

www.pwc.com/ca

Middlesex-London Health Unit

Efficiency and Shared Services Review

Interim Report for Phases I & II

May 2, 2013

Important Preamble to Final Report

This report is issued by PricewaterhouseCoopers LLP (“PwC”) to the Board of Health of the Middlesex London Health Unit (“MLHU”).

Our work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the Canadian Institute of Chartered Accountants (“CICA”). Accordingly, we do not express an opinion or any other form of assurance on the financial or other information, or operating and internal controls, of MLHU.

Our work was based primarily on information supplied by the management of MLHU, the City of London, and the County of Middlesex and was carried out on the basis that such information is accurate and complete. Information was not subject to checking or verification procedures, except to the extent expressly stated to form part of the scope of our work.

We make no representation regarding the sufficiency of our work either for the purposes for which this report has been requested or for any other purpose.

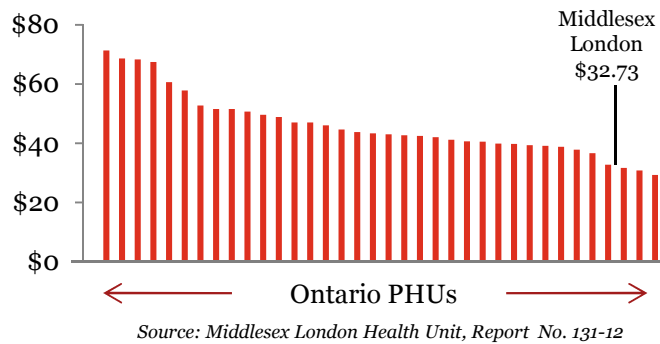
Table of Contents

Contents	Page
Context	4
Key Baseline Findings	9
Recommendations for Operational Improvement	12
Potential for Shared Services in the Future	32
Summary & Next Steps	38

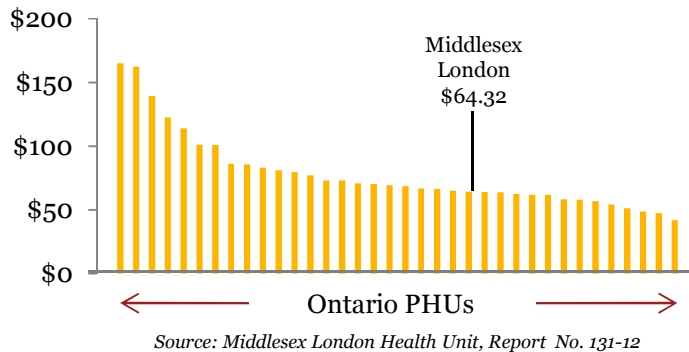
Context and Background

Post-SARS, MLHU's funding almost doubled due to increased funding from the provincial government to meet Middlesex-London's public health needs

Total per capita funding, 2003



Total per capita funding, 2007



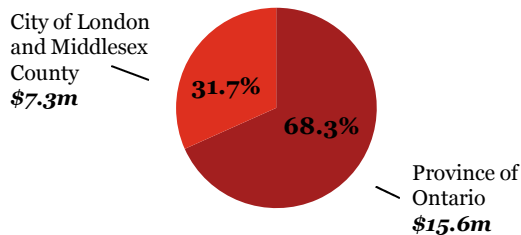
- MLHU has increased its cost-shared budget from about \$14m in 2003 to about \$23m in 2012 due to increased funding from the provincial government
- This was based on a response from the provincial government as a result of the SARS epidemic and an increased focus on public health
- In 2003, MLHU was 34th in total 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 total per capita funding, approximately 23rd out of 36 Public Health Units (PHUs)
- 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 many PHUs are still funded greater than 25% from municipalities and there is no legislative requirement for cost-shared funding to be split on a 25/75 basis

Key Observation: MLHU has been asked by the City of London to move more quickly towards a 25/75 model in order to help the City achieve their fiscal objectives. MLHU, the City of London and Middlesex County collectively want to minimize the costs through efficiencies in administrative functions at MLHU.

Context and Background (cont'd)

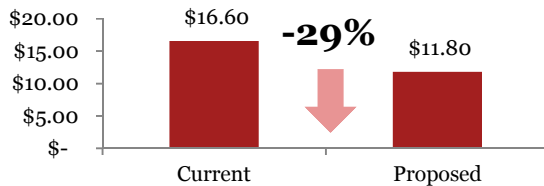
Provincial funding increases are slowing and there are increasing budgetary pressures on MLHU

MLHU sources of funding for cost-shared programs



Middlesex-London Health Unit, Questions and Answers to Assist in Understanding the Health Unit's Budget, October 26, 2012

Municipally-funded public health, per person per year



Middlesex-London Health Unit, Questions and Answers to Assist in Understanding the Health Unit's Budget, October 26, 2012, PwC Analysis

- The MLHU has rising costs, and expect marginal to flat revenue growth for the foreseeable future
- Both the City and County have been able to reduce the impact of increasing costs to the tax payer, over the past number of years
- As part of the City's current budget targets, City Council has requested the Board of Health to move more expeditiously to a 25/75 funding arrangement for public health programs that are cost-shared with the municipality
- Currently, MLHU receives \$16.60 per person, per year from the Municipalities
- Assuming no population changes or changes in provincial funding received, in order to achieve the 25/75 model:
 - Municipally funded public health would have to decrease to approximately \$11.80 per person per year, which means MLHU would have to cut costs by \$2.1m over 3 years, including having to cut its 2013 budget by \$0.5m
- At the same time, the provincial increases in funding to public health have continually decreased over the past ten years from 5% to 2% (2012)
- Further pressures are expected on provincial funding for public health as the province works to improve its fiscal situation

Key Observation: 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. The impact of achieving the desired 25/75 model will have to be assessed, as there is a potential risk of reducing MLHU's ability to provide public health services.

Context and Background (cont'd)

The MLHU Board engaged PwC to determine potential efficiencies and cost savings in the Health Unit's administrative functioning, including the possibility of shared services with the City of London and Middlesex County

Objectives

- Establish the baseline to **determine potential efficiencies and cost savings** in the administrative functioning of the Middlesex-London Health Unit including the possibility of a shared services arrangement between MLHU, the City of London and the County of Middlesex
- Decision point to **pursue further exploration of potential efficiencies/ cost savings opportunities** (which may include shared services)
- Develop a Target Operating Model to achieve the cost savings identified in Phases I & II
- Requirements for Implementation

Scope

PwC shall undertake a **review of administrative functions**, to include specifically the following scope:

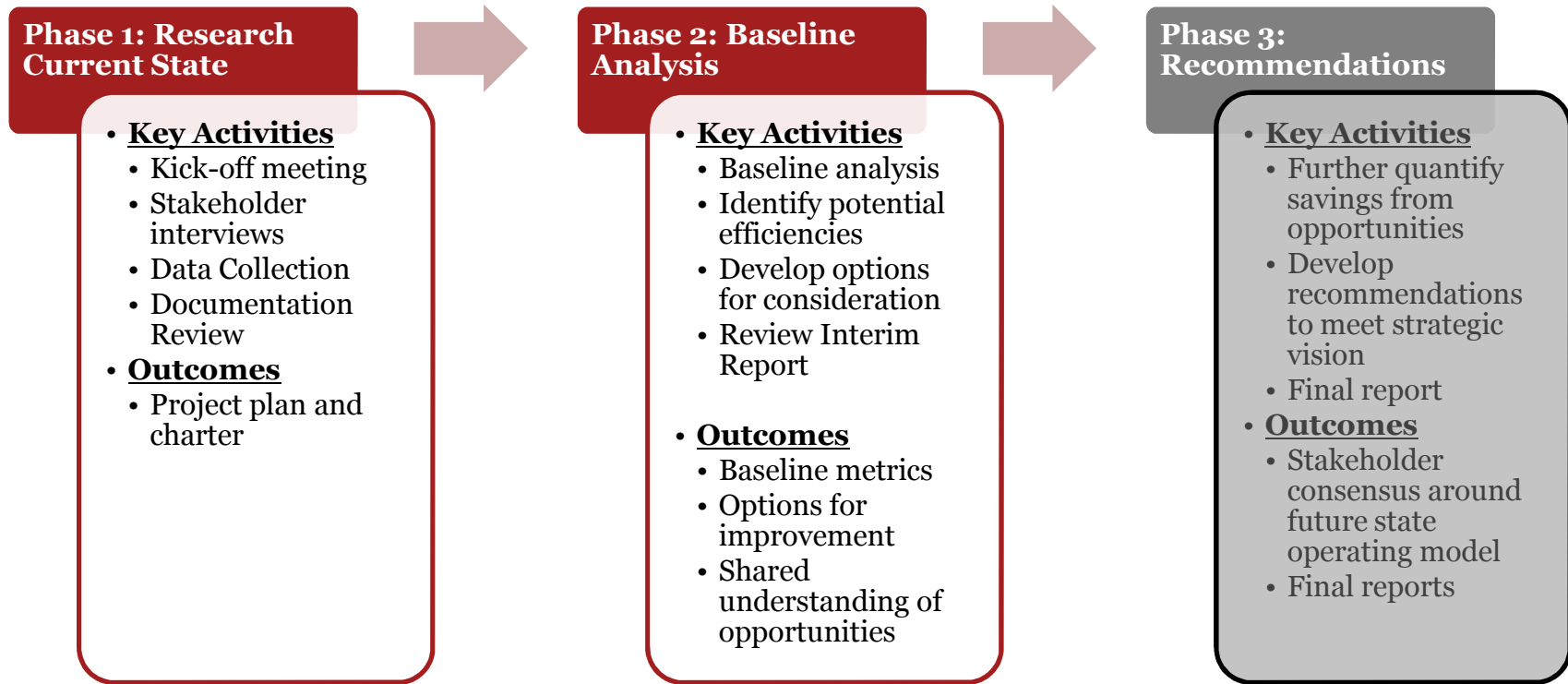
- Finance & Operations
- Purchasing
- Information Technology
- Human Resources
- Facility Management
- Office of the Medical Officer of Health
 - Communications, Privacy, Occupational Health & Safety, Emergency Preparedness, Special Projects

