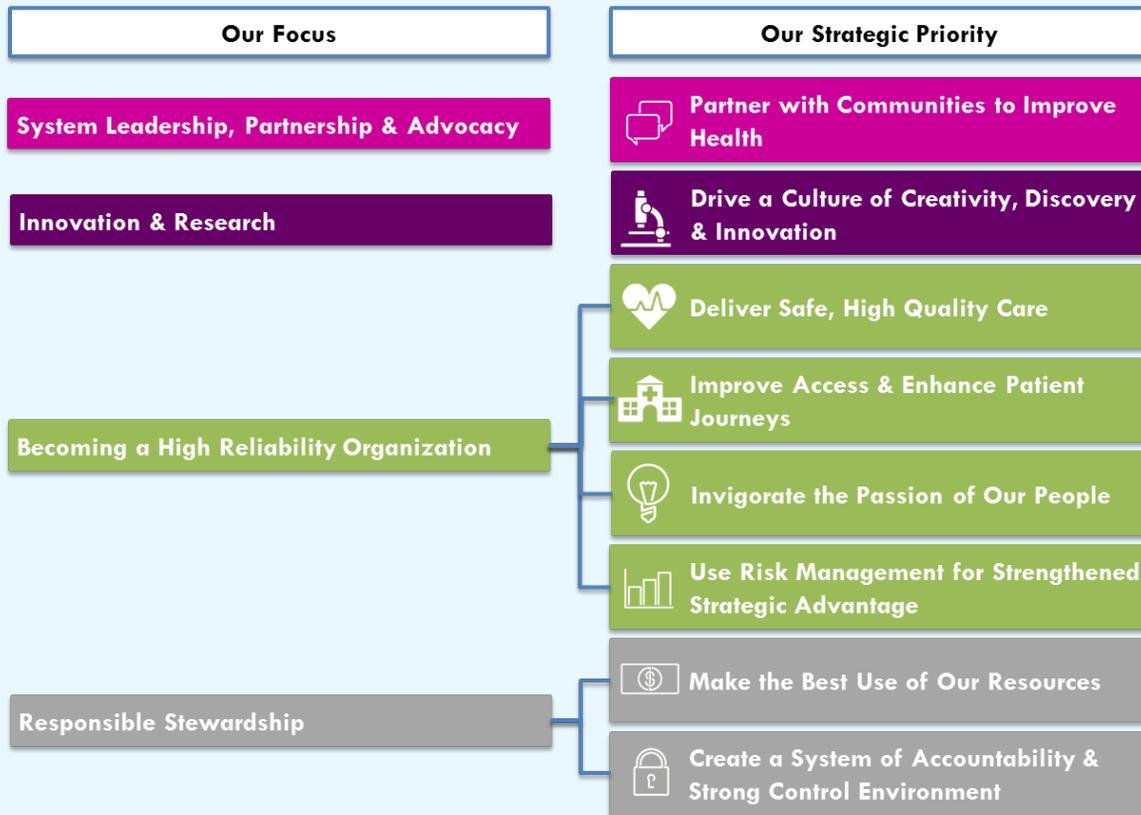
¹ Financial information included in this overview are expressed in the thousands (\$,000) of Canadian dollars.



Mission

To passionately pursue a healthy future for women, children, youth and families.

IWK Strategic Action Plan



Values

Safe, compassionate care through leadership, innovation, integrity, and partnerships.

Financial Performance

As responsible stewards in Nova Scotia's publicly funded health system, we aspire to create a system of accountability and achieve operational excellence by using our resources wisely and demonstrating value to our stakeholders. This includes achieving financial results that logically support the IWK Strategic Plan.

The IWK closed the 2019-20 fiscal year with a balanced financial result. This is in keeping with the IWK's strategic commitment to achieve financial results as set out in its annual business plan.

The continued innovative and collaborative forecasting process has helped lead the organization to more responsible stewardship of public funds, and allows the IWK to be more responsive as it relates to financial pressures and opportunities.

Results that demonstrate enablement of strategy implementation are evident throughout the organization's financial statements. These results support the delivery of exceptional patient experiences through decreased lengths of stay for inpatients, improved access to care in children's health and mental health and addictions programs, as well as government investment in other youth mental health initiatives.

