



*Middlesex-London
Health Unit: Shared
services review project*

Discussion document for the proposed
scope of the project

December 2012

Agenda

- I. Defining the issue
- II. Suggested approach
- III. Our experience and qualifications
- IV. Financial proposal

Defining the issue

Context and Background

MLHU has increased its cost-shared budget from about \$12m in 2003 to about \$23m in 2012 due to increased funding from the provincial government

- This was based on a response from the provincial government as a result of the SARS epidemic and an increased focus on public health
- In 2003, MLHU was 34th in per capita funding out of 37 provincial health units, and so there was a need to improve funding to support public health in the region
- MLHU continues to be in the bottom half of health units in terms of funding per capita (23rd out of 36 provincial health units)
- The increase in budget has been borne entirely by the province, with municipal assistance staying flat or declining over this same period
- MLHU relies on municipal government for approximately 31% of its funding, versus the proposed model of 25% municipal/75% provincial – it should be noted, however, that a large number of health units are still funded greater than 25% from municipalities

Key Observation: MLHU has been asked to move more quickly towards a 25/75 model in order to help the municipalities achieve their fiscal objectives

Key Project Drivers

MLHU continues to be under budget pressures

- The City of London has achieved two consecutive 0% property tax increase budgets and is working on the budget process with a goal of another 0% increase
- In order to achieve this, the City and the County are asking MLHU to reduce the funding required from the municipalities
- At the same time, the provincial increases in funding to public health have continually decreased over the past ten year from 5% to 2%
- Further pressures are expected on provincial funding for public health as the province works to improve its fiscal situation

Key Outcomes: MLHU will need to continue to identify ways to become more cost-efficient in order to meet increasing budget pressures for the current and future years

Current State Observations

MLHU currently has its own in-house back office functions

- In-house functions include finance, purchasing, payroll, human resources, information technology, the office of the Medical Officer of Health, and other administrative functions
- The Board of Health have requested that a review be performed over the above-listed administrative functions with the following focuses:
 - i. Identify potential efficiencies or cost savings in existing functions at MLHU; and
 - ii. Consider shared service options for the County or City to provide one or more of the administrative services for MLHU, as both the County and the City have similar separate administrative functions
- In conducting the review, PwC will keep in mind all pertinent legislation to MLHU
- PwC will also appropriately include the Board of Health, the City and the County in the process, as outlined in the November 19, 2012 Terms of Reference

Key Considerations

Shared Services is not a “one-size-fits-all” solution, it is only appropriate when certain conditions are met

