Health Infrastructure Renewal Fund Guidelines

Local Health Integration Networks

June 2009 (r)

Ontario

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Executive Summary

Hospitals are responsible for ensuring that their facilities are in a good state of repair by managing their capital assets and planning renewal activities.

The Ministry of Health and Long-Term Care (ministry) established the Health Infrastructure Renewal Fund (HIRF) in 1999 to assist hospitals in renewing their hospital facilities. The HIRF program was reformed in 2004 to streamline minor (less than $1 million) infrastructure renewal project approvals and to distribute infrastructure renewal funds annually to public hospitals. The HIRF grant is to be used to supplement a hospital's renewal needs on a priority basis. The program changed in 2007 to reflect the ministry's new stewardship role, and the establishment of Local Health Integration Networks (LHINs). Starting in 2007/08, LHINs approved eligible HIRF projects in accordance with ministry guidelines. For fiscal years after 2008/09, LHINs also provide HIRF funding to public hospitals in accordance with ministry guidelines.

The HIRF allocation for each hospital is determined and distributed through the hospital's LHIN. Within available provincial funding for HIRF, a minimum HIRF grant is determined for each hospital based on an allocation for each eligible hospital site, and application of a Northern Adjustment Factor as appropriate. Historically, the allocation for each eligible hospital site, prior to application of the Northern Adjustment Factor, has been:

- $100,000 for the 2004/05 HIRF program;
- $150,000 for each of the 2005/06 and 2006/07 HIRF programs;
- $125,000 for the 2007/08 HIRF program;
- $150,000 for the 2008/09 HIRF program; and
- $175,000 for the 2009/10 HIRF program.

Additionally, a full HIRF grant has been determined for each hospital by further applying an activity-based formula which considers a three-year moving average of LHIN base operating funding for each hospital corporation as a share of the three-year moving average of total LHIN operating funding.

Within its approved HIRF allocation, LHINs can:

a) provide the full HIRF grant calculated for each hospital to that respective hospital; or
b) meet extraordinary hospital renewal needs in their region by taking an equal percentage from each hospital's full HIRF grant, and, using the amount realized to approve a grant in excess of the full HIRF grant to select hospitals to address extraordinary renewal needs. This approach can be applied only when:
    - the scope of work associated with the extraordinary needs is consistent with the scope of work for HIRF projects as set out in the HIRF Guidelines; and
    - the reduction to full HIRF grants is applied equally to all other hospitals in the LHIN; and
    - each hospital continues to receive at least the minimum HIRF grant as defined by the HIRF Guidelines.

A hospital must use its HIRF grant for minor infrastructure renewal projects that extend the useful life of the hospital facility or improve the hospital facility's quality or functionality,

provided that such improvements do not result in an increase to the hospital's approved operating funding base.

The HIRF grant must first be used to address a hospital's critical or highest priority projects, which hospitals are responsible for identifying. These projects include those required to address:

- Requirements under the Occupational Health and Safety Act;
- Requirements under the Ontario Building Code and Ontario Fire Code;
- Other facility related legislative requirements; or
- Potential interruptions in the operation of a facility.

The HIRF project approvals process should enable hospitals to undertake minor infrastructure renewal projects in a timely manner. Each hospital must follow the HIRF process, as well as comply with Ministry of Health and Long-Term Care policies on project procurement and the public tendering process as described in the ministry's *Capital Planning Manual (November 1996)*.

Upon a hospital's receipt of notification from its LHIN informing the hospital of its approved HIRF grant, each hospital must complete and submit to its LHIN, the *HIRF Submission Form*. The *HIRF Submission Form* is to be submitted by a hospital to its LHIN within 60 days of grant notification or by November 30, whichever is earliest, and describes the project(s) for which the hospital is requesting LHIN approval to undertake with its approved HIRF grant. The *HIRF Submission Form* also conveys a hospital's agreement that it will comply with requirements of the Facility Condition Assessment Program (FCAP), which is described in Section 7. The LHIN will review the *HIRF Submission Form* against program eligibility criteria, and then inform each hospital of the project(s) it is approved to undertake. Once the LHIN approves the project(s), it will release the approved HIRF grant to the hospital.