Key to the successful achievement of our strategic goals and aspirations is continuing the transformation of our physical space through the generosity of IWK donors and government investment, with a collective funding of \$8,049 this fiscal.

Major renovations included the completion of Phase II of the Neonatal & Pediatric Intensive Care ("NICU/ PICU") re-development in June 2019 and the commencement of Phase III, which is scheduled to be completed in August 2020. In partnership with patients and families, a new state of the art NICU was designed that transforms care delivery and improves patient safety. The unit design includes single room care for all patients in need of the unit, with overnight accommodations (bed and bath facilities) available in each room that allow families to be together while in hospital. Phase III includes the redevelopment of the PICU, which will be designed similar to the NICU.

The IWK also received government funding to start the renovations as it relates to a new MRI scanner, and funding for detailed design for a new pediatric and youth emergency department.

As well, to support our efforts in driving a culture of creativity, discovery and innovation, the IWK along with external partners, continue to broaden our innovation program, which is closely connected to our Research Services portfolio.

A focused approach to enhancing the organization's control environment was established during the 2018-19 fiscal year via a formalized control environment project team. Significant progress has been achieved in both fiscal 2018-19 and 2019-20, ensuring that the organization has a control environment that represents leading practices. The organization's balanced financial results in both fiscal years can, in part, be attributed to more focus and attention on the controls environment.

The organization's commitment to lean initiatives has further helped improve access to patient care and create efficiencies in workflow processes, allowing the organization to provide additional care to patients without increasing costs.

Appendix 1 highlights an overview of the organization's financial performance as presented in the audited financial statement.

Major Financial Services and Other Operational Initiatives

There were many financial services and operational successes in fiscal 2019-20. Some of the more substantial successes include:

1. **Continued Capital Investment**
2. **Premises Leasing Strategy**
3. **Financial Services Innovation**
4. **Strategic Plan Placemat Poster Project**

The following provides information on each of these successes.

1. Capital Investment

Throughout the year, the IWK was able to receive generous support from the IWK Foundation and DHW for medical equipment, facilities renewals and renovations, with a total of \$11,932 in funding.

NS Department of Health & Wellness

Through the various DHW capital funding envelopes - capital medical equipment, capital clinical projects and infrastructure repairs and renewal - the IWK was able to purchase \$3,531 in capital requirements as follows:

- Twenty-six urgent medical equipment needs, including critical care equipment such as ventilators, speciality beds and mammography machines.
- Eighteen infrastructure repairs and projects, including additional work surrounding the installation of the new transformer in the Goldbloom building, which will allow for enhanced electrical flow through, and is aimed to prevent the overuse of the existing transformer. It also included repairs to the external lockdown functionality and an upgrade to the door access controllers to increase security and safety throughout the facility.
- A continuation of work as it relates to patient seclusion rooms and the purchase of new video equipment for the Family Therapy Clinic, both projects allowing the organization to improve care and provide a safer patient and staff experience.

DHW also provided \$1,469 in funding of its \$6,900 overall commitment to purchase a new MRI scanner and complete associated renovations. This new MRI will be a state-of-art piece of equipment that will replace an existing, aging MRI scanner, and allow the IWK to do state-of-the-art care. At the end of March 31st the project was approximately 20% complete and the MRI is expected to be operational by October 2020.

DHW committed \$1,400 in the design development phase of a new emergency department, to help address the increase in patients being seen at the emergency department and accommodate more complex cases. A redesigned emergency department will ensure the IWK continues to meet updated safety standards around patient and staff safety, confidentiality and infection prevention and control. The design development phase commenced in fiscal 2019-20, incurring \$786 in costs, and will continue into fiscal 2020-2021.

IWK Foundation

The IWK continued its transformation of its physical space through the generosity of its many donors. The IWK Foundation was able to fund the following capital projects and equipment totalling \$6,143:

- As part of the 'Breakthroughs in Care' campaign, the Foundation was able to fund a total of \$5,793 in expenditures for the completion of Phase II and the commencement of Phase III of the NICU/ PICU redevelopment project. Phase II opened up in June 2019 with 22 new beds, bringing a total of 44 beds for both Phase I and II. Phase III plans to open in Aug 2020 with 10 beds. At the end of March 31st Phase III was approximately 50% complete.
- Various urgent capital medical equipment needs totaling \$350 with funds raised through donors via the IWK Telethon, IWK Radiothon, various specified endowments, and through general fundraising.