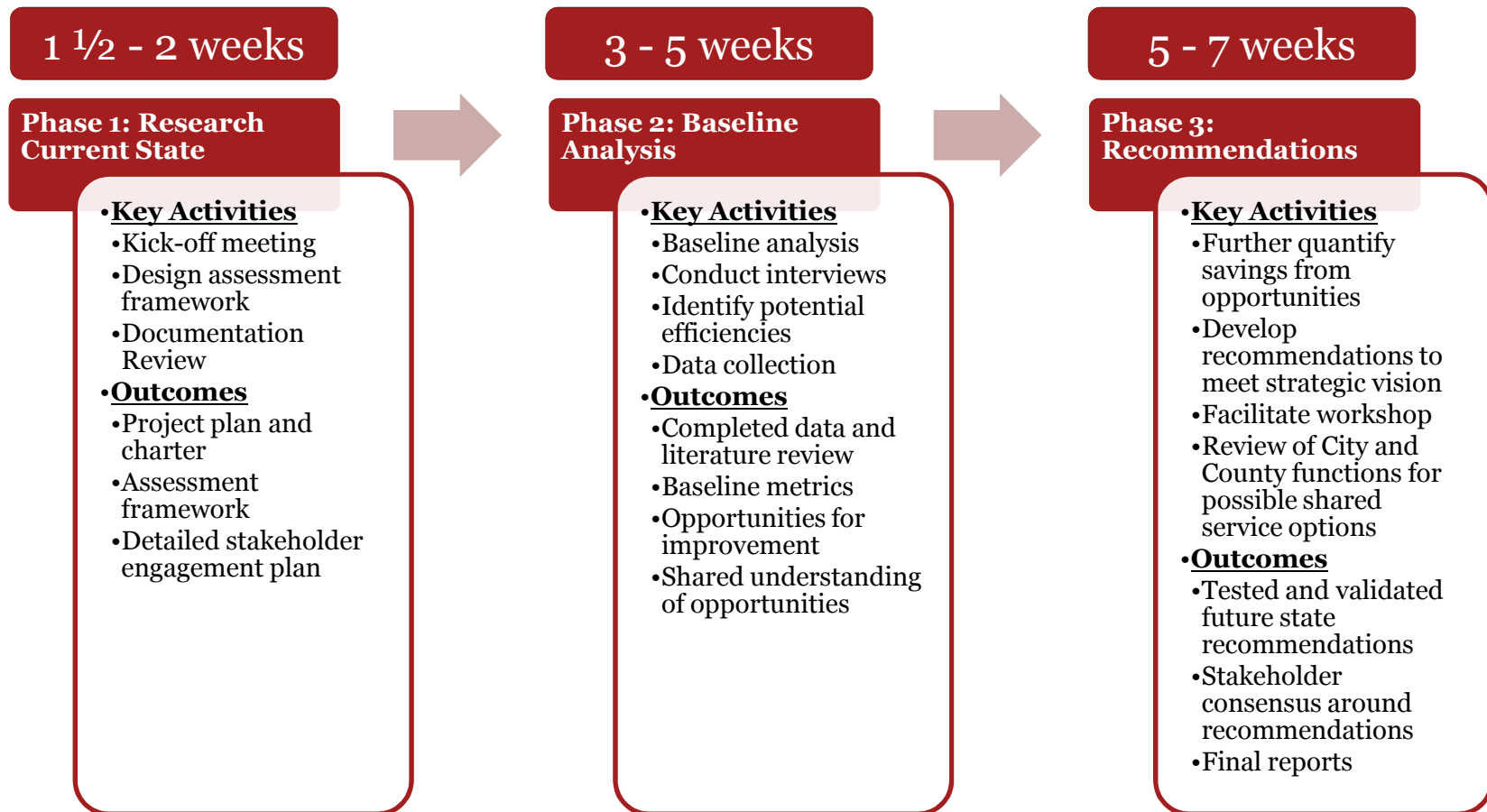
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|---------------------|-------------------------|---|--|
| Process Type | Generic Processes | Create centres of excellence with some locally retained expertise | Use generic high volume shared service |
| | Unit Specific Processes | Retain function locally | Use local specialist provider |
| | | Low Volume - Leverage or require specific expertise | High Volume - Leverage high transaction volumes |

- Two key considerations are pertinent to our discussion – the nature or “type” of process, and the volume of transactions involved
- Processes may be generally categorized into either generic – whereby the process is not specially adapted to any particular business unit, or specific – whereby the process has been developed uniquely for a business unit
- Volume may be either low or high in terms of number of transactions
- At a high level, shared services is better suited to generic processes which run in high volumes.

Suggested Approach

High Level Approach

*PwC's approach includes three phases at the high level: 1. Research Current State
2. Baseline Analysis and 3. Recommendations*