Guiding Principles

- **Independent** review of administrative services
- **Evidence-based** analysis
- Efficiencies or cost savings to be achieved provided that the public health **programs provided by the Board are not negatively impacted**
- Parties **are not bound** to implement any recommendations for cost savings through shared services
- Accountability and overall management related to shared services shall remain with the **Board**

Approach

The engagement was structured into three phases, with the Interim Report concluding Phase Two



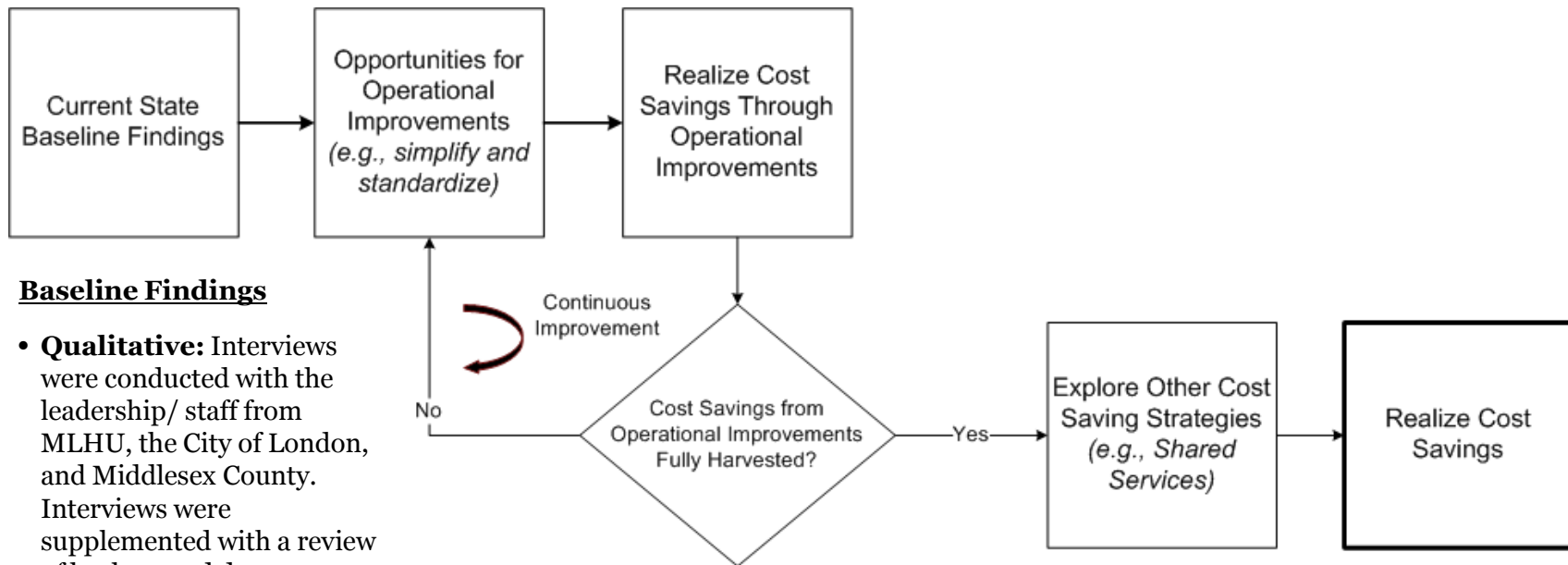
Focus of Interim Report

* Phase 3 is contingent on Board of Health approval

Approach (cont'd)

PwC's approach was guided by a roadmap to achieve cost savings

Roadmap to Achieve Cost Savings



Baseline Findings

- Qualitative:** Interviews were conducted with the leadership/ staff from MLHU, the City of London, and Middlesex County. Interviews were supplemented with a review of background documents
- Quantitative:** A Level of Effort (LOE) Survey and organizational benchmarking was conducted

Key Baseline Findings

MLHU's administrative functions have some notable strengths



While strengths were identified within MLHU’s administrative functions, there are opportunities for operational improvements.

Key Baseline Findings (cont'd)

Quantitative findings from the baseline analysis indicate that MLHU has a lean administration, but when compared to other organizations, some functions could be more productive

Level of Effort By Administrative Function (expressed in FTEs)								
		Finance and Operations	Human Resources	Information Services	OMOH	Enterprise / Organizational	Other	TOTAL
Department (Actual FTE)	Finance and Operations	8.5	0.1	0.1	0.0	0.4	0.0	9.2
	Human Resources	0.1	5.1	0.0	0.1	1.2	0.3	6.7
	Library/Reception	0.0	0.0	0.0	0.0	4.5	0.1	4.6
	Information Services	0.1	0.1	7.6	0.0	0.6	0.0	8.4
	OMOH	0.0	0.0	0.0	9.3	0.0	0.0	9.3
	TOTAL	8.7	5.3	7.7	9.4	6.7	0.4	38.2
% Overlap		1.6%	3.9%	1.6%	1.5%	N/A	N/A	N/A

MLHU has a lean administration...

- The Level of Effort survey shows that there is minimal overlap in administrative functions being performed across the various administrative service areas
- The level of effort allocated to each administrative function appears to be reasonable

MLHU could be more productive...

- Metrics from other organizations indicate that some administrative functions could be performed more efficiently, for instance:
 - The City of London¹ and Middlesex County² process approximately 2.3x and 1.5x more vendor invoices per 1 AP FTE (respectively) and 2.1x and 1.2x more payroll direct deposits and cheques per 1 Payroll FTE (respectively) than MLHU – mainly due to greater technology enablement

Operational Improvements

Based on the baseline analysis, PwC has identified key findings and opportunities for improvement

Key Findings

- Highly manual processes and sub-optimal technology/software
- Processes are not consistently following lean principles
- Currently untapped opportunities for cost savings and generation of new revenues
- Internal disconnect and lack of integration between various activities/functions
- Sub-optimal policies and lack of consistent policy enforcement
- Existing metrics are transactional/volume-driven and fail to describe the efficiency/effectiveness for which activities are being performed
- Monitoring, evaluation and recognition of achievement against key performance measures was not fully evident
- Broad stakeholder network has not been fully leveraged to achieve shared goals and promote value for money

Opportunities for Improvement

Strategic investments to achieve efficiency-related cost-savings

Internal integration and cohesiveness

Adoption of a performance-focused culture

Greater partnerships and collaboration with other organizations

Recommendation 1: MLHU should make strategic investments to achieve efficiency-related cost savings in administrative functions

Description	
<p>MLHU has not fully realized the cost savings through technology enablement (e.g., increased automation, implementing additional software modules) in its administrative functions. Highly manual processes and sub-optimal systems are resulting in ineffective use of resources. MLHU needs to optimize its current processes and utilize more technology/ increased automation as an enabler for efficiency.</p>	
#	Supporting Initiatives
1a.	Process redesign should focus on the elimination of wastes and be supported through optimized technology.
1b.	The identified cost savings/new revenues should be utilized to fund the technology-enabled enhancements.

1a. Core administrative functions are inefficient and highly manual

Observations

- Paper-based forms comprise many of the high-volume administrative processes
 - **Timesheets** – 400 paper weekly-timesheets are completed every month
 - **Attendance Management** – paper forms are required for sick days/vacation time
 - **Expense Reimbursement** – Six different paper expense forms: including mileage, travel allowance, registration costs, program expenses, etc.
 - **Purchase Requisition** – paper forms are manually created by employees
 - **Enrollment** of new employees is completely paper-based
- MLHU functions are not supported by optimal tools and cumbersome workarounds have been established for:
 - **Purchasing** - MLHU has not implemented the procurement module for its accounting system– and purchase orders are created manually
 - **Human Resources** – Attendance Management is completed using a payroll module. HR reporting is limited due to complex software. There are no modules/programs to support Learning and Development, resume tracking, legislative certification, etc.
 - **Occupational Health & Safety** - MLHU does not have an automated system for the management of critical incidents
- Data suggests that the level of effort being spent on financial processes could be reduced
 - Metrics from other organizations indicate there may be the potential to realize 2.3X more vendor invoices per 1 AP FTE
 - The LOE survey revealed that 44% of total finance effort is spent processing accounts payable – this suggests there are opportunities to reduce effort in one area (AP) to be re-allocated elsewhere to enhance capacity

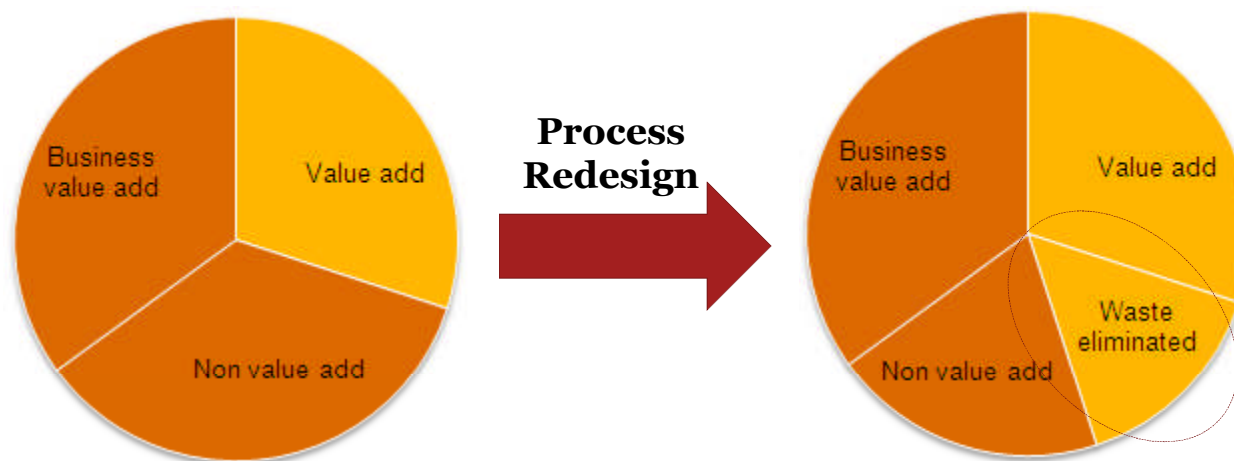
The “7+1” Wastes in Service Environments