The IWK Foundation also generously committed to the replacement 95 patient beds with new state-of-the-art smart bed technology. These beds will be equipped with wireless technology and other key features that will improve the quality, comfort and outcomes for patients staying at the IWK. These beds were placed into operation in April 2020.

Facilities Renewal

Over the past number of years, the IWK has been extremely fortunate to be able to invest in many of its clinical spaces, including inpatient mental health, children's rehabilitation centre, early labour assessment unit, women's OR/PACU and currently with its investment in the NICU/PICU.

While this clinical space allows the organization provide world class services to its patients, it is important to recognize that the 'bricks and mortars' facilities renewal is also important, as these provide the foundation for the clinical areas to serve its patients. Generators, electrical distribution systems, HVAC, boilers and chillers, to name a few, are critical to the overall functioning of the organization.

The IWK maintains 1.3 million square feet of "main-site" building with an estimated replacement value of \$1,500,000. The main site consists of four main buildings: Children's Site (approx. 50 years old); Women's Site (approx. 28 years old), Link Building (approx. 24 years old) and the Goldbloom and Parkade (approx. 16 years old). Also on the main site is the helideck (approx. 20 years old) and the generator building (approx. 5 years old).

Substantial annual investment is required to maintain the facility to meet the continued needs of patients, family and staff. Industry standards suggests that approximately 2% of the replacement value of a building should be invested in the facility annually to maintain its existing condition. This would equate to \$30,000 annually in facility upgrades.

The IWK is fortunate to have a strong deferred maintenance program which helps to increase the lifespan of its critical infrastructure, but with annual capital funding of just under \$1,000, a significant gap exists.

As part of a federal and provincial stimulus package to help boost the economy, the IWK will receive additional one-time funding to assist with much needed infrastructure repairs. The IWK is extremely grateful for this opportunity to help augment our current funding gap.

Master Space Planning

In the course of taking care of its capital assets, the IWK renewed its focus this year on a Master Space

Program, commencing with the re-engagement of Agnew Peckham, a health care and facility planning firm who had been involved with initiating a master space plan for the IWK in 2017. This planning has been a fully engaged process over the last quarter of the fiscal year, involving many support and clinical service teams. As the result of the pandemic, the outcomes of the Master Space Program remain under development.

2. Premises Leasing Strategy

Not including the 1.3 million square feet "main-site" property, the IWK manages services at fourteen "off-site" locations - ten leased properties and four donated property sites. In total, the IWK is currently leasing approximately 113,000 square feet, or 8% of its total space, at a cost of approximately \$3,100 annually.

Renewals/Activities

Three (30%) of the ten property leases will expire in the next five to seven years. Seven (70%) of the ten property leases will expire in the next two years.

The organization is currently negotiating an extension on one of its leases which is set to expire in September 2020. It is also planning to go out to market shortly for another space.

Leasing Strategies

Leases are currently managed using various ad-hoc spreadsheets and documents. The Facilities and Environmental Services Group is implementing a new asset management database system this fiscal year. The strategy is for all property leases to be centrally managed using this system's contract management module by the end of this fiscal year. This will standardize management, document storage, tracking and reporting of leases, as well as automating reminders associated with deadlines for renewals and other activities.

In the near future, master space planning will assist the IWK with re-considering our off-site space needs, as we re-imagine services while considering more flexible / expanded operating hours, expanded use of technology, and options of working more remotely (i.e. from home).

3. Financial Services Innovation

One of the IWK’s strategic goals is to drive a culture of creativity, discovery & innovation. This goal drives the client-centered focus of the Financial Services & Treasury department. There are numerous examples of the department’s passion for creativity and innovation evidenced in the advances made during the 2019-20 fiscal year. These advancements included furthering the department’s digitization strategy, progressing the control environment through a participatory financial reporting model, and a focused approach to cash management.

This proactive innovation strategy proved invaluable as the pandemic resulted in the increased in remote work and the requirement to develop digital strategies were increased.