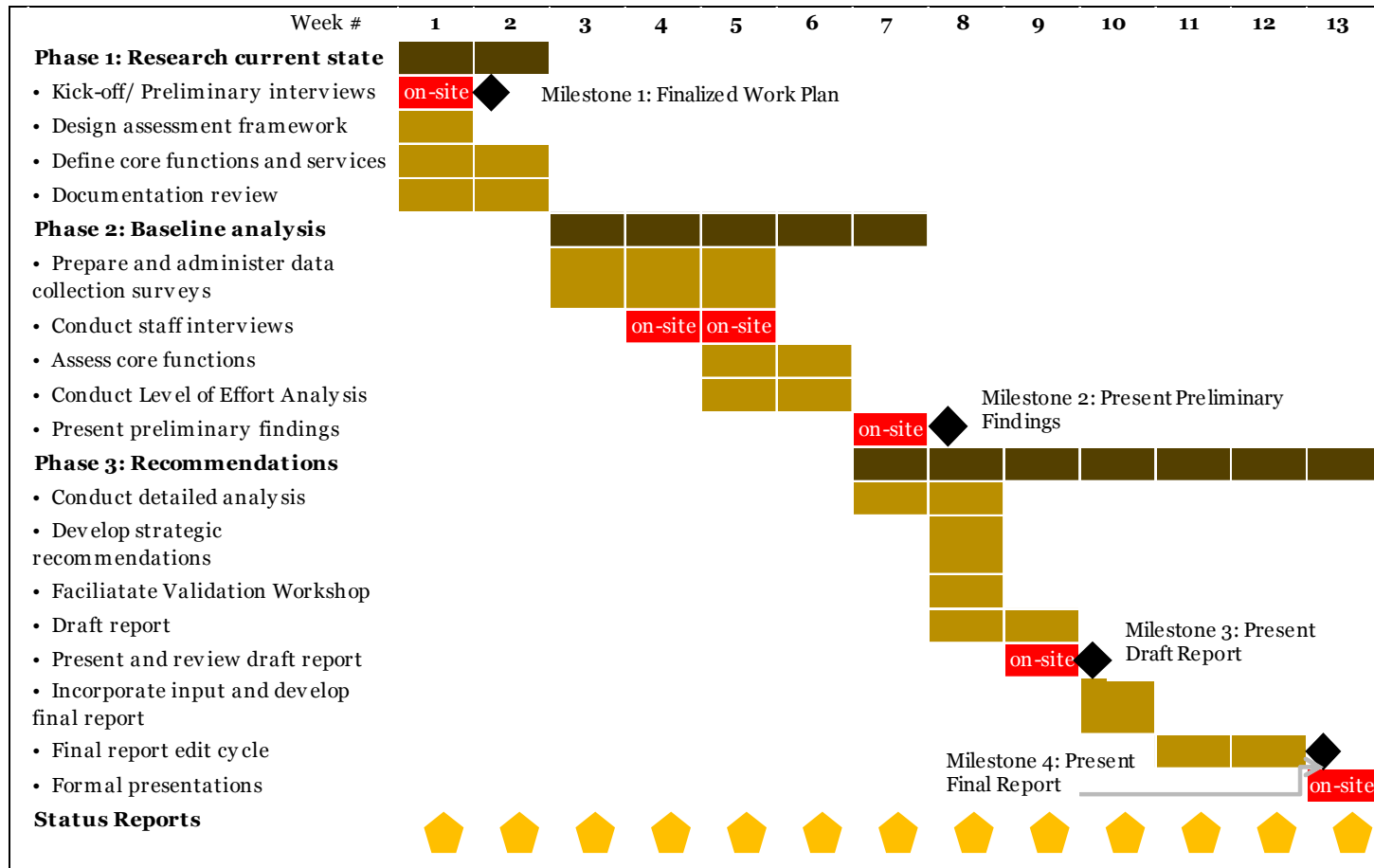


Proposed Deliverables

After Phase 2 we will provide an interim report which can be used to decide how to proceed with Phase 3

- Phase 2 will provide a baseline analysis of the MLHU's administrative functions
- This will identify any potential efficiencies or cost savings in existing functions at MLHU and also identify which functions to consider investigating further for a shared service model as part of Phase 3
- The Board of Health will be able to use this interim report to determine which areas to focus on for phase 3, considering preliminary estimates of possible savings and potential implications for the organization
- Phases 1 and 2 will primarily require assistance from MLHU with touch-points with the City and County
- Phase 3 will require more direct analysis at the City and County to further identify shared service opportunities and produce viable recommendations

