



TO: Chair and Members of the Finance & Facilities Committee

FROM: Emily Williams, Chief Executive Officer (Interim)

DATE: 2021 November 11

---

## 2022 BUDGET – PBMA PROPOSALS

### **Recommendation**

*It is recommended that the Finance & Facilities Committee recommend to the Board of Health to:*

- 1) Receive Report No. 22-21FFC “2022 Budget – PBMA Proposals”;*
- 2) Approve Appendix A, PBMA One-Time Disinvestment totaling \$150,000 savings;*
- 3) Approve Appendix B, PBMA Incremental Investments totaling \$1,480,072 cost; and*
- 4) Approve Appendix C, PBMA COVID-19 Investments totaling \$16,166,970 cost.*
- 5) Direct staff to implement approved PBMA proposals, effective January 1, 2022.*

*If approved, these items would increase the 2022 budget by \$17,497,042.*

### **Key Points**

- MLHU adopted the budget planning process as outlined in [Report No. 37-21](#). As such, programs currently offering reduced or paused services did not complete Program Budgeting and Marginal Analysis (PBMA) and will be attributed 2021 funding plus contractual inflation.
- PBMA remained an integral part of the revised Health Unit 2022 budget planning process. All proposals, regardless of budget process category, were evaluated using the 2022 PBMA criteria that was approved as [Appendix A](#) to [Report No. 37-21](#).
- The investment proposals are separated into COVID-19-related and base budget-related proposals to improve transparency and communication with funding agencies. The COVID-19 proposals currently exclude any required budget to operate the Mass Vaccine Clinic(s).
- A total of 30 PBMA proposals are being recommended for inclusion in the 2022 budget.

### **Background**

Leaders and staff adopted the 2022 proposed budget planning process as detailed in [Report No. 37-21](#).

1. Programs that currently offer full or nearly full services were evaluated using the PBMA process, and no revisions to the PBMA criteria were introduced for 2022. These programs/services were reviewed assuming recovery activities would be required during 2022, thereby increasing demand.
2. Programs that currently offer expanded services due to COVID-19-related demands and/or related MLHU provisional strategic goals underwent a strategic investment process, which was also evaluated using the 2022 PBMA criteria. The previous two years of pandemic experience have provided a benchmark with which to build budget requirements, but the process remains difficult due to the ongoing variability of COVID-19 case counts and vaccine demand.
3. Programs that currently offer reduced or paused services due to staff deployed to COVID-19 programs did not complete the PBMA process and will be attributed with 2021 funding plus contractual inflation in 2022. These programs will also undergo a rigorous review during 2022 to ensure alignment with Ministry-mandated services, Board of Health priorities, and the overall continued desire of the Health Unit to promote and protect the health of our community.

4. Changes in organizational structure are also present in several of the proposals submitted, as leaders and staff attempted to: a) integrate COVID-19-related requirements into existing structures to accommodate expected ongoing demands; b) attend to feedback from leadership staff about workload, stress and burnout; and c) ensure key priorities were addressed in critical programs at MLHU. These proposals include, for example, a plan to enhance the Vaccine Preventable Diseases (VPD) and Infectious Disease Control (IDC) programs with sustained resources that serve as a backbone of the COVID-19 response.

### **Proposed PBMA Disinvestment and Investment Opportunities**

There is a total of 30 proposals being recommended by the Senior Leadership Team (SLT) for inclusion in the 2022 Health Unit budget, which includes:

- Recommended one-time disinvestment: 1 proposal; \$150,000 savings. [Appendix A](#).
- Recommended incremental investments: 11 proposals; \$1,480,072 cost. [Appendix B](#).
- Recommended COVID-19 investments: 18 proposals; \$16,166,970 cost. [Appendix C](#).
- Inflation: Inflationary increases on baseline salaries were included in [Appendix B](#) incremental investment proposals. 2022 investments were calculated using 2021 rates plus estimated inflation for 2022.

### **Funding**

#### Base Funding

Although absolute funding amounts for 2022 are unknown currently, it is expected that the Ministry will hold MLHU base funding to the 2019 level, but will provide ongoing mitigation funding to offset the proposed increase in cost-sharing with the municipalities in the amount of \$1,361,000. In 2021, despite the mitigation funding received by the province, MLHU asked the City of London and the County of Middlesex for increased funding, in the amount of \$6,735,000 and \$1,283,000 respectively (up from \$6,095,000 and \$1,161,000 in 2019). It is important to note that the funding contributions of the municipalities to MLHU prior to 2021 remained static for 12 years, despite ongoing annual inflationary pressures.