The Financial Services and Treasury department has additional initiatives on the horizon for the 2020-21 fiscal year which include (but are not limited to):

- Creation of an Electronic Signature Guidance Document, to assist staff as we move to this new digital world
- Creation of an electronic journal entry workflow process, allowing a much more streamlined review process

“Those companies able to use technology well to keep going and rethink their business model for the future by fast-tracking digital transformation will be ones ahead of their competition.”

- Creation of an electronic vendor invoice approval workflow
- Re-establishing the electronic purchase requisition workflow
- Creation of an automated expense claim workflow process
- Transition of billings to SAP, allowing enhanced billing flexibility
- Implementation of an FTE complement control workflow

ADVANCEMENTS	RESULTS
Digitization strategy	
Archival of invoices in SAP	Improved access to cost information
Scanning of over 2 million files and records	Improved access to externally stored information
Creation of an electronic expense claim	Improved claim controls and turnaround time
Electronic journal entry template	Improved journal entry control and efficiency
Creation of fillable purchase requisition	Improved requisition controls and turnaround time
Introduction of GRC in SAP	Improved control documentation and automation
Participatory financial reporting model	
Forecast package enhancements	Improved reporting transparency and monitoring
Business planning workshops	Improved engagement and better budget planning
Refined financial statement reporting	Improved document controls and automation
Focused approach to cash management	
Advancement of vendor EFT initiatives	Improved payment turnaround to vendors, reduction of cheques
Introduction of petty cash	Improved cash monitoring, patient experience
Decrease year end billings	Improved access to cash throughout the year

4. Strategic Plan Placemat Poster Project

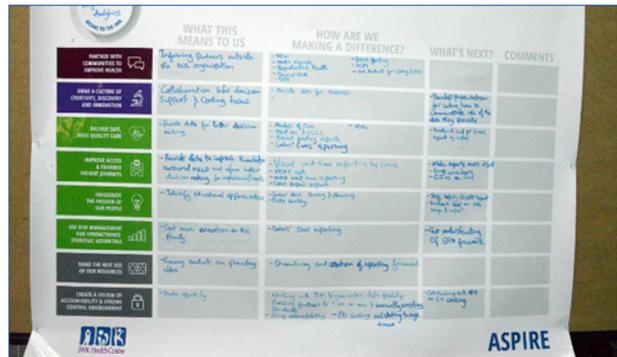
Co-lead by Strategy & Performance and Communications & Public Affairs, the strategic plan placemat poster project was designed to show how clinical and operational teams' day to day efforts support and enable the IWK's strategic priority pillars, including what those pillars mean to each team, what they are already doing to contribute to those areas, and what else they might do going forward. Basically, it was designed to be a template to easily show how team goals are aligned with organizational goals and vice versa in a visual representation.

"It is vital that staff and physicians understand where they fit into the broader context of the organization. You can communicate something to someone a hundred times, but if they don't see themselves in it, it's like you never told them at all."

Gina Connell,
Chief Communications, Engagement & Change

The placemats provide an opportunity to connect the dots between leadership and frontline staff and physicians, providing teams an opportunity to show what they have in mind for the future.

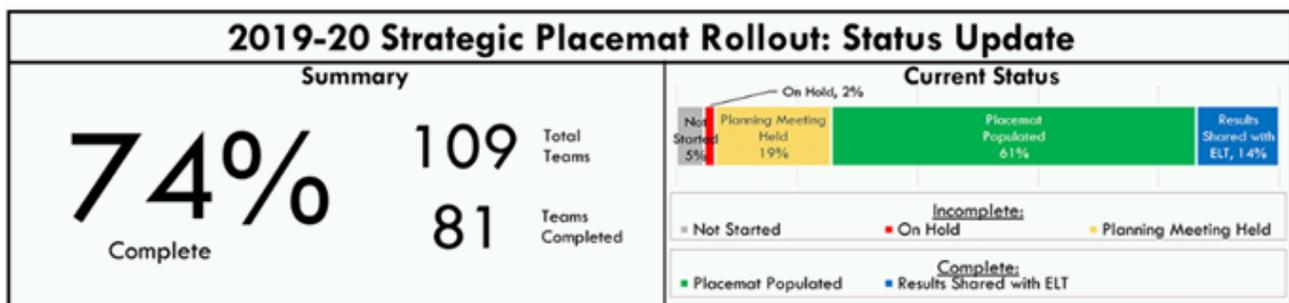
Ten pilot teams jumped at the chance to try it out with their teams. The overall feedback from those pilot teams was positive and there was lots of enthusiasm. Since the pilot, a total of 81 of the 109 teams had completed their strategic placemat.



