



TO: Chair and Members of the Finance & Facilities Committee
FROM: Chris Mackie, Medical Officer of Health and Michael Clarke, Interim CEO
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JANUARY 2021 FINANCIAL SITUATION

Recommendation

It is recommended that the Finance & Facilities Committee make a recommendation to the Board of Health to:

- 1. Receive Report 05-21FFC, the January 2021 Financial Situation Report; and*
- 2. Direct staff to enter into negotiations to extend the Health Unit's rotating credit facility.*

Key Points

- All possible MLHU staff have been redeployed to COVID-19 work. However, due to the second wave and tremendous surge in cases, significant additional staff were required to support COVID-19 activities.
- Given the current retroactive nature of Ministry funding for COVID-19 expenses, and the timing of the monthly revenue cycle, there has been a shortfall in cash at a number of local public health units.
- MLHU is launching a significant vaccine campaign that will require further investment in facilities (lease costs etc.), infrastructure (security systems, uninterrupted power sources, information technology etc.), supplies, and human resources.
- Several mitigation strategies are underway to ensure the successful implementation of the vaccine campaign is not impeded in any way by associated financial risks.

Background

The Ministry of Health is requesting that Public Health Units continue to take all necessary measures to respond to COVID-19, giving assurances that there will be a process to request reimbursement of COVID-19 extraordinary costs incurred in 2021 (See [Appendix A](#)). In 2020, all COVID-19 expenses were tracked separately and up to Q3 2020 were submitted to the Ministry. Q4 2020 costs are to be submitted as part of the Standards Activity Report (SAR) in February 2021 for consideration of additional reimbursement. As of January 29th, 2021 MLHU has received the following in COVID-19 related funding for 2020:

COVID-19 Extraordinary Costs (one time)	\$2,988,000
COVID-19: Public Health Case and Contact Management Solution	\$59,130
COVID-19: School-Focused Nurses Initiative	\$ 1,105,500
Total Funding	\$4,152,630

In order to ensure the preservation of critical public health programming, an internal Redeployment, Recruitment and Repatriation (R3) committee was struck in 2020 to oversee staff redeployments across the organization. All possible staff have been redeployed to COVID-19 work and MLHU has optimized operations to maintain critical Public Health services with minimum levels of staff. Despite this approach, due to the second wave and tremendous surge in cases, significant additional staff were required to support COVID-19 and the Level Three Redeployment Surge model was implemented, as approved by the board in

July ([Report No. 032-20](#); [Appendix A](#)). The additional staff have resulted in an average pay roll cost of \$1,050,000.00 every two weeks. This is almost double the salary expenditures from the same time last year, and will increase with the scale up of the vaccine campaign.

Current State

Given the current retroactive nature of Ministry of Health funding for COVID-19 expenses, and the timing of the monthly revenue cycle there has been a shortfall in cash reserves at MLHU to cover payroll for two consecutive pay periods (January 2021) requiring the use of the organizational Line of Credit. A table outlining monthly cashflows is found in [Appendix B](#). Beyond these two instances, the MLHU Line of Credit (\$1.5M Limit) had to be extended by \$500,000 on January 21 to meet payroll obligations for that date due to overtime requirements during the holiday period. In December of 2020, a short-term variable loan of \$1,150,000 was taken out by the organization to cover 2020 overtime costs and previous payroll shortfall from April 2020; this was approved by the Board on Nov 26, 2020, with the plan to repay this upon receipt of Ministry of Health funding. The \$2.9M in one-time funding referenced above was received on January 29 along with the planned Ministry of Health revenue payment, returning MLHU to a positive operating position of \$ 2.3M.

MLHU is launching a significant vaccine campaign for London and Middlesex that will require further investment in facilities (lease costs etc.), infrastructure (security systems, uninterrupted power sources, information technology etc.), supplies, and significant human resources. These expenditures will put additional pressure on the organization's cash flow, and the existing rotating credit facility is unlikely to be inadequate.

On January 25th, 2021, the Association of Local Public Health Agencies (ALPHA) wrote a letter to the Honorable Peter Bethlenfalvy, Minister of Finance ([Appendix C](#)) urging the Ministry to provide, among other things, "Timely provision of [COVID-19] funds..." as this would be "far preferable than end-of-year reimbursements." It can be assumed that many health units in the province are struggling with the extraordinary financial commitments required for ongoing support of COVID-19 response which will certainly be magnified by the next phase of vaccine planning and distribution.

On February 3rd, 2021 a meeting with the Manager, Funding and Oversight at the Accountability and Liaison Branch of the Office of the Chief Medical Officer of Health was held to provide an overview of the current financial situation at MLHU and highlight concern with the 2020 reimbursement process. Confirmation that other health units are facing the same challenges was received, as was reassurance that a more frequent reimbursement process for COVID-19 related expenses will be undertaken by the Ministry of Health for 2021. Clarity on expectations for tracking costs was also provided and is consistent with MLHU current financial processes, ensuring MLHU is well-positioned to receive the funding required.

Next Steps

Three activities are being undertaken by MLHU to ensure the successful implementation of vaccine campaign and mitigation of the associated financial risk:

- 1) Submission of Q4 expenses via the SAR in February for reimbursement from Ministry of Health;
- 2) Completion of Ministry of Health funding templates as they are made available with respect to advanced funding and/or more frequent reimbursement cycles to support case and contact management and vaccine-related costs;
- 3) Engagement of MLHU financial institution to explore financing options available as a bridge to Ministry of Health funding to ensure the successful implementation of the vaccine campaign.

Conclusion

The COVID-19 response required by MLHU presents a significant challenge to the financial position of the organization. Ongoing efforts are underway to influence revenue timing from the Ministry of Health as well as ensure interim support from the organization's financial institution to ensure the successful implementation of the critical vaccine campaign.

This report was prepared by the Healthy Organization Division.



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