Touches	<ul style="list-style-type: none"> • Unnecessary approvals • Verification loops • Inefficiencies between corporate and field
Inventory	<ul style="list-style-type: none"> • Poor resource leveling to meet demand • Minimal understanding of bottlenecks • Redundant activities
Motion	<ul style="list-style-type: none"> • “Chasing” approvals • “Searching” for information
Waiting	<ul style="list-style-type: none"> • Waiting for approvals • Meetings and conference calls • Long timeframes to perform fundamentals
Overprocessing	<ul style="list-style-type: none"> • Significant ad-hoc reporting • Pools of headcount performing reconciliation activities
Overproduction	<ul style="list-style-type: none"> • Poorly defined or communicated requirements • Excess resources lacking clear work activities
Defects	<ul style="list-style-type: none"> • Rework • Inaccurate reporting • Dissatisfied customers
Skills	<ul style="list-style-type: none"> • Untapped Human Potential • Lack of motivation to make improvements

Inefficient processes result in non-value add activities, classified as “wastes”

Implication: Manual/ sub-optimal processes have resulted in inefficient/ ineffective use of resources (e.g. printing, delivery, distribution, storage, labour (e.g., completion, data entry, validations).

Process redesign should focus on the elimination of wastes and be supported through optimized technology



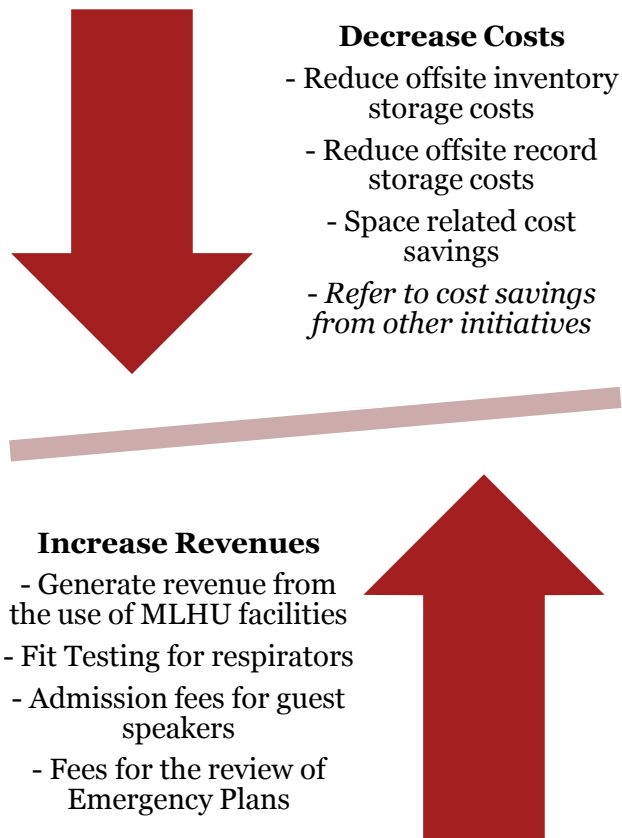
Themes and Initiatives

- Implement “Kaizen” events for core administrative functions
 - “Kaizen” translates into “*change – good*”
 - Kaizen events are used to deliver quick wins or instant improvements. This is achieved by focussing on reducing or eliminating waste and non-value add activities
- Enhance processes through optimized technology
 - Identify and implement software to optimize the efficiency and effectiveness of administrative functions

Value to MLHU

- Costs can be reduced with the time and resources saved
- Time and resources saved can be utilized for more productive activities/ the gains can be reinvested for further improvement

1b. There are opportunities to reduce costs and potentially to increase MLHU revenues



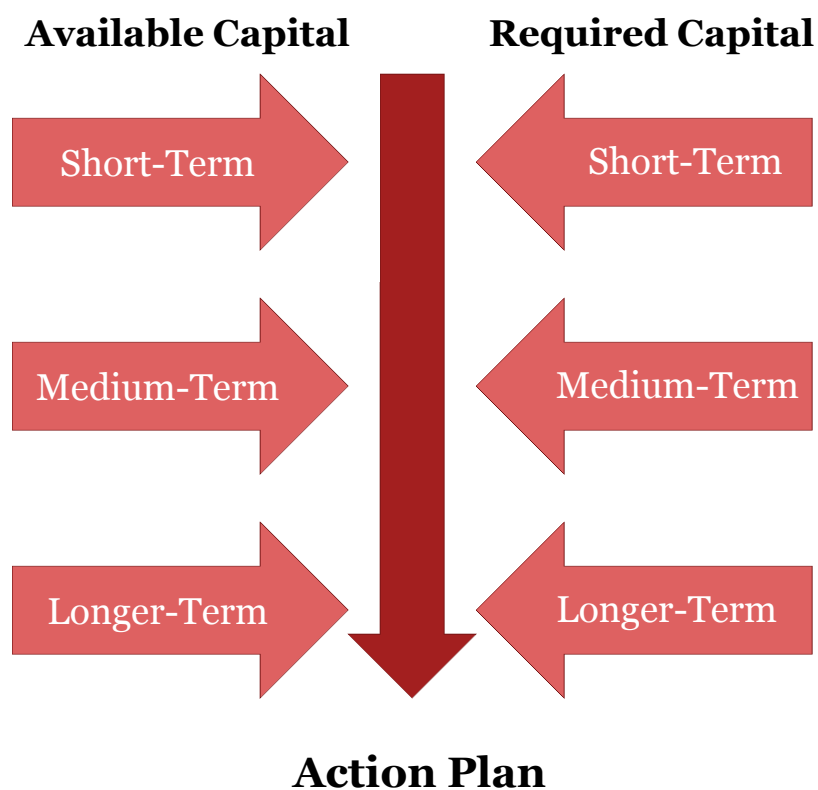
Implication: MLHU has the potential to decrease its costs and increase its revenues.

Observations

- MLHU has not had the resources to support the required IT needs due to budget pressures:
 - MLHU’s IT spending per employee is 39% lower than other healthcare providers, as per the 2012 Gartner Healthcare Providers Analysis¹
- MLHU needs to secure the capital through decreased costs and increased revenues
- Decreased costs:
 - MLHU has a large quantity of bulk inventory, and over 900 boxes of paper-based records that necessitates both on-site and off-site storage
 - MLHU has created a Strategic Action Group to examine space requirements and determine if MLHU can reduce its footprint
- Increased revenues:
 - Revenue derived from the use of MLHU facilities is variable (e.g., revenues are collected for the provision of the “Food Handlers Course” but overhead is not collected from physician-led clinics)
 - The Emergency Preparedness function could be generating revenue
 - MLHU has the equipment to fit-test health care personnel for N95 and P100 respirators. No other organization in the community provides this service – which is a requirement for all health care graduates
 - Admission fees are not consistently charged for guest speakers
 - Service fees are not being charged to private organizations for the review of their Emergency Plans

¹Sources: Gartner Healthcare Providers Analysis, Gartner Report “Key Infrastructure Measures: IT Service Desk: 2012”

The identified cost savings/revenue should be utilized to fund the technology-enabled enhancements



Themes and Initiatives

- Robust analysis should be performed to identify and quantify the potential for cost savings/ revenue generation in the:
 - Short term (less than 3 months)
 - Medium term (3 – 6 months)
 - Longer term (6 – 12 months)
- Robust analysis should be performed to identify:
 - The costs associated for the required technology enhancements (i.e. automation, paper-less forms)
 - The potential implementation timeframes
- Planned capital spending should occur in conjunction with projected cost savings/revenue generation, and a corresponding action plan should be created

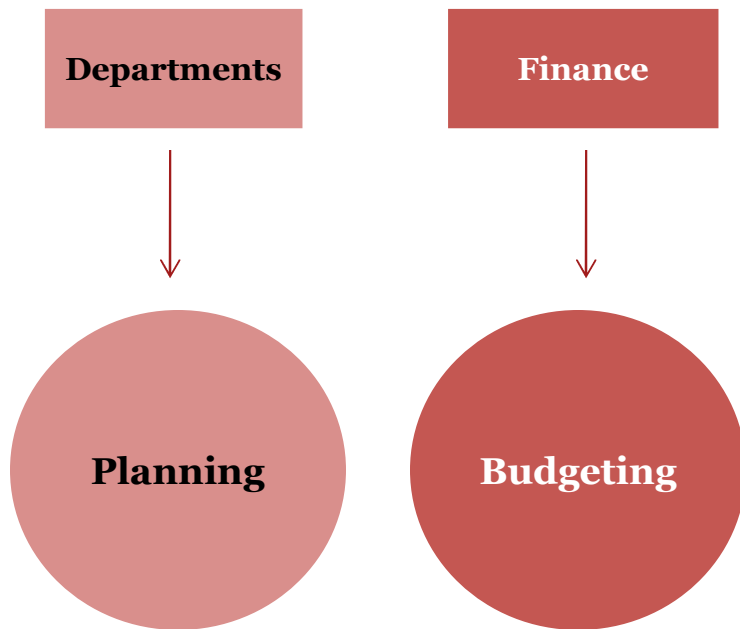
Value-Add to MLHU

- MLHU can become more efficient and effective through enhanced technology and optimized processes

Recommendation 2: MLHU needs to become a more integrated and cohesive organization

Description	
<p>Various administrative activities and functions are performed in isolation from one another, creating a disconnect and potential misalignment of administrative resources. Additionally, sub-optimized administrative policies and lack of consistent policy enforcement are creating inefficiencies and diminishing operational and organizational cohesiveness. MLHU should aim to integrate certain key processes through improved collaboration of the various service areas and/or centralization of activities.</p>	
#	Supporting Initiatives
2a.	Integrate and align service area planning and budgeting activities to mitigate against risk of unplanned expenditures and to support optimal allocation of resources to key initiatives.
2b.	Move towards increased centralization of certain administrative functions in order to control costs and support shared goals through leveraged collective capacity.
2c.	Revisit, re-communicate, and enforce certain administrative policies which are currently causing internal inefficiencies.