Leadership rounding is underway and the executive team is eager to hear more about each team and how they help enable our strategy. They are interested in how they might be able to recognize synergies across organization and prepare for future organizational goals. They have committed to visiting each and every team throughout the health centre and satellites locations.

"It brought out a lot of pride, and provided a glance in the rear view mirror at all that has been accomplished and an opportunity to get excited about what's coming next."

Dawn Purcell,
Manager of Health Information Systems



Impact of the Pandemic

The impact of the COVID-19 pandemic has been far reaching to all organizations in many ways. As a health care organization, this pandemic has brought significant changes, some which may be permanent. As a result of the pandemic, the organization has experienced the following operational impacts:

- Temporary suspension of non-urgent services, including various clinic closures, mobile clinic services, blood collection lab and elective surgeries, resulting in delays / deferrals in service;
- Transition to a virtual care platform for mental health & addictions services and in other areas of service;
- Introduction of screening protocols visitors entering the IWK, and implementing visitor restrictions;
- Establishment of one of the Province's COVID-19 primary assessment testing centres;
- Establishment of a temporary pandemic response unit, designed to care for pediatric COVID-19 positive patients;
- Temporary closure of some retail services and reduced services in the cafeteria;
- Temporary suspension of parking fees for patients and staff; and
- Reduction in non-resident, out-of-country and other non-MSI covered procedures and preferred accommodations.
- While the financial impacts of the pandemic for fiscal 2019-20 were not substantial, a more significant financial pressure will be experienced in fiscal 2020-21, as the result of:
 - Increased usage of personal protective equipment (PPE), medical, cleaning and other supplies;
 - Price fluctuation of supplies as the result of supply chain disruptions reducing availability;
 - Costs relating to virtual care and remote work technology;
 - Approved capital equipment to support the pandemic;
 - Clinical area reconfigurations required to adhere to public health guidelines;
 - Incremental salaries and benefits required for visitor screening protocols, the COVID-19 primary assessment centre, the pandemic response unit designed to care for COVID-19 patients, additional occupational health staff and other operational staffing requirements;

- Potential for employee absenteeism due to sickness, cancellation of management and staff vacations resulting in vacation entitlement bank carry-forwards and vacation cancellation costs; and, staff being redeployed from clinical services to other areas within the IWK and the Province.
- Lost parking revenue;
- Lost profit due to the closure of some retail services and restrictions in the cafeteria resulting in a reduction in service; and
- Lost patient revenue as the result of reduced services and out-of-country patients, as well as changes in patient room configurations.

The Province provided funding during fiscal 2019-20 for incremental costs and lost revenues / profit as a result of COVID-19.

The duration and impact of the COVID-19 pandemic on the IWK remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the IWK for future periods.

Concluding Remarks & Fiscal 2020-21 Outlook

The IWK was able to deliver a balanced financial result in fiscal 2019-20, while making advances in its strategic plan supporting exceptional patient care, advancing the transformation of physical space and furthering the Women's Health Agenda.

Fiscal 2020-21 promises to be a year of uncertainty, but also opportunity as the organization works its way through the aftermath of the first wave of the pandemic and prepares itself for a potential further wave.

However, this pandemic has provided the organization an opportunity to reimagine itself. It provides a unique opportunity to rethink care models, the location of services, and what supports truly need to be in place to position the IWK as a resilient, high reliability organization. Opportunities to continue, and expand, virtual care exists, as well as creating a framework for remote work arrangements, which will have the benefit of freeing up much needed space within the organization.