Upon a hospital's completion of all of its HIRF projects approved for a given year, the hospital is required to submit to the ministry the *HIRF Settlement Report*. This report includes an external Auditor's statement attesting to the HIRF funds received and disbursed in accordance with Canadian generally accepted accounting principles. The hospital is also asked to submit a copy of the original *HIRF Submission Form* in which the project(s) completed were approved to be undertaken.

To support the HIRF program, the ministry continues to implement the Facility Condition Assessment Program (FCAP) to determine the state of hospital capital assets, renewal requirements, and grant performance. The main elements of FCAP include:

- Condition assessments of hospital facilities by qualified engineers and architects;
- Building inventory data about each hospital;
- Software that houses this information; and
- Tools for reporting, analytical work, and planning.

Implementation of the FCAP is extremely important in informing hospitals, LHINs and the ministry of the state of infrastructure at each hospital and across the Province, as it will assist in determining the highest priority infrastructure projects such that available financial resources may be directed towards these needs.

VFA Canada Corporation was awarded the contract in June 2008. It is planned that condition assessments for all public hospitals will be completed over a four year cycle. As at June 2009, VFA Canada Corporation had collected most of the required tombstone data from all hospitals in Ontario. When data obtained through VFA Canada Corporation's work becomes available, hospitals will be required to use the resulting information obtained to set their HIRF project priorities.

Given the important role of FCAP in informing infrastructure needs, the ministry is working to better integrate FCAP and HIRF frameworks for future. In addition, to ensure the data collected through the FCAP is appropriately maintained, the ministry may introduce policies requiring that hospitals comply with the requirements of the FCAP or risk exclusion from future HIRF funding consideration. Refer to Section 7 for additional information.

Electronic copies of the *HIRF Guidelines* and all HIRF forms are to be available on each LHIN's website available through:
http://lhins.on.ca/

1. Introduction

Health care transfer-payment partners such as hospitals are responsible for ensuring that their facilities are in a good state of repair by managing their capital assets and planning renewal activities.

The Ministry of Health and Long-Term Care (ministry) recognizes the need for the renewal of health care infrastructure. The Health Infrastructure Renewal Fund (HIRF) program being led by local health integration networks (LHINs) supplements a hospital's existing renewal program and helps it address renewal needs on a priority basis. Hospitals undertaking HIRF renewal projects (e.g., replacement of roofing systems, boilers, windows, etc.) must follow the HIRF approval process.

Currently, hospitals are provided with a HIRF grant, subject to HIRF program guidelines, regardless of their ability to raise a local share of project costs. Under HIRF, hospitals are not subject to any cost-sharing requirements and can use their HIRF grant to fund eligible projects, as approved by LHINs, at rates of up to 100 percent.

Hospitals can select projects based on their own renewal priorities, subject to the program eligibility criteria outlined in Section 3, "HIRF Program Priorities". Each hospital is responsible for ensuring that it undertakes work of the highest priority.

Implementation of the Facility Condition Assessment Program (FCAP) will assist hospitals, local health integration networks (LHINs) and the ministry in better understanding the current state of hospital infrastructure across the Province and will be integral to informing future years' HIRF grants and projects. As a result, it is critical that hospitals ensure they meet FCAP requirements so that their funding eligibility under HIRF is not placed at risk.

2. How HIRF Grants are Determined for LHINs and Individual Hospitals

2.1 Overview

Each year, the government determines, through consultation with the ministry and LHINs, the HIRF program allocation for the year. Based on this allocation, the ministry uses its distribution methodology to calculate the minimum HIRF grant and the full HIRF grant that each hospital in the province could receive. Following this step, the ministry informs each LHIN about its maximum HIRF allocation including the minimum HIRF grant and the full HIRF grant on a hospital by hospital basis. The LHIN's HIRF allocation is the sum of the full HIRF grants for each hospital in its region as calculated by the ministry.

2.2 Distribution Methodology

A distribution model is used to determine the minimum and the full HIRF grant allocation among all hospitals. The minimum HIRF grant is based on an initial per site minimum amount and application, as appropriate, of a Northern Adjustment Factor.

The full HIRF grant uses a model that employs an activity-based formula derived from LHIN base operating funding, which represents the best approximation of the relative renewal needs of hospitals.