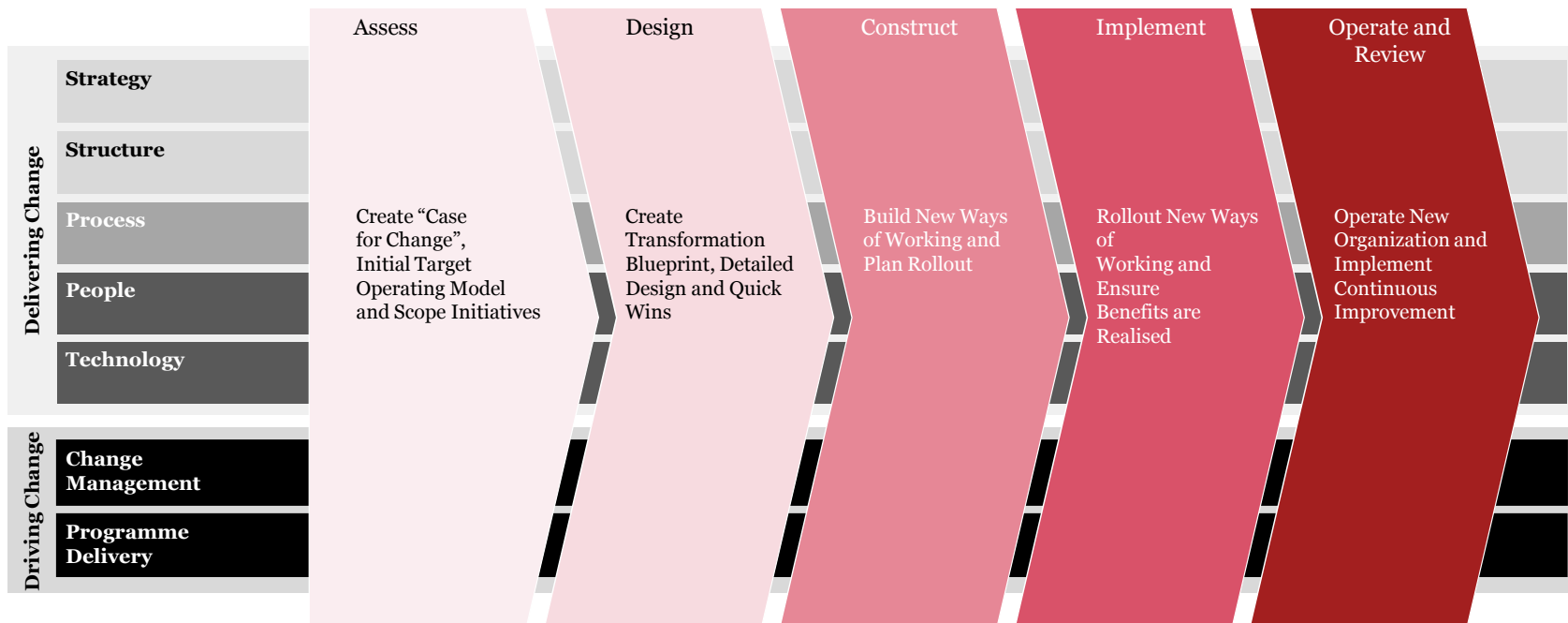
Proposed Timeline



- Legend**
- ◆ Milestone
 - Status Report

Transform Framework

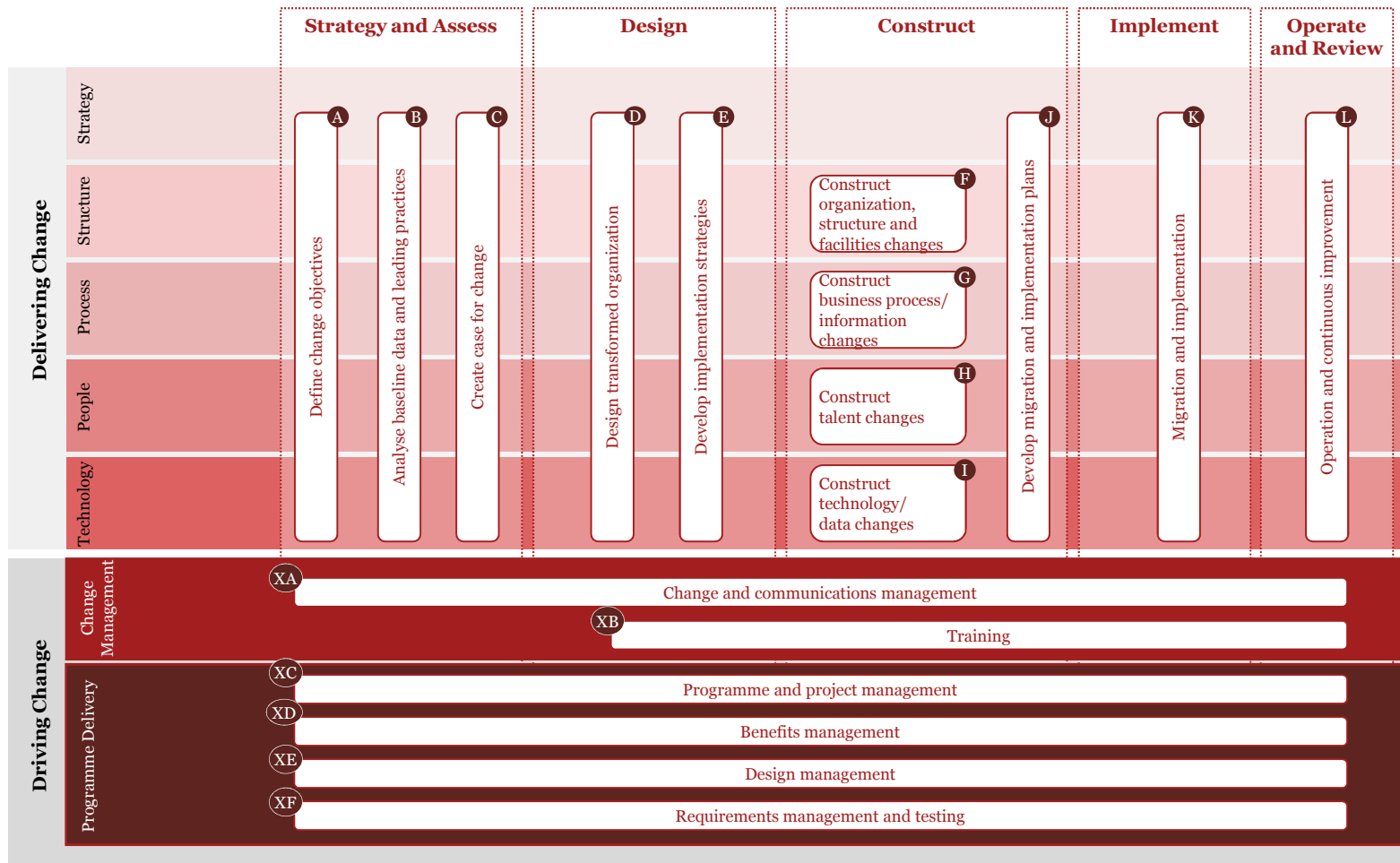
PwC's Transform methodology will be used as the framework for analysis, focusing on the Assess stage