2a. There appears to be a disconnect between planning and budgeting activities

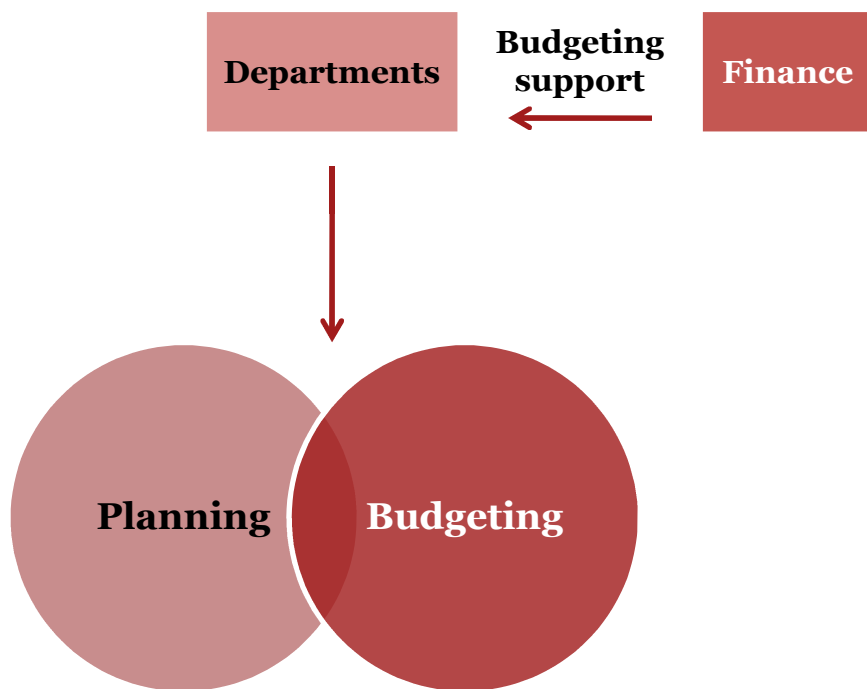


Observations

- In general, the MLHU’s operational plans are based on available budget. Finance provides estimates of grant revenues to the senior leadership team who then decides on the allocation of resources departments
- Budgeting at the department level is based on historical “carry-over” budgets as opposed to using a ground-up budgeting approach
- Operational plans are therefore driven more by the budget than by actual operational requirements – there is an inherent disconnect between planning and budgeting activities
- Operational plans are also not known or available at the time resources are allocated
- There is a need to formalize a process to reallocate resources “in-year,” after the original budget has been approved

Implication: Lack of integration between planning and budgeting results in internal confusion, inefficiencies and increases the risk of unplanned expenditure and sub-optimal allocation of resources.

Departments should prepare budgets to reflect their operational plans, with Finance providing consultation, oversight and consolidation procedures



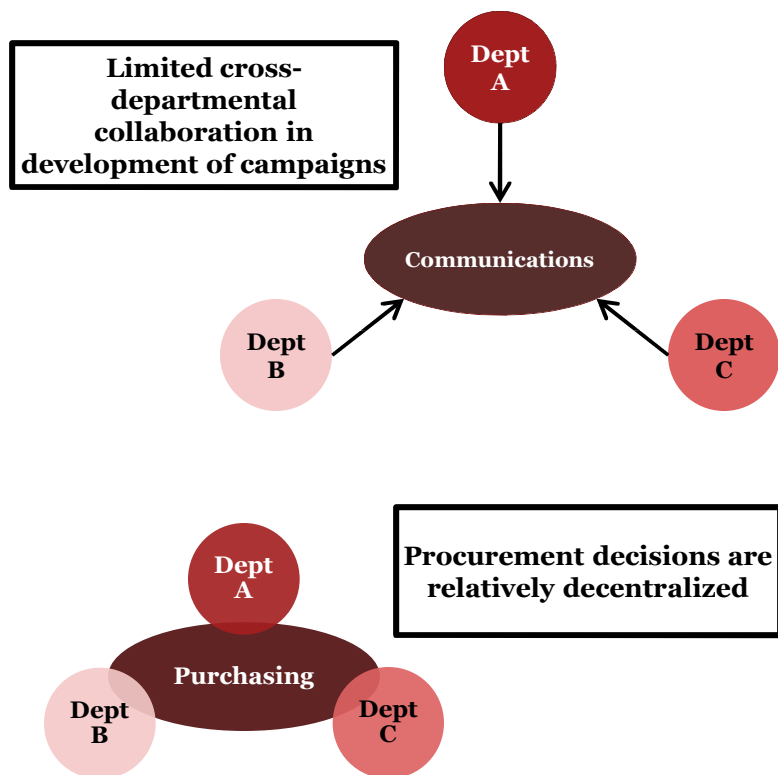
Themes and Initiatives

- Departments should prepare budgets that align with their operational plans, while Finance performs consolidation of the budgets and provides consultation and oversight to the departments, as needed
- Key considerations for implementation include clarification of roles, communication of expectations from all parties involved, and discussion of ongoing collaborative support

Value to MLHU

- Improved internal communication and alignment of resources
- Optimized allocation of resources to key initiatives
- Increased accountability for adherence to budgets may reduce the need to reallocate spending between departments after the budget has been approved

2b. Decentralization of certain activities is impeding the ability to effectively control and monitor costs and support shared goals

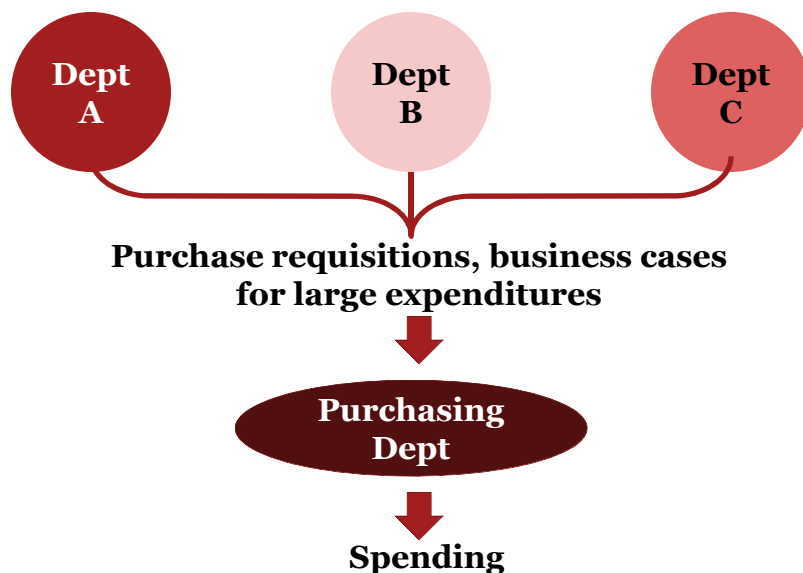
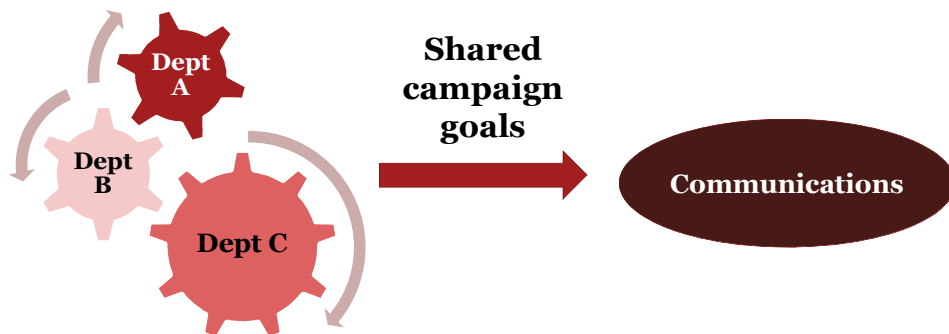


Observations

- Individual departments control their marketing budgets and work with Communications to develop campaigns. Campaigns are primarily run independently:
 - Through the development of campaigns, Communication staff have identified similar efforts and recommended alignments / partnerships. There may be opportunities to further increase cross-departmental collaboration on campaigns
- Procurement decisions are relatively decentralized. MLHU service areas:
 - Have their own budgets and make independent purchasing decisions for some types of purchases (and do not have to complete business cases for large purchases)
 - Make bulk purchases (especially close to year-end) to leverage volume discounts and utilize funding. In some cases, this creates additional costs such as storage and other handling costs
- The decentralization of procurement is evidenced by the fact that the Purchasing department only spends 0.3 FTEs on Purchasing activities (remainder of departmental time (0.6 FTEs) is spent on Contract Management, per the Level of Effort Survey). It is PwC's assessment that this is a low level of allocation for purchasing activities

Implication: The decentralization of procurement and campaign development activities diminish management's ability to control and monitor spending and hinders departments from leveraging their collective capacity to support inter-related and/or shared goals.