The distribution methodology has the following key components:

Minimum HIRF Grant

A. Every HIRF grant includes a **minimum amount** per site. Note: The minimum amount may vary from year-to-year based on the available provincial HIRF allocation. The minimum amount allows each public hospital corporation to undertake at least one meaningful capital project on each site each year and recognizes the higher costs of developing HIRF projects at multiple hospital sites. Unless otherwise specified by a hospital's LHIN, HIRF grants are not allocated to a specific hospital site. Each hospital corporation is responsible for determining its HIRF priorities across its sites.

B. A **Northern Adjustment Factor** is used to determine the relative renewal needs of northern hospitals and reflects the higher costs of delivering infrastructure projects at hospitals in northern Ontario, owing to factors such as higher costs for delivery of supplies, higher wage rates, severe weather conditions, and a shorter construction season. The initial minimum amount for each hospital in the north region is adjusted by the Northern Adjustment Factor applicable for the hospital's specific location.

The distribution methodology recognizes that the cost of developing capital projects also differs significantly between geographical areas **within** the north region. For example, project development costs faced by hospitals in the near north (e.g., Sudbury area, Parry Sound, North Bay) are only slightly greater than those faced by hospitals in other regions. Costs at hospitals in the remote north (e.g., Moosonee), where most supplies must be delivered from great distances and where appropriate labour is scarce, are substantially higher.

The Northern Adjustment Factor is consistent with known cost differences in construction projects in the north region (see Appendix B, "Northern Adjustment Factor by Area," for details).

The Northern Adjustment Factor will be applied to the hospitals found in Appendix B.

Full HIRF Grant

To arrive at a full HIRF grant for a hospital, and building on the determination of a minimum HIRF grant outlined through steps A and B above:

C. The remainder of the ministry's HIRF allocation is then distributed using an **activity-based measure** among all hospitals. This measure estimates relative renewal needs and reflects the differing renewal requirements of hospitals with differing intensities of service delivery. A three-year moving average of LHIN base operating funding (excluding one-time funding) for

each hospital corporation is calculated, and each hospital's share of the three-year moving average is used to distribute the remainder of the fund. (See Appendix A, "Distribution Model Specifications," for a detailed description of the model.)

The ministry's maximum allocation to each LHIN is the sum of full HIRF grants calculated to hospitals in each LHIN.

Extraordinary Renewal Needs

To meet extraordinary hospital renewal needs in their region, and within their approved HIRF allocation, LHINs may take an equal percentage from each hospital's full HIRF grant and use the amount realized to approve a grant in excess of the full HIRF grant to select hospitals to address extraordinary renewal needs. This approach can be applied only when:

- the scope of work associated with the extraordinary needs is consistent with the scope of work for HIRF projects as set out in the HIRF Guidelines; and
- the reduction to full HIRF grants is applied equally to all hospitals in the LHIN; and
- each hospital continues to receive the minimum HIRF grant as defined by the HIRF Guidelines.

3. HIRF Program Priorities

The HIRF grant is aimed at supplementing an institution's existing facilities renewal program and addressing renewal requirements on a priority basis. Eligible projects must extend the useful life of the hospital facility or improve the hospital facility's quality or functionality, provided that such improvements do not result in an increase to the hospital's approved operating funding base.

HIRF projects must comply with all federal, provincial and municipal laws, statutes and codes relating to construction and renovation projects, and with ministry policies on eligible consultants and costs, project procurement and the public tendering process as described in the ministry's *Capital Planning Manual.*

HIRF grants must first be used to address projects of a critical or high priority nature. Hospitals are responsible for identifying these projects. The ministry will not consider additional requests or Capital Project Requests for critical facility renewal funding where the HIRF grant has not been applied to the facility's critical priority projects.

The highest priority projects include those to address:

- Requirements under the Occupational Health and Safety Act;
- Requirements under the Ontario Building Code and Ontario Fire Code;
- Other facility related legislative requirements; or
- Possible interruptions in the operation of a facility.

Only after all high priority projects have been addressed, can HIRF funds be used for projects of a lesser priority, such as projects:

- Intended to improve the efficiency of building systems (i.e., energy efficiency);
- Deemed necessary to reduce or minimize downtime of building systems resulting from predictable building deterioration; and
- That address accessibility issues (e.g., installing ramps to provide access for people with disabilities, renovating washrooms to provide barrier free access, etc.).

In future years, as the FCAP evolves, it is envisaged that HIRF priorities may be revised to ensure greater synergy between the two programs.