Value to MLHU: Transform is a proven methodology that has been applied successfully to similar projects, including those in the health and public sectors. Our focus will be on the Assess stage, which determines if there is a "case for change" and defines the initial target operating model and scope initiatives. The Transform methodology is comprehensive, yet detailed at the same time. The methodology includes detailed steps that the project team will follow – this ensures a rapid deployment and a consistency in our approach.

Assess stage

Within the Assess stage of the Transform Framework, there are further steps that help define the change objective, detailed analysis and the case for change



Our experience and qualifications

Experience in Shared Services

PwC has conducted a number of similar engagements with clients in the health and public sectors

Some of the public sector we have been working with:

- Plexxus / Hospital Business Shared Services
- Central West LHIN Back-Office Integration
- HNHB LHIN
- Alberta Health Services
- Ontario Shared Services
- Vancouver School Board
- Mybonsecours - a US based private hospital group

Good understanding of health sector, culture and environment

- Complex operating models within health units
- Large number of diverse stakeholders to consider
- Challenges to drive change within
- Change program must address fundamental organization and cultural issues in the way people interact and work together
- Any change must be sustainable

Financial Proposal

Financial Proposal

PwC is pleased to submit our competitive pricing for this opportunity.

We will complete this project based upon the methodology and detailed approach outlined in this response.

Based on the scope, objectives, and deliverables outlined in this proposal, PwC is proposing to complete this engagement for **an estimated fee of \$65,000 - \$75,000 for Phases 1 and 2.**

*Note: we have provided a fee estimate of \$40,000 - \$60,000 for Phase 3 – the fees for this phase will be dependant on the decisions made by the Board of Health in relation to our preliminary findings presented at the completion of Phase 2.

This amount is inclusive of our professional fees, but does not include applicable taxes and administrative and out-of-pocket expenses.

Proposed Invoicing Schedule

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| Phase 1 | \$25,000 |
| Phase 2 | \$40,000 - \$50,000 |
| Phase 3 | \$40,000 - \$60,000* |
| Payment Terms | Net 30 days |