MLHU should move towards increased centralization of procurement and campaign development activities



Themes and Initiatives

- Departments should proactively collaborate when planning annual campaign initiatives to determine whether opportunities for partnership and sharing of resources exist. Planning should include Communications to ensure the development of integrated campaigns and prevent duplication of effort
- MLHU should increase centralization of the purchasing function and require business cases for large expenditures

Value to MLHU

- Supports shared communication goals through leveraged collective capacity for similar/inter-related initiatives / campaigns
- Increased ability to control costs, monitor spending and proactively identify opportunities for savings



2c. Gaps in administrative policy development, adherence and reinforcement are creating bottlenecks and hindering departments' abilities to operate effectively and cohesively

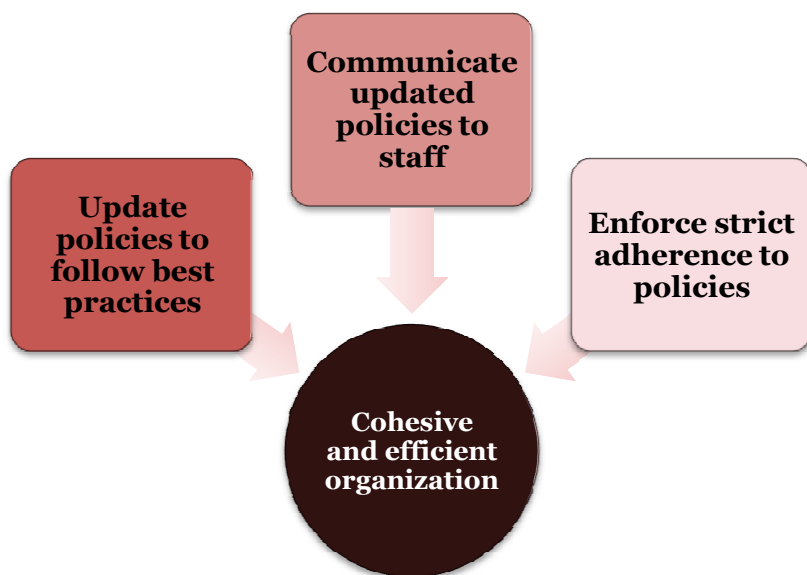
Observations

- Finance
 - MLHU is in the process of updating its financial policies (e.g., expense reimbursement). Current gaps identified included travel accommodation (i.e., preferred hotels/rates), catering (e.g., when /who), etc.
 - Knowledge, adherence, and enforcement of the current policies is at times inconsistent (e.g., travel, expense reimbursement, mileage)
- Purchasing
 - Staff utilize their corporate purchasing cards (Visa) to procure materials/supplies at their discretion. Tools exist to aggregate this data and conduct analysis on corporate card spending, however this analysis is currently not conducted
- HR
 - MLHU does not have a formalized succession planning program, and the need for management training programs/courses was identified
 - The pay scale/ educational requirements (e.g., Masters degree required) make the Manager positions difficult to fill
- Emergency Preparedness
 - MLHU does not have an organizational standard for first aid training

Implication: Sub-optimal policies combined with inconsistent application and enforcement of existing policies could diminish inter-departmental operational cohesiveness and lead to bottlenecks/inefficiencies, unnecessary spending, and lack of departmental control over processes.

MLHU needs to revisit, re-communicate, and enforce certain administrative policies which are currently causing internal inefficiencies

Themes and Initiatives



- Finance should update expense, travel, mileage, catering, and procurement policies to ensure they are in accordance with best practices and support effective control and monitoring of costs. MLHU should then re-communicate key points and/or notable changes to staff and educate Managers regarding enforcement expectations and accountabilities
- Finance should update its corporate purchasing card policy to restrict use to a defined set of expense types
- HR should develop a succession planning program and provide professional development opportunities for potential successors of critical positions within the organization
- MLHU should develop an organizational standard for first aid training

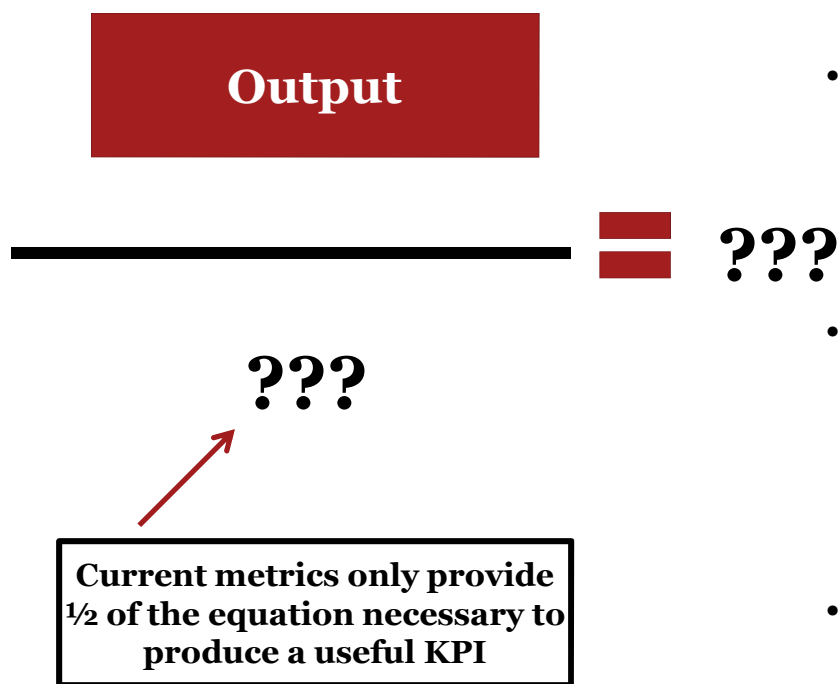
Value to MLHU

- Potential for improved cost containment (taking advantage of preferred rates, developing stricter expense policies, monitoring/analyzing spending, improved cost control, etc.)
- Clearly defined policies mitigate against internal confusion regarding rules and expectations, thereby improving operational / organizational efficiency and cohesiveness
- Development of succession planning program and first aid training policy support continuity and mitigate against operational risk

Recommendation 3: MLHU needs to adopt a performance-focused culture

Description	
<p>Clearly defined, measureable, outcomes-focused internal Key Performance Measures (KPIs) do not exist for all administrative functions within MLHU. Many existing metrics appear to be transactional/volume-driven, and fail to describe the efficiency or effectiveness of which activities are being performed. Furthermore, formalized evaluations measuring achievement against stated goals/targets was not fully evident.</p>	
#	Supporting Initiatives
3a.	Develop outcomes-focused, internal key performance indicators (KPIs) for administrative functions.
3b.	Monitor, evaluate, and recognize performance.

3a. Performance metrics utilized do not reveal level of operational efficiency or effectiveness



Observations

- Clearly defined, measurable, outcomes-focused KPIs do not exist for all administrative departments at MLHU
- KPIs are largely transactional/volume-driven and are not tied to a stated level of performance. Examples include:
 - Number of vendor invoices paid/processed
 - Number of competitive bid processes
 - Number of interviews conducted
- More meaningful, performance-based metrics might include, for example:
 - Number of vendor invoices paid/processed per 1 AP FTE
 - 1st choice candidates hired as a percent of total interviews conducted
- The costs are reported at a service area/ aggregate level

Implication: Lack of clearly-defined, measureable, outcomes-focused internal KPIs prevents the organization from developing meaningful operational goals and measuring/evaluating operational performance.

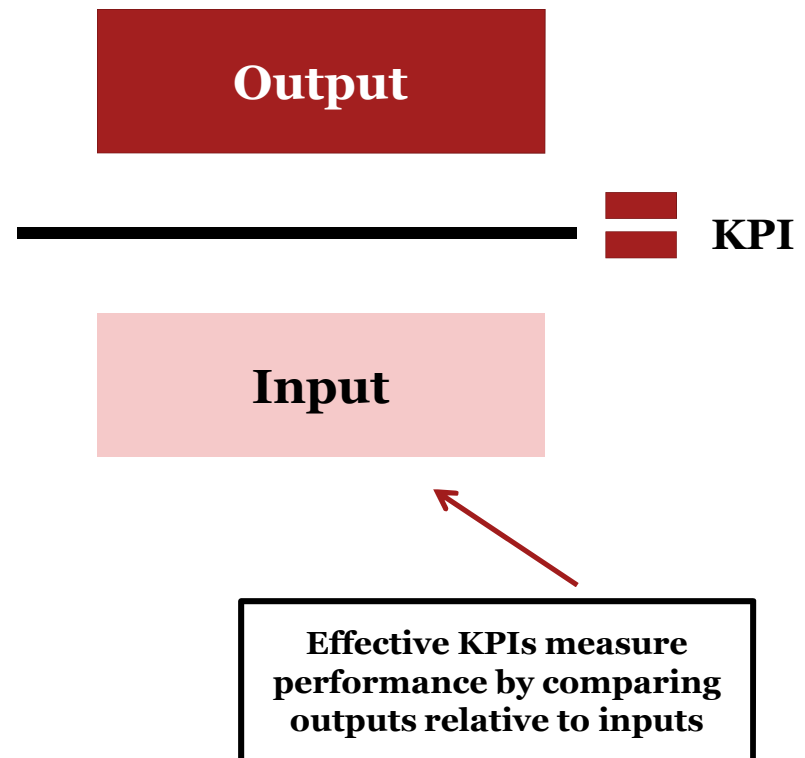
MLHU should develop and monitor clearly-defined, measurable, outcomes-focused KPIs that support operations and are congruent with organizational strategy