3.1 Eligible Projects and Costs

Within the context of the "HIRF Program Priorities", the HIRF grant may be used only for costs associated with minor infrastructure renewal projects that, generally:

- Address replacement of systems as opposed to components of systems;
- Are valued at under $1 million;
- Require less than one year to complete;
- Do not require any increases to the hospital's balanced budget plan; and
- Do not require the preparation of a functional program.

Appendix C, "Examples of Eligible and Ineligible HIRF Projects/Costs", provides specific examples of eligible and ineligible projects.

Shareable Fee Schedule
In compliance with existing ministry policies, the amount of funding allowed for consulting fees is limited. See the *Capital Planning Manual* (Appendix D – The ministry's Shareable Fee Schedule) for information on the ministry's shareable fee schedule.

3.2 Ineligible Projects and Costs

Under the HIRF program, certain types of costs are ineligible. HIRF grants cannot be used for:

- Maintenance work, because maintenance costs are generally considered to be an operating expense. Maintenance work is not expected to prolong an asset's economic life or improve its long-term efficiency. Maintenance costs should be recorded in accordance with the *Ontario Health Care Reporting System Manual;*
- Infrastructure to accommodate additional beds or new/expanded programs or services;
- Consulting fees for equipment, interior design and/or colours, landscape architecture, traffic, and/or kitchen/dietary issues; or
- Infrastructure issues for programs (e.g., community-based mental health program, community-based substance abuse programs, etc.) and/or facilities (e.g. long-term care facilities) that may be operated by a hospital, but receive operating funding outside of the LHIN's approved hospital operating budget.
- Infrastructure issues for programs being provided from former provincial psychiatric hospital sites/facilities, as such infrastructure issues are managed through a separate capital program for these sites, in conjunction with the Ontario Realty Corporation.
- Hospitals which have been constructed through a build/finance/maintain (BFM) or design/build/finance/maintain (DBFM) alternative financing and procurement (AFP)

arrangement, as these projects include life cycle costs/funding, as part of the procurement arrangement, to address infrastructure issues. To date, there are only two such projects which have been brought into operation and which are therefore not eligible for HIRF grants:

- William Osler Health Centre's Brampton Civic Hospital site; and
- the Royal Ottawa Health Care Group's Royal Ottawa Mental Health Centre.

Appendix C, "Examples of Eligible and Ineligible HIRF Projects/Costs", provides specific examples of ineligible projects costs.

4. HIRF Process and Forms

The HIRF process differs from that typically required for other capital projects. The HIRF forms and processes are described in detail below.

4.1 HIRF Forms

- **HIRF Submission Form**: Hospitals use this form to describe projects on which they plan to spend the HIRF grant. The following are changes effective 2009/10 for the *HIRF Submission Form*:
  - to support the implementation of the FCAP, hospitals are to confirm that they have provided requested tombstone data to VFA Canada Corporation;
  - key content previously contained in a *Hospital Sign-back Agreement* have been incorporated, as a separate sign-back agreement is no longer necessary.
- **HIRF Settlement Report:** Hospitals use this form to report on their expenditures on HIRF projects once these projects have been completed.

The HIRF forms are available on each LHIN website at:
http://www.lhins.on.ca/

4.2 HIRF Process

Part I: Grant Determination

1. Based on the HIRF allocation from the government, the ministry uses its distribution methodology to calculate the minimum HIRF grant per hospital and full HIRF grant per hospital and approves a funding allocation for each LHIN based on the full HIRF grants for their region.

Part II: Notification and Submission

2. The LHINs determine if they will support the full HIRF grant for hospitals in their region, or consider extraordinary grants for a select hospital(s).
3. **Before September 30, 2009** and based on the outcome of these decisions, each LHIN advises the ministry, through Navleen Madan (Navleen.Madan@ontario.ca) and Heather

Cuttress (Heather.Cuttress@ontario.ca) of the individual hospital HIRF grants it is supporting.