Appendix A - Samples of select biographies

Maurice Chang, P.Eng., MBA

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| Role | <p>As Engagement Director, Maurice will manage all aspects of the engagement. Maurice's role includes overall project management, facilitation with senior management and staff members, strategic options development and acting as the day-to-day point of contact for the MLHU project team.</p> |
| Experience | <p>Maurice is a Director of PwC and a leader of the Education Consulting Practice. Maurice specializes in assisting education sector and other public clients in strengthening governance, organizational design and policy frameworks to support operational excellence.</p> <p>Over the last six years, Maurice assisted a range of provincial/state government Ministers of Education, universities and nearly 50 district school boards and standardized testing agencies across Canada, and in Australia. Maurice has expertise in education reform, particularly in the areas of decentralising administrative functions to local schools/authorities, designing organizational structures to support modernized operating models, and implementing shared services models. Maurice has developed new organizational structures to assist school boards in the implementation of shared services or other operating models with varying degrees of centralisation/decentralisation.</p> <p>Maurice earned his MBA at the Richard Ivey School of Business, and his B.Sc. from the university of Toronto. Maurice is a professional engineer by training.</p> |
| Value to MLHU | <p>Maurice brings knowledge and experience working with the education sector from across Canada and abroad. He has deep knowledge of all facets of the business and administration of public sector institutions, and has first-hand experience working with stakeholders in a number of shared services reviews.</p> |

Dipak Pandya

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| Role | As finance effectiveness and healthcare subject matter specialist, Dipak will support the shared service review and any financial aspects. Dipak will provide direction and contribute his insights to the team. |
| Experience | <p>Dipak is a director in the Consulting and Deals practice at PwC, working in the Toronto office. He specializes in financial effectiveness and management.</p> <p>Before joining PwC Canada, Dipak advised a broad range of PwC UK clients for more than eight years. At the UK firm, he helped health care organizations improve their financial management and effectiveness processes and address their financial deficits by developing and implementing robust turnaround plans. Dipak sat on the PwC UK advisory team who helped the Department of Health roll out its payment by results financial system and reviewed the department's financial regime for health care bodies. He also worked extensively to help the Monitor, a UK-based independent regulator for foundation trusts, improve its application process and compliance regimes. He also spearheaded a team to create a free thought leadership portal for UK health care bodies.</p> |
| Value to MLHU | Dipak offers previous experience in developing future state operating models, involving the assessment of delivery and support organizations, with a view to improving both efficiency and effectiveness of services. As an experienced finance function transformation consultant, he is comfortable operating in complex transformational environments and is very familiar with the challenges of operating in complex unionized and non-unionized environments. He has extensive healthcare experience to support the rest of the team as a subject matter expert. |

Chirag Shah, CA, MBA

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| Role | Chirag will bring a local leadership presence to the engagement and will be responsible for the quality of service provided to MLHU. Chirag will also be able to provide input from his role as the engagement leader of the City of London's internal audit. |
| Experience | <p>Chirag is a Partner in the Audit and Assurance group and is also the London Market Leader. Chirag has over 21 years of audit experience across a broad range of clients and industries. Chirag's experience extends through municipal, public, private as well as not-for-profit enterprises from diverse industries including manufacturing, retail, education, financial services and investment management. Chirag has led a variety of engagements including internal audit reviews, acquisition and divestiture assistance, controls assurance reviews, due diligence exercises, financial modeling and financing assistance.</p> <p>Chirag graduated from the University of Western Ontario with a B. Sc., and from Wilfred Laurier University with an MBA, he is also a licensed Chartered Accountant.</p> |
| Value to MLHU | Chirag will bring his knowledge of high performance organizations to this project team. He will be able to contribute his knowledge around performance management and help instill this discipline into the future state operating model. |

Scott Gilfillan, CA, MAcc

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| Role | Scott will be the main local point of contact for coordinating the proposed services and will share his knowledge from internal audit projects he has managed for the City. |
| Experience | <p>Scott is a senior manager in the Audit and Assurance Group in the London office. With more than ten years of accounting and auditing experience, working with both private and public company clients from various sectors including education, not-for-profit, manufacturing and technology. Scott's experience includes managing financial statement audits from the planning phase through completion, financial reporting, coordinating with firm specialists to deliver an effective audit, and communicating with those charged with governance.</p> <p>Scott is currently the lead manager on the internal audit function of the City of London and has extensive experience with other smaller municipalities in south western Ontario. Scott manages the financial statement audits, and compliance audits of programs that are funded by the Ontario Government.</p> <p>Scott holds an Accounting Degree and Masters of Accounting from the University of Waterloo and is a licensed Chartered Accountant.</p> |
| Value to MLHU | Scott will bring his knowledge of municipal administrative functions to the team. He will be a key local contact point as the team works through this project. |