Themes and Initiatives

- MLHU should develop clearly-defined, measurable, outcomes –focused internal KPIs that provide meaningful direction for desired operational improvement which focus efforts on the efficiency and effectiveness of operations
- Internal KPIs should describe performance in relation to operational success, rather than simply focusing on transactional/ volumetric data, which does not indicate how efficiently or effectively the organization is functioning
- Internal KPIs should be developed in a manner which supports organization-wide objectives and strategies

Value to MLHU

- Improved operational performance (increased efficiency and effectiveness of operations)
- Reduction of costs
- Clear direction and goals for staff
- Alignment of operational goals with organizational strategy increases the long-term likelihood of achieving that strategy



3b. Formalized monitoring activities and regular evaluations measuring achievement against stated goals/targets was not fully evident

Absence of an incentive structure can create artificial ceilings for operational improvement

↑ ↑ ↑
Operational Improvement

Observations

- Budgets
 - There is no formalized mechanism for “in-year” reallocation of budget resources
 - Unutilized service area budgets cannot be carried forward into future years
- General operating efficiency and effectiveness
 - Similarly, there is no structure in place to motivate and incent continuous operational improvement

Implication: The lack of incentive structure / motivational enticement for continuous operational improvement, combined with the inability to carry-forward unutilized budgeted funds, can stifle operational improvement and produce a ‘use-it-or-lose-it’ mentality, resulting in unnecessary spending.

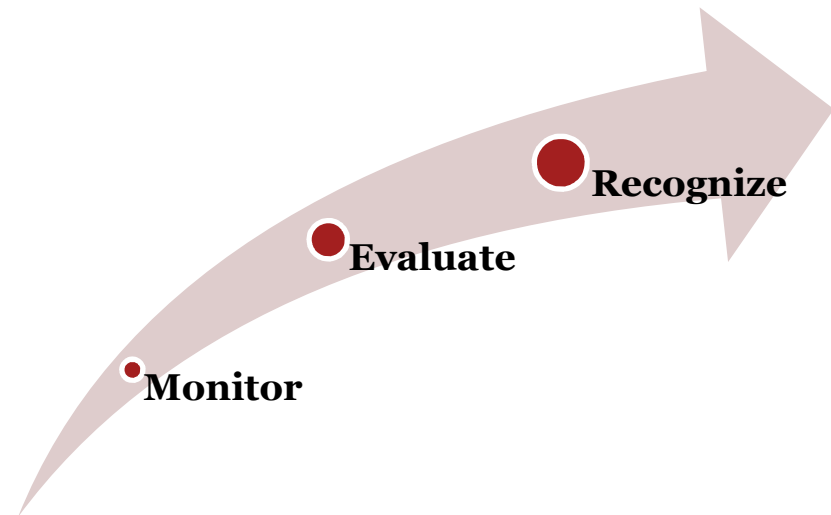
MLHU should monitor, evaluate, and recognize performance

Themes and Initiatives

- MLHU should actively monitor, evaluate, and recognize performance against goals and internal KPIs:
 - On a regular and consistent basis, MLHU should evaluate performance relative to prior periods and current goals
 - MLHU should develop an incentive structure which provides motivation for cost-containment and continuous operational improvement amongst departments

Value to MLHU

- Level of organizational performance revealed by KPIs is useful in guiding and informing decision-making
- Improved operational efficiency and effectiveness
- Reduction in costs

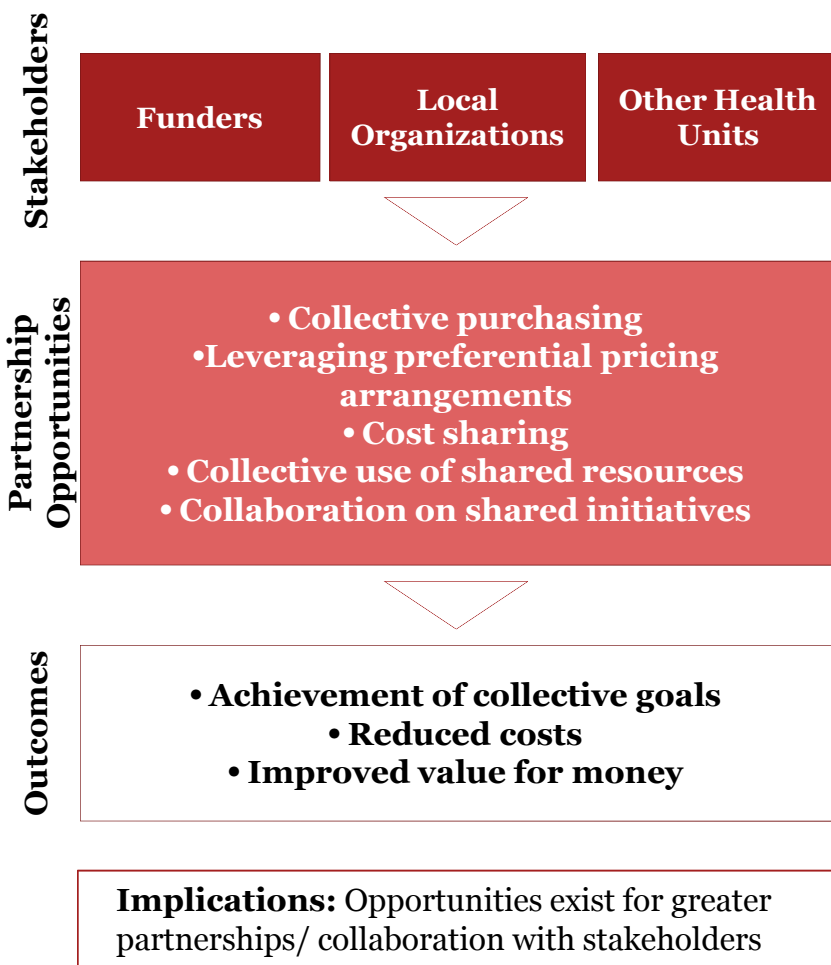


Recommendation 4: MLHU should pursue greater integration with its stakeholders

Description
MLHU has a broad stakeholder network that has not been fully leveraged to achieve shared goals and promote value for money. Enhanced collaboration within this network could achieve mutual benefits, including the potential for cost savings and establishment of a foundation for shared services.

#	Supporting Initiatives
4a.	MLHU should pursue greater partnerships and collaboration with other organizations.

4a. MLHU has not fully harnessed its broad stakeholder network

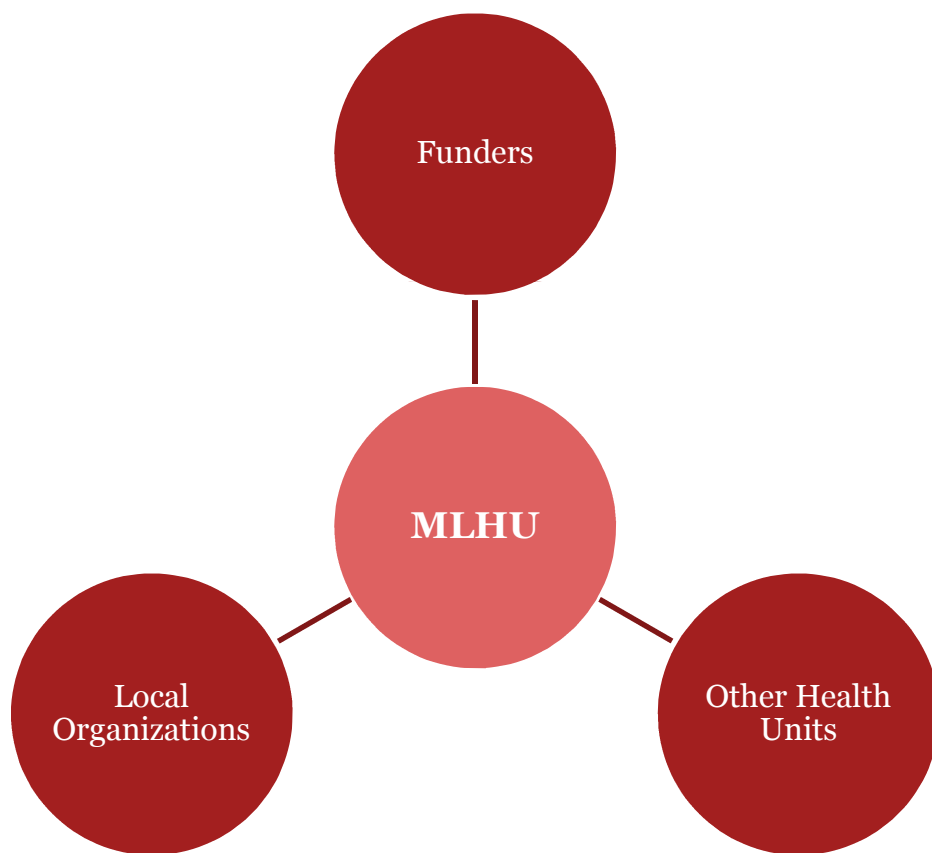


Observations

- MLHU has a broad stakeholder network: its funders (e.g., the City, the County, Ministries), local organizations (e.g., the LHIN, the CCAC, hospitals), and other Health Units
- Previous collaboration efforts have produced mixed results, however there is an overall willingness to build on the successes and pursue greater partnerships:
 - **Purchasing** – MLHU participates in collective purchasing arrangements with other organizations (e.g., Elgin, Middlesex, Oxford, Purchasing (EMOP) co-operative, Provincial contracts), however the use of collective purchasing could be expanded
 - **HR** - MLHU manages its own tendering and contracts for its benefits coverage (recently changing to Great West Life)
 - **IT** - MLHU has successfully collaborated with other Health Units to leverage applications/ tools. Cost avoidance or savings through cost sharing arrangements may be possible through further collaboration with other Health Units/ partners
 - **Communications** – MLHU has collaborated with other Health Units to share initiatives. Through enhanced collaboration with partners, MLHU may have further opportunity to share/avoid costs for common, provincial, and/or national campaigns or leverage additional resources (e.g., completed campaign materials, additional staff to support large shared initiatives)