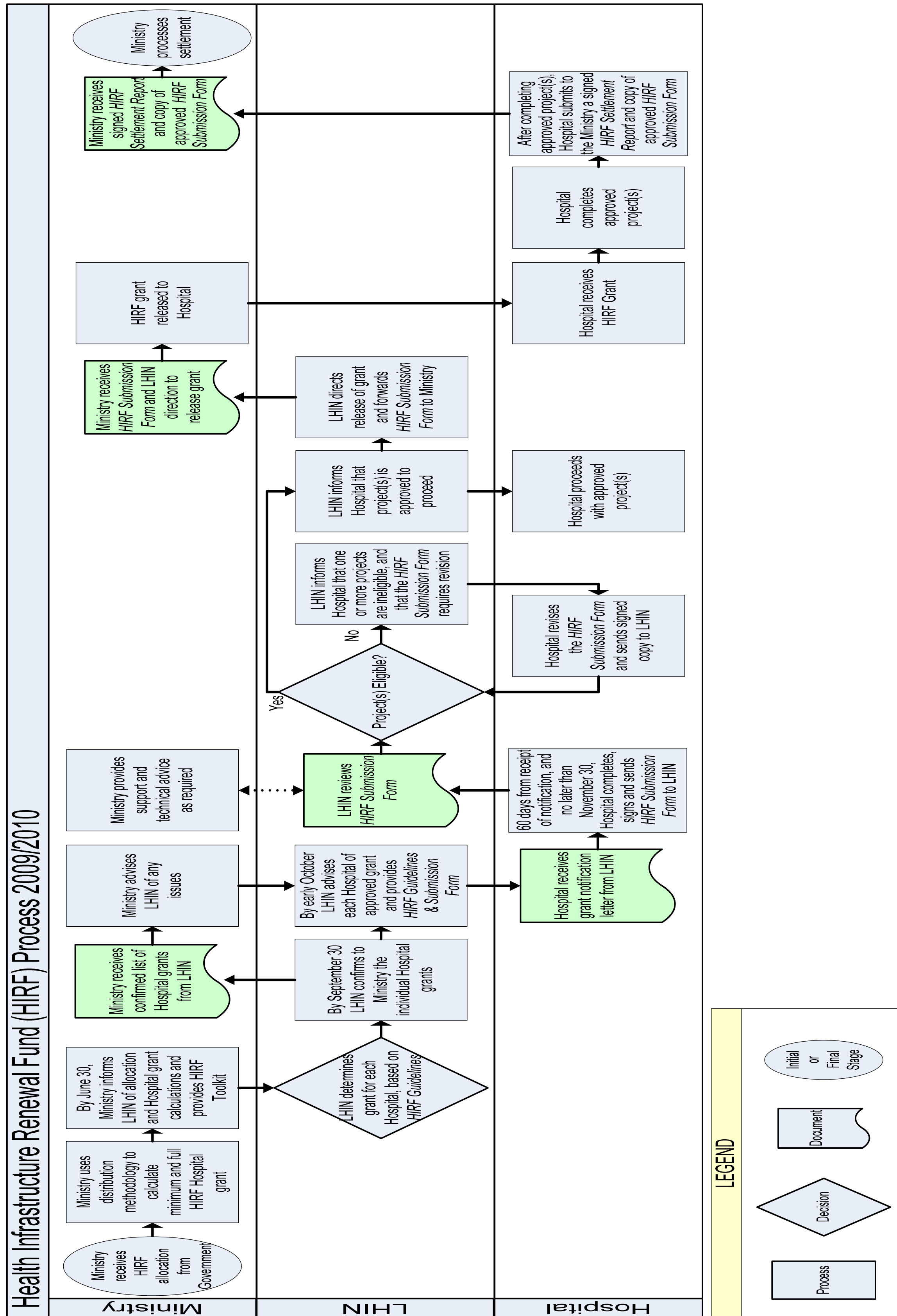
4. Upon ministry's acknowledgement of LHIN HIRF grants, each LHIN sends a letter to each hospital in their region, specifying the amount of the HIRF grant that each hospital in their region is eligible to receive, and the hospital's obligations under the HIRF program.
5. With its funding approval letter to a hospital, the LHIN provides each hospital with an administrative package, providing the hospital with the administrative details for the program. Within their funding approval letters, the LHIN will provide each hospital with the deadline (i.e., the earlier of 60 days from date of LHIN's grant notification to the hospital or before November 30, 2009) for the hospital to submit its 2009/10 *HIRF Submission Form*, detailing the HIRF project(s) it wishes to undertake through the approved grant.
6. **Within 60 days of the LHIN's HIRF grant notification, or before November 30, 2009, as indicated by the respective LHIN,** the hospital identifies eligible projects based on the *HIRF Guidelines* and lists them on the *HIRF Submission Form*.
    - TIP: If the hospital is unsure whether a project they plan to propose is eligible they should contact their LHIN HIRF contact (see Section 9 – Contact Information for a list of contacts) for guidance before signing and submitting the *HIRF Submission Form*. This step may prevent the hospital from having to resubmit their form.
    - TIP: Appendix C of these Guidelines provides examples of eligible and ineligible HIRF projects.
7. The hospital CEO or CFO signs the completed *HIRF Submission Form* and the hospital returns it to the LHIN, **in keeping with timelines identified by the LHIN**. The form can be sent by email (in PDF form) or mail.
8. LHIN staff review the hospital's *HIRF Submission Form* to determine project eligibility and inform the hospital whether they have the approval to proceed or not. A project is eligible if it meets the criteria found in the *HIRF Guidelines*.
    - TIP: If a LHIN contact is unsure of a project's eligibility they can call the ministry for technical advice.
9. If all of the projects listed on the *HIRF Submission Form* are deemed eligible, the LHIN approves the projects, signs and returns the hospital's *HIRF Submission Form* to the hospital and the hospital can then proceed with one or more of their listed projects based on written LHIN approval.
10. If any of the projects on the *HIRF Submission Form* are determined to be ineligible, the LHIN informs the hospital that one or more projects are ineligible. In this case, the hospital must revise, sign, and resubmit their *HIRF Submission Form.* Follow steps 5 and 6 above.
    - REMINDER: If the hospital is unsure whether a project they plan to propose is eligible they should contact their LHIN HIRF contact for guidance before signing and submitting the *HIRF Submission Form*. This should prevent the hospital from having to resubmit the form.