Throughout this pandemic, the organization still remains focussed on priorities and initiatives around strategic aspirations, the key priorities of DHW (collaborative primary care, positive mental health and continuing care), and the healthcare requirements of children's youth, women and families of Nova Scotia and Atlantic Canada. These priorities and initiatives will be achieved through the effective use of our financial resources, dedicated oversight and governance, participative budgeting and continued implementation of best practices in the IWK's management control environment.

“Healthcare has found itself tested by the pandemic. The frontlines are delivering heroically, but the next normal for healthcare will look nothing like the normal we leave behind.”

[McKinsey, 2020](#)

APPENDIX 1: Financial Statement Overview

The IWK's audited financial statements as at March 31, 2020 have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada Board. These financial statements provide information on the cost of all of the IWK's activities, how they were financed, investing activities and the assets and liabilities of the IWK.

Statement of Financial Position

The *Statement of Financial Position* highlights four key figures that together describe the financial position of the entity:

- cash resources of the entity ("financial assets");
- net debt, which is calculated as the difference between financial assets and financial liabilities;
- non-financial assets that are normally held for service provision which include tangible capital assets, inventory and prepaids; and
- accumulated surplus/deficit, which summarizes the IWK's consolidated equity, identifying the financial position, including tangible capital assets, and financial resources of the IWK.

	2020	2019
Financial assets	96,762	95,307
Liabilities	104,615	103,769
Net debt	(7,853)	(8,462)
Non-financial assets	205,462	204,839
Accumulated surplus	197,609	196,377

Changes to financial assets were the result of:

- Cash and cash equivalents* were \$45,784 (2019 - \$33,669), an increase of \$12,115. Cash and cash equivalents represent three sources of cash: operating, restricted and research. The increase in total cash and cash equivalents over the prior year relates to increased cash balances in all three cash areas. Refer to note 3 in the Financial Statements for a breakdown of cash and cash equivalents.

- Due from governments* were \$40,266 (2019 - \$51,863), a reduction of \$ 11,597. This decrease primarily relates to a decrease in DHW net receivables as a result of timing of receipts and a one-time service award payout option for staff in the prior year which in turn reduced the employee future benefits receivable from the Department of Finance & Treasury Board. Refer to note 5 in the Financial Statements for further information.
- Due from IWK Health Centre Charitable Foundation* was \$5,254 (2019 - \$4,276), an increase of \$978. Refer to note 6 in the Financial Statements for further information.

Changes to liabilities were the result of:

- Accounts payables and accrued liabilities* were \$34,542 (2019 - \$33,530), an increase of \$1,012. This increase is predominantly the reflection of timing of payments. Refer to note 7 in the Financial Statements for further information.
- Employee future benefits* were \$36,987 (2019 - \$37,296), a reduction of \$309. Refer to Note 8 in the Financial Statements for further information.
- Deferred revenue* was \$28,554 (2019- \$27,358), an increase of \$1,196. This increase is predominantly due to the increase in research and capital grants. Refer to note 9 in the Financial Statements for further information.
- A reduction in *long-term debt* to \$ 4,532 (2019 - \$5,585) as the result of the payment of principal. Refer to Note 10 in the financial statements for further information.

Changes to non-financial assets were the result of:

- The IWK's net book value of tangible capital assets was \$201,663 (2019 - \$201,484), an increase of \$179. Amortization of \$10,960 was offset by the acquisition of tangible capital assets in the amount of \$11,139. The acquisition of capital assets reflects the investment of financial resources required to support facilities and advancing technology in medical equipment to ensure the IWK remains a leader in providing the best care to the patients and families we care for at our facilities. Refer to Note 11 in the financial statements for further information.

Statement of Operations

The *Statement of Operations* reports the annual surplus / deficit from operations during the accounting period. The statement shows the cost of providing the IWK's services, the revenues recognized in the period and the difference between the two. A summary of the statement of operations and accumulated surplus is as follows:

	2020	2019
Revenues	293,737	285,900
Expenses	292,505	287,152
Net (deficit) surplus	1,232	(1,252)
Accumulated surplus, beginning	196,377	197,629
Accumulated surplus, ending	197,609	196,377

The *Statement of Operations* is not designed to identify the true operating surplus / deficit that is typically reported on an income statement. It identifies the increase in the capital equity of the IWK. The following provides a reconciliation of the operating financial results reconciled to public sector accounting standard financial reporting:

	Net surplus (per PSAS)	Reconciling items	Operating performance
Revenues	293,737	(11,139)	282, 598
Expenses	292,505	(10,960)	281,545
Principal repayment	-	1,053	1,053
Net surplus (deficit)	1,232	(1,232)	-

For fiscal 2019-20, the current year operating performance resulted in a balanced result. The difference between this financial result and the accounting, net surplus reported on the *Statement of Operations* of \$1,232 is the result of capital transactions. The IWK's amortization expense was lower than the increase in new capital assets, thus resulting in a surplus based on public sector accounting standards.