MLHU should pursue greater partnerships and collaboration with other organizations

MLHU's Partnership Strategy



Themes and Initiatives

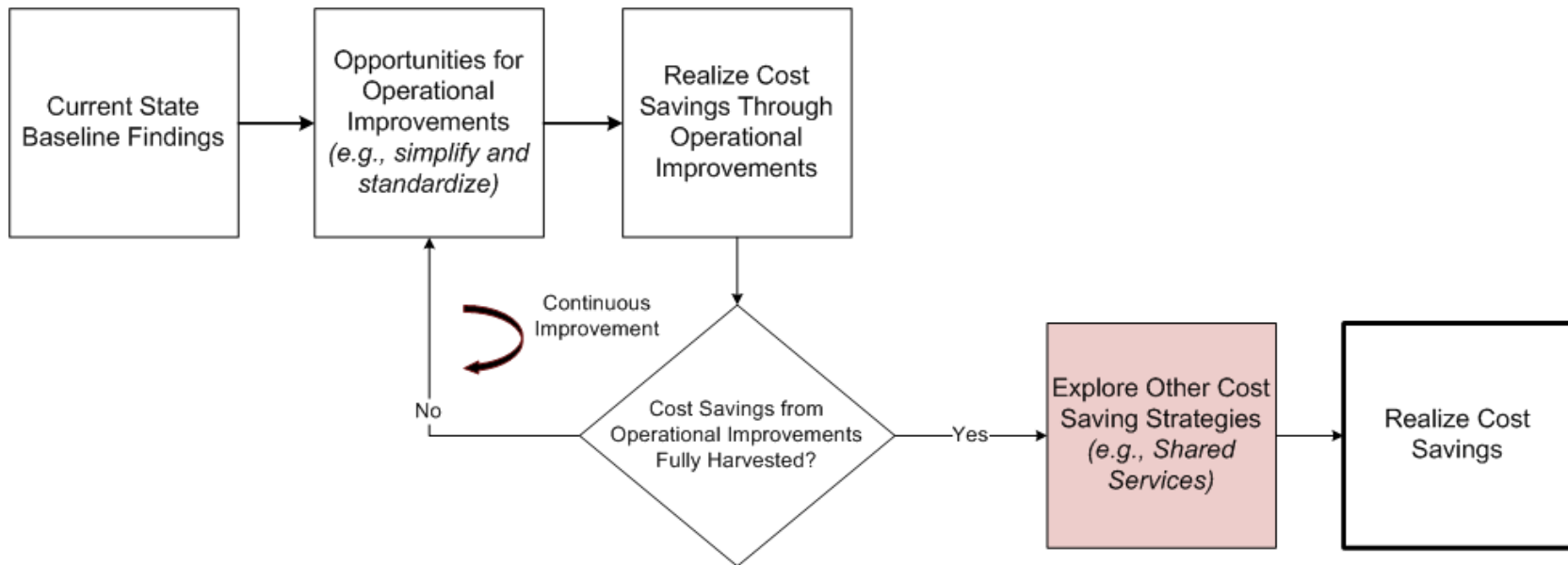
- MLHU should adopt the enhancement of partnerships with external stakeholders as an organizational priority
- Each function should develop a stakeholder map and identify potential partnership opportunities
- Appropriate due diligence should be performed to identify the most suitable partners and to quantify the impact of the enhanced partnerships
- An action plan should be developed, mapping the steps required to establish the partnerships and achieve the intended benefits
- The partnerships should serve as a stepping stone to potential shared service arrangements in the future

Value to MLHU

- Potential for cost reduction/ avoidance
- Leverage additional resources
- Strengthened relationship with stakeholders

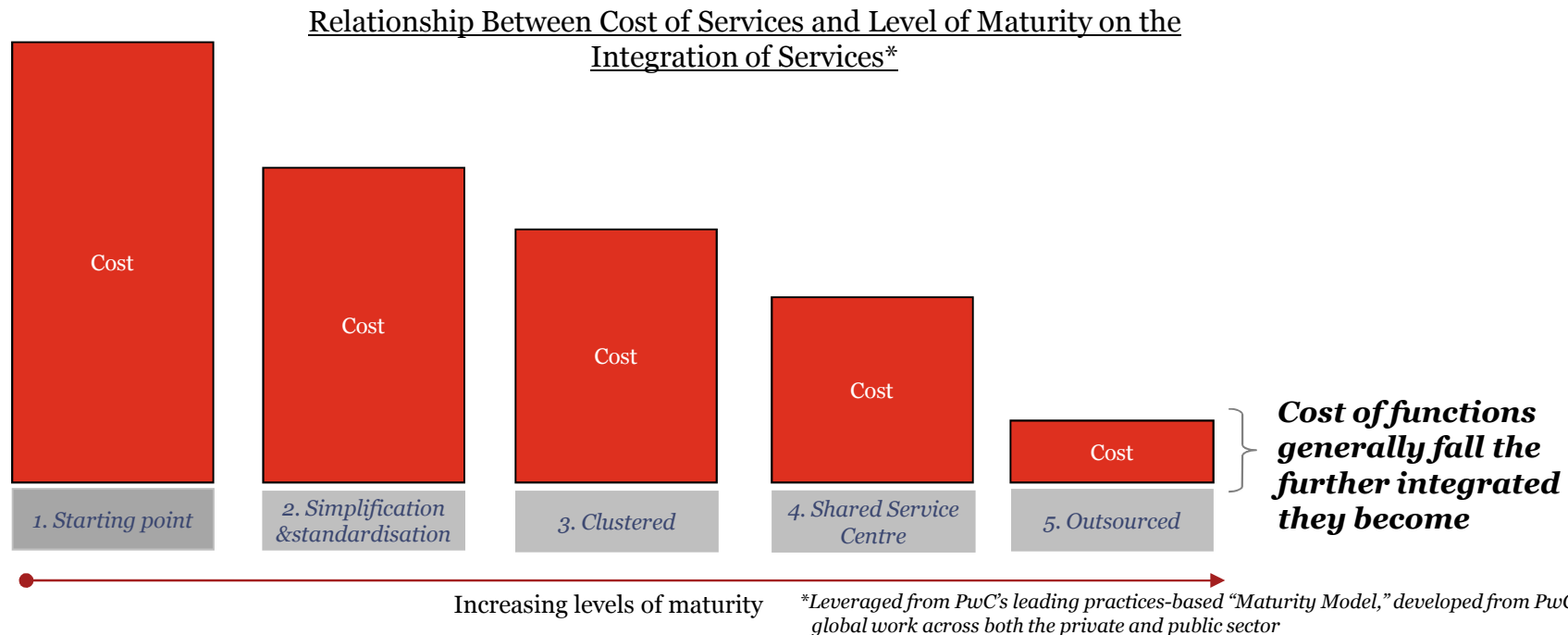
Preliminary Shared Services Assessment

As part of this review, PwC also conducted a preliminary assessment of shared services as a means to achieve future cost savings after operational improvements have been fully implemented



Shared Services: Impact on Cost Structure

Shared services may result in cost savings – if the “right” services are targeted and the organization is sufficiently mature to achieve the intended benefits

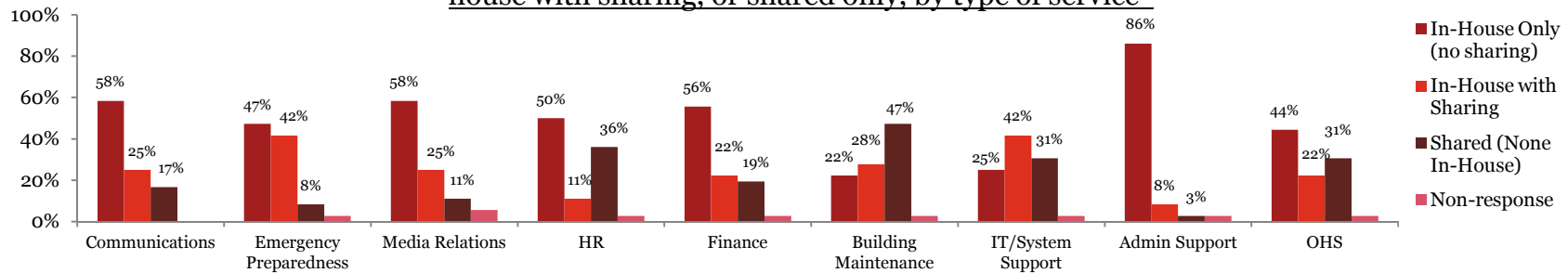


- In the pursuit of reduced costs, organizations across the public and private sector are looking to shared services
- As the level of “sharing” increases, the overall cost to deliver those services generally decreases
- The ability to achieve shared services is driven by:
 - The “sharability” of each service
 - Organizational maturity for shared services