11. The submission, review, and approval process continues until a list of projects is approved in writing by the LHIN.
12. **By December 31, 2009**, the LHIN sends a copy of the LHIN-approved *HIRF Submission Form* to the ministry, through Navleen Madan (Navleen.Madan@ontario.ca) and Heather Cuttress (Heather.Cuttress@ontario.ca), which directs release of the HIRF grant to the hospital.

Part III: Settlement

13. After completing their eligible projects, hospitals submit a *HIRF Settlement Report* to the ministry by email or mail. Included with its *HIRF Settlement Report*, the hospital provides a copy of the *HIRF Submission Form* which demonstrates the LHIN's previous project approval for the HIRF project(s) being reported.
    - NOTE: Hospitals only submit the *HIRF Settlement Report* once all of the projects approved for a given fiscal year are completed. Given the short-term nature of these projects in general, the ministry expects this report to be submitted within 24 months of project approval. If the report is not received by then, the ministry will contact the hospital for a status report.

4.2.1 HIRF Process – High-level Diagram



4.3 Unexpended Balance of Grant

It is recognized that certain projects may be completed under budget. While program surpluses are not expected to occur under normal circumstances, if a hospital has an unexpended balance of its HIRF grant at the completion of its projects, these funds must be carried forward (with interest) to be applied towards eligible HIRF projects in the following fiscal year. The unexpended balance(s) from a previous year(s) that a hospital is requesting be applied to a current HIRF project(s) is to be identified in the appropriate area of the *HIRF Submission Form*.

All unexpended balances must also be recorded on the hospital's *HIRF Settlement Report*. The *Report* must show for which project the unexpended balance was used.

Hospitals are not permitted to accumulate a year-over-year balance, to retain as a reserve. If evidence of an accumulated surplus/balance is identified, funds will be recovered through an equal reduction in the hospital's HIRF grant in the subsequent fiscal year.

5. Conditions

Compliance with Laws
HIRF projects must comply with all federal, provincial and municipal laws, statutes and codes relating to construction and renovation projects.

Compliance with Ministry Policies
Hospitals must comply with ministry policies on eligible projects and costs as described in these *Health Infrastructure Renewal Fund Guidelines* and project procurement and the public tendering process as described in the ministry'*s Capital Planning Manual (November 1996).*

Hospitals may expend HIRF funds only on the projects described in their LHIN-approved *HIRF Submission Form.* If a hospital submits a *HIRF Settlement Report* that differs from the LHIN-approved project(s), HIRF funds expended by a hospital on unapproved projects will be recovered in the subsequent year, through a corresponding reduction to the hospital's HIRF grant.