Given the inflationary pressures, and the investment proposals identified during the budget process for 2022, MLHU staff is recommending the Board of Health request an increase in funding from the municipalities to reach 30% of total funding (achieving the proposed target for cost-sharing with the province). As such, the City of London's funding would increase from \$6,735,000 to \$7,345,000, and the County of Middlesex funding would increase from \$1,283,000 to \$1,411,000, representing an overall increase in base funding of \$738,000 for MLHU. Given the timing of the City of London multi-year budgeting process, which is being tabled November 9, 2021, Health Unit staff proactively completed a budget amendment with the City to request this additional amount in 2022 (which can be reversed if the proposed investments are not supported by the Board of Health). The recommended increases outlined above will be proposed as part of the overall 2022 MLHU Budget.

#### COVID-19 Funding

Based on multiple and consistent communications to date from the Ministry of Health, staff are confident that the Ministry will continue to fund COVID-19 Extraordinary Costs; these are defined as costs over and above already funded baseline staffing. Therefore, the proposals submitted in [Appendix C](#), COVID-19 Investments, should be funded through the continued deployment of existing staff and/or Ministry incremental funding, recognizing the risk that existing programs and/or services will continue to be paused if those staff remain deployed to COVID-19 activities. In anticipation of additional provincial funding for public health units that has occurred in previous post-pandemic scenarios (SARS, H1N1), a portion of these investments have been identified as ongoing incremental investments for 2023. This recognizes that additional work of COVID-19 case management and vaccination will continue indefinitely.

## Recovery Funding

Health Unit staff have been engaged in meetings, with both the Ministry of Health Accountability and Liaison Branch (Funding and Oversight) and the Chief Medical Officer of Health (CMOH), that have included reference to ‘recovery funding’ for health units. This was described as proposed additional funding for public health units to enable them to address a backlog of client needs attributed to putting services on hold to attend to pandemic priorities. On November 4, 2021, the Manager, Funding and Oversight shared that a business case process will be implemented, similar to the budget request proposals for COVID-19 Extraordinary Expenses used in 2021. It was not confirmed whether these business cases for recovery funding would be included as part of COVID-19 Extraordinary Expenses or separated into a distinct process.

## Summary

Given that COVID-19 Extraordinary Cost funding is expected to continue in 2022, the proposals outlined in [Appendix B: PBMA Incremental Investments](#) represent those that will require additional base funding, reduced by savings identified in [Appendix A: PBMA One-Time Disinvestments](#) and offset by proposed increased funding from the municipalities.

Based on the information currently available, there is an **overall funding shortfall**:

\$150,000	<a href="#">Appendix A</a> , One-Time Disinvestments, savings.
\$738,000	Proposed increased funding from the City of London and the County of Middlesex.
(\$1,480,000)	<a href="#">Appendix B</a> , Incremental Investments, cost.
<b>(\$592,000)</b>	<b>Shortfall</b>

Given the early indications from the Ministry and the CMOH with respect to ‘recovery funding’ as described above, it is anticipated that additional provincial revenue will be forthcoming in 2022 that would address this shortfall. Conversations with City of London and County of Middlesex staff have occurred to advance the motion approved by the Board of Health as part of [Report No. 37-21](#) and engage in joint advocacy with the province for additional funding for public health. If these scenarios do not yield the required revenue to address the shortfall, the potential increased contribution from the municipalities in 2022 would be \$497,000 for the City of London and \$95,000 for the County of Middlesex. Further communication is expected in the coming weeks from the Ministry with respect to ‘recovery funding’ and will be used to inform the overall 2022 MLHU Budget.

## **Next Steps**

If approved, the proposals will be incorporated into the 2022 budget proposal and will proceed immediately to ensure a January 2022 implementation timeline wherever possible.

This report was prepared by the Finance Team, Healthy Organization Division.

A rectangular box containing a handwritten signature in black ink that reads "E. Williams". The signature is written in a cursive style.

Emily Williams, BScN, RN, MBA  
Chief Executive Officer (Interim)