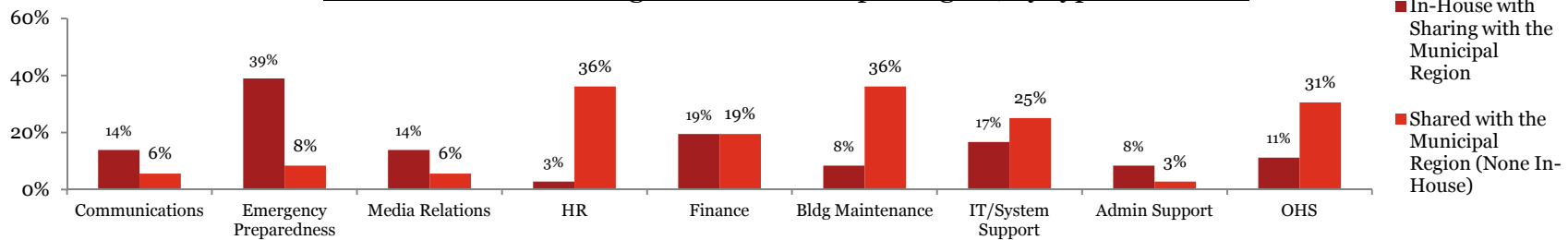
Sharing in Ontario Public Health Units

A provincial study conducted in 2005 identified instances of sharing for each administrative function

Percent of Public Health Units' (PHUs) services performed in-house only, in-house with sharing, or shared only, by type of service*



Percent of PHUs sharing with the Municipal Region, by type of service*



*Source: 2005 study of Ontario's Health Units:

http://www.health.gov.on.ca/en/common/ministry/publications/reports/capacity_review06/ssa_implementation.pdf

Key Observation: The majority of PHU services were performed primarily in-house with no sharing. However, there are instances of sharing with municipal regions for each of the services. This sharing could be the result of integrated governance structures between some PHUs and regional governments, but indicates that there may be potential for shared service arrangements with the City of London/Middlesex County.

Expanded Criteria for Sharing

Additional considerations contribute to the determination of how shareable a function is and whether the benefits of sharing outweigh the costs

Criteria	Consideration
1. Industry Specific Considerations	
Legislation/ Regulation	Is this function legislatively required to be completed by the Health Unit?
Collective Agreements	Are staff covered by collective agreements?
2. Organizational Considerations	
Impact Front Line Service	What is the impact of this function on front line service provision?
Culture/Change Management	What is the impact of this function on organizational culture?
Strategic to Organizational Mandate	How strategic is this function to the MLHU’s mandate?
Locality	How important is it for this function to be “on-site”?
3. Service Considerations	
Unit-Specific Processes	How specific are the processes in this function to MLHU?
Specialized Expertise	What degree of MLHU-specific expertise is required to complete this function?
Technological Compatibility	How compatible is MLHU’s current technology with potential partners?
4. Degree of Impact Considerations	
Volume of Transactions	Is this function comprised of high-volume transactions?
Scale	Does this function have a high number of staff?
Cost Savings Potential	How significant is the expected savings potential?

Expanded Criteria for Sharing

Some MLHU in-scope functions are more shareable than others – however at present, none of these functions meet all of the expanded criteria for sharing

Expanded Criteria	Fin.	Pur.	Fac.	IT	HR	Comm.	Priv.	OH&S	Emer. Prep.	Spec. Proj.	
1. Industry Specific Considerations											
Legislation/ Regulation	●	●	●	●	●	●	●	●	○	●	
Collective Agreements	◐	●	◐	◐	◐	◐	◐	◐	◐	◐	
2. Organizational Considerations											
Impact Front Line Service	●	●	●	◐	◐	◐	●	◐	◐	●	
Culture/ Change Management	●	●	●	●	◐	◐	●	◐	●	●	
Strategic to Org. Mandate	◐	●	●	○	○	○	●	●	○	○	
Locality	●	●	◐	◐	○	◐	●	◐	●	○	
3. Service Considerations											
Unit-Specific Processes	●	●	●	◐	◐	◐	◐	●	○	○	
Specialized Expertise	●	●	●	◐	○	◐	◐	●	○	○	
Technological Compatibility	◐	●	●	◐	●	●	●	●	●	●	
4. Degree of Impact											
Volume of Transactions	●	●	◐	●	●	◐	○	○	○	○	
Scale	◐	○	○	◐	○	○	○	○	○	○	
Cost Savings Potential	◐	◐	○	◐	○	○	○	○	○	○	
Degree of “Sharability”	Relatively High*			Relatively Moderate*				Relatively Low*			

* As determined by PwC, within the scope of the engagement

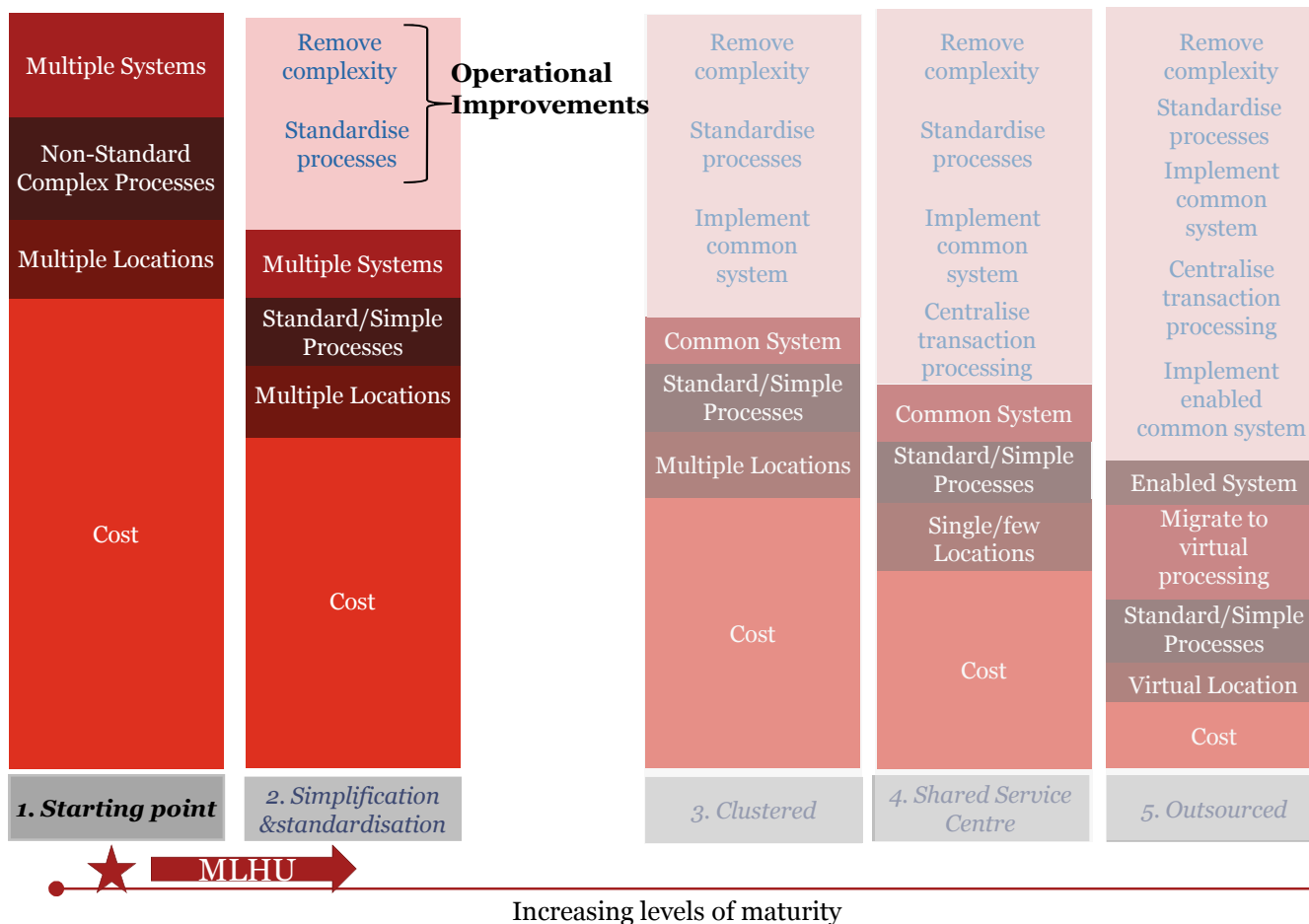
Legend:

Relative suitability of functions for sharing: High (●), Medium (◐), Low (○)

Functional Maturity for Shared Services

PwC recommends MLHU to achieve cost savings through operational improvements first, before exploring other options which may include shared services

Functional Maturity for Shared Services*



- The model depicts the typical steps and shows an organization's progress through increasingly advanced levels of functional maturity
- The first step is to achieve "simplification and standardization" by focusing on operational improvements
- Once cost savings have been fully harvested from operational improvements, MLHU may seek other ways to achieve cost savings

Summary of Concluding Thoughts

MLHU has a lean administration, but there are opportunities to achieve cost savings through operational improvements

- *First steps...*
 - Strategic investments are required to modernize and enable productivity-related efficiencies
 - Savings from efficiencies achieved should be reinvested back into MLHU
 - MLHU should strengthen the integration of functions and policies to help optimize the allocation of resources, better control and monitor costs, and support collective goals
 - MLHU should practice effective use of KPIs in order to provide clearer direction and goals for staff, reduce costs, and increase likelihood of operational success
 - Opportunities for greater partnerships and collaboration with other organizations should be explored, with the aim of leveraging resources, reducing costs and achieving shared goals
- *Next steps...*
 - MLHU should do a “deeper dive” to further explore the opportunities for cost savings/ efficiencies and develop implementation roadmaps



Next Steps

The MLHU Board is at a decision point

- Board needs to proceed to Phase 3 in order to:
 - Quantify savings through operational improvements
 - Prioritize operational improvement initiatives
 - Formulate an implementation plan for operational improvements