Annual Appropriation of Ministry Funding
All HIRF grants are conditional upon an appropriation of funds by the Legislative Assembly of Ontario, which has the sole authority to make such appropriations. Accordingly, the ministry makes no assurance that an appropriation will be made from year to year to support the HIRF program, or that the minimum HIRF grant for each hospital will not change.

6. Cash Flow

The HIRF grant paid will not exceed the maximum of the HIRF grant approved by the LHIN for that hospital. The HIRF grant for each hospital will be provided in one lump-sum payment to the hospital, through direct deposit in accordance with ministry/LHIN policies.

7. Facility Condition Assessment Program

The ministry continues to implement the Facility Condition Assessment Program (FCAP) to determine the stock and condition of Ontario's hospitals. The FCAP will be used to support recommendations on health capital investment policy, and accurate information obtained through the FCAP will assist hospitals, LHINs and the ministry meet their capital renewal responsibilities and obligations.

The main elements of FCAP include a physical assessment of hospital facilities and sites, and asset management software that stores and reports on the information derived from assessments. The program measures and records the condition of hospitals' physical assets and this data is available to the hospitals, LHINs, and the ministry.

The program provides asset information that includes a Facility Condition Index (FCI) - the ratio of the cost of renewal work deferred from previous years to the cost of replacing a facility. This index will assist various stakeholders in making other capital planning decisions, such as determining when to invest in renewal and when to build new facilities. In addition to the FCI, each identified requirement will be assigned a priority. Program guidelines will be provided to hospitals as the FCAP evolves. At that time, hospitals will be required to use the assessment information to set project priorities.

Hospitals will be required to maintain their own databases to ensure that accurate information is available to identify funding needs and decisions and all public hospitals in the province will be required to fully participate in the FCAP. Participation includes (but is not limited to):

- Providing tombstone data (targeted completion by summer 2009);
- Allowing the vendor to complete a condition assessment in one of the four years of the FCAP cycle (each hospital to work with vendor to schedule the hospital's assessment(s);
- Participating in training during the year(s) in which the hospital's assessment is undertaken; and
- Maintaining the hospital's FCAP database.

VFA Canada Corporation was awarded the FCAP contract in June 2008. It is planned that condition assessments for all public hospitals will be completed over a four year cycle.

By June 2009, VFA Canada Corporation had begun the second year of the FCAP cycle. To date, VFA Canada Corporation has completed assessments on 25% of the required square footage in the province. It is anticipated that 50% of the required square footage will be completed by the end of the second year. In addition, VFA Canada Corporation has collected most of the tombstone data required from all hospitals in Ontario.

Since 2004/05 when the HIRF program provided HIRF grants to all eligible public hospitals, the ministry has advised hospitals through the Health Infrastructure Renewal Fund Guidelines that:

> *A hospital's acceptance of the HIRF grant implies participation in the Facility Condition Assessment Program. As a result, hospitals are expected to provide VFA with requested information regarding current hospital facilities, even where a hospital is in the process of constructing a replacement facility and/or undertaking redevelopment or renovations*.

As the FCAP evolves, it is increasingly important to the HIRF program and to provincial infrastructure planning that hospitals contribute to data being collected to populate the FCAP and that, through participation in training sessions, hospitals are conversant with managing their FCAP database to ensure infrastructure information is current. For these reasons, the ministry is considering policies in future that, if implemented, may result in a hospital being deemed ineligible for HIRF funding if that hospital is found to be non-compliant with the requirements of the FCAP.

8. Contact Information

8.1 LHIN HIRF Contacts

To submit the *HIRF Submission Form*, and to ask program-related questions, hospitals should contact their LHIN HIRF contact, identified in the following table:

LHIN	Contact	Email	Phone	Ext.	Position
Central	Naj Hassam	naj.hassam@lhins.on.ca	905-948-1872	211	Director, Performance and Funding
Central East	Ritva Gallant	ritva.gallant@lhins.on.ca	905-427-5497	224	Team Lead, Finance
Central West	Michael Buchert	michael.buchert@lhins.on.ca	905-455-1281	206	Funding and Allocation Consultant
Champlain	Eric Partington	eric.partington@lhins.on.ca	613-747-6784	2027	Senior Consultant, Performance & Contracts
Erie St. Clair	Anthony Sirizzotti	anthony.sirizzotti@lhins.on.ca	519-351-5677	218	Senior Consultant, Funding & Allocation
Hamilton Niagara Haldimand Brant	Patricia Ciccarelli	patricia.ciccarelli@lhins.on.ca	905-945-4930	4236	Team Lead, Funding & Allocation
Mississauga Halton	Sue Turcotte	sue.turcotte@lhins.on.ca	905-337-7131	220	Director, Finance and Risk
North Simcoe Muskoka	Cindy Webster	cindy.webster@lhins.on.ca	705-326-7750	217	Senior Consultant, Funding & Allocation
North East	Bruce Villella	bruce.villella@lhins.on.ca	Sault Ste. Marie: 705-256-3003 Sudbury: 705-840-2872	 223	Consultant, Performance, Contract & Allocation
North West	Kevin Holder	kevin.holder@lhins.on.ca	807-548-5590		Senior Consultant, Funding, Performance & Contract Management
South East	Steve Goetz	steve.goetz@lhins.on.ca	613-967-0196	212	Senior Consultant, Performance and Funding
South West	Devi Pandya	devi.pandya@lhins.on.ca	519-640-2590		Business and Performance Analyst, Performance, Contract and Allocation
Toronto Central	Greg Stevens	greg.stevens@lhins.on.ca	416-969-3291		Senior Consultant, Funding and Allocation
Waterloo Wellington	Stewart Sutley	stewart.sutley@lhins.on.ca	519-822-6208	213	Senior Director, Performance and Accountability

8.2 Ministry HIRF Contact

For guidance and support, and to submit copies of the *HIRF Submission Forms,* LHINs can contact:
Navleen.Madan@ontario.ca (telephone: 416-327-8645) or
Heather.Cuttress@ontario.ca (telephone: 416-327-8657)

9. HIRF Information

HIRF information will be available on each LHIN's internet site. Information includes a brief description of the program, and electronic copies of the *HIRF Guidelines*, *HIRF Submission Form*, and the *HIRF Settlement Report.* The general LHIN site, to which each LHIN site is linked, can be accessed at:
http://www.lhins.on.ca/

Appendix A

Distribution Model Specifications

Distribution Model:

H	=	Total HIRF for year i
$Y_{A,i}$	=	HIRF grant to hospital A, in year i
F_A	=	Minimum grant amount for hospital A, where F = min. yearly grant amount per hospital site
FT	=	Sum of the minimum grant amounts provided to all hospitals (i.e. $F \times S_A \times N_A$ summed over all hospitals)
S_A	=	Number of sites for hospital corporation A
N_A	=	Northern Adjustment Factor for hospital A; N = 1 for non-northern hospitals
A_i	=	Ministry operating funding to hospital A, for year i
B_{AVG}	=	Three year average of total Ministry funding to hospitals for year i, adjusted by the Northern Adjustment Factor

The HIRF grant amount for each hospital has been determined as follows:

<u>Minimum HIRF Grant</u>

Step 1: For each hospital, calculate the minimum HIRF grant, $F_A = F \; X \; S_A \; X \; N_A$

<u>Full HIRF Grant</u>

Step 2: Sum the minimum HIRF grants for all hospitals, $FT = \Sigma F_A$

Step 3: For each hospital, calculate the three-year average of Ministry base operating funding, and apply the Northern Adjustment Factor, $[(A_{2006/07} + A_{2007/08} + A_{2008/09})/3 \times N_A]$

Step 4: Calculate the three-year average of total Ministry operating funding to all hospitals, including the Northern Adjustment Factor, by summing the adjusted average operating funding obtained in Step 3,
$B_{iAVG} = \Sigma [(A_{2006/07} + A_{2007/08} + A_{2008/09})/3 \times N_A]$

Step 5: Calculate HIRF grant for each hospital by summing the hospital's minimum HIRF grant amount and its share of the remainder of the HIRF allocation:

$$Y_{A,\,2009/10} = F_A \; + \; [(A_{2006/07} + A_{2007/08} + A_{2008/09})/3 \times N_A] \,/\, B_{AVG}] \times [H - FT]$$

<u>Minimum HIRF Grant</u>

Each hospital corporation receives a minimum amount per site which may vary from year to year. The distribution methodology then provides for this amount to be adjusted to reflect a Northern Adjustment Factor to acknowledge the higher costs to deliver infrastructure