Revenue

Changes to revenue were the result of:

- *Operating grants - Provincial* was \$249,321 (2019 - \$243,117), an increase of \$6,207. This increase was largely due to negotiated wage increases totalling \$3,696. In addition, increased government funding for mental health, bi-lateral funding arrangements and other initiative added \$2,707 in additional revenue. Offsetting the increase in revenue was a decrease in the IWK's retirement allowance, retiree health plan and accumulated sick leave of \$582.
- *Capital grants - Provincial* was \$5,788 (2019 - \$4,581), an increase of \$1,207. DHW capital funding fluctuates from year-to-year based on capital requirements and availability of DHW funding. For fiscal 2019-20, in addition to the regular capital funding envelope, government funding was received for both the MRI project and the Emergency Department design.
- *Capital grants - other* was \$6,144 (2019 - \$5,379), an increase of \$765. This increase was the result of additional capital redevelopment spending for the NICU/PICU project in fiscal 2019-20.
- *Research & innovation* was \$12,015 (2019 - \$12,229), a decrease of \$214. Research revenue is based on the various research projects that take place from year-to-year which can vary, but overall this year was consistent with the prior year.
- *Other revenue and recoveries* was \$20,098 (2019 - \$20,329), a decrease of \$231. This decrease was in part due to reduced parking and food services revenue due to closures and waiving of fees as the result of the pandemic.

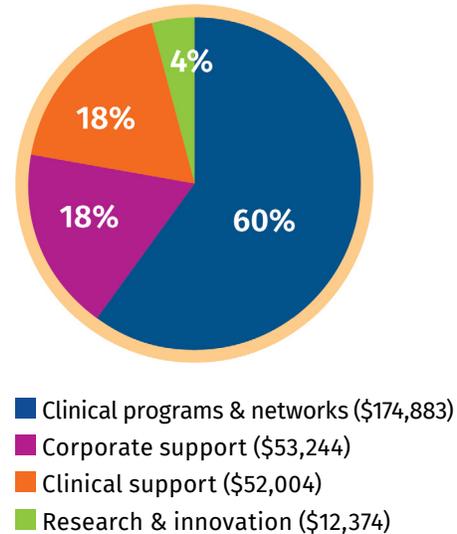
Expenses

Expenses in the *Statement of Operations* are broken down into four major program categories: clinical programs and networks, corporate support, clinical support and research and innovation.

Expenses broken down by major expense category can be found in Schedule A of the Financial Statements.

Expenses by Program Area

- **CLINICAL PROGRAMS AND NETWORKS** includes direct patient care support comprising of mental health & addictions, ambulatory care, critical care, inpatient services, perioperative services, rehabilitation services, oncology & cancer care, pediatric emergency care, provincial programs, primary care and continuing care
- **CORPORATE SUPPORT** includes back-end administrative support including corporate services, facilities services, quality & system performance and non-clinical leadership
- **CLINICAL SUPPORT** includes non-administrative support services to the clinical areas including laboratory services, medical services, diagnostic imaging, pharmacy, patient food & nutrition and professional practice
- **RESEARCH AND INNOVATION** includes costs relating to research and innovation initiatives

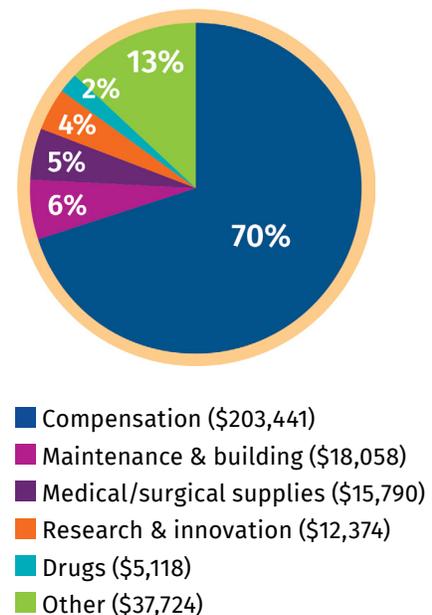


*** A key measurement of a health centre's efficiency is its administration services costs as a percentage of total expense (called 'Corporate Services Expense Ratio'), and represents the percentage of the IWK's total expenses that were spent in administrative departments, such as general administration, finance and human resources. A small portion of corporate support costs is classified as administrative costs for the purpose of calculating this ratio.

The national guideline for the corporate services expense ratio, as set out by the Canadian Institute for Health Information (CIHI), is 5%. While subject to finalization and subsequent review by CIHI, the IWK's ratio for fiscal 2019-20 is expected to remain below this guideline.

Expenses by Expense Category

- **COMPENSATION** includes all salaries and benefits (fulltime equivalents). Also includes funds allocated for temporary staff
- **MAINTENANCE AND BUILDING** includes utilities such as fuel, power, natural gases, etc., minor equipment purchases, rentals, various building and equipment maintenance, and maintenance supplies
- **MEDICAL / SURGICAL** includes a variety of medical and surgical supplies such as prosthetics, defibrillators, pacemakers, instruments, needles/gloves/dressings and miscellaneous supplies
- **RESEARCH AND INNOVATION** includes compensation and non-compensation costs relating to research and innovation initiatives
- **DRUGS** includes general drugs, anti-infectives, and anesthetic gases
- **OTHER** includes miscellaneous patient care supporting costs such as nutrition, technology, lab supplies, purchased services, equipment depreciation and bad debt



Changes to expenditures were the result of:

- *Clinical Programs & Networks* were \$174,883 (2019 - \$167,480), an increase of \$7,403. This increase was primarily attributed to an increase in compensation costs of \$4,300 as the result of wage increases and various mental health initiatives. Medical supplies and drug cost increased by \$2,360 due to higher pharmaceutical costs and patient acuity.
- *Corporate Support* was \$53,244 (2019 - \$54,808), a decrease of \$1,564. A reduction in year-over-year bad debt expense resulted in a savings of approximately \$333. In addition, strategic investment decreased by \$890 as the result of a one-time specific research and innovation initiative in the prior year.
- *Clinical Support* was \$52,004 (2019 - \$51,813), an increase of \$191. Pharmacy costs increased by \$200, primarily due to licensing fees, service contracts and staffing costs. In addition, professional practice fees increased \$240 due to various operational initiatives. These increased costs were offset by salary savings as the result of portfolio changes.
- *Research and Innovation* were \$12,374 (2019 - \$13,051), a decrease of \$677. Research projects and funding vary from year-to-year based on the number of projects, the timing and amount of funding. In 2020 there was an overall decrease in both research and innovation expenditures.

Statement of Change in Net Debt

The Statement of Change in Net Debt explains the difference between the IWK's net debt for the reporting year and its change in accumulated surplus in the same reporting year. This statement provides for the reporting of the acquisition of tangible capital assets, amortization expensed during the year and the year-over-year change in other non-financial assets.

Detailed information in relation to tangible capital asset purchases was previously highlighted in the *Major Financial Services and Other Operational Initiatives* section of this report.

Statement of Cash Flows

The Statement of Cash Flows reports changes in cash and cash equivalents resulting from operations and shows how the IWK financed its activities during the year and met its cash requirements.

Cash flow from operating activities of is \$ 23,111 (2019 - \$12,157) and is the result of the following:

- Decrease in accounts receivable and due from governments of \$11,638 primarily as the result of the timing of payments.
- Increase in the receivable from the Foundation by \$978.
- Increase in Accounts Payable of \$1,012 as the result of timing of payments.

Cash used to acquire tangible capital assets increased over the year by \$1,505 due to increased capital redevelopment spending.

Debt retirement relates to the principal payment on the organization's loan with the Province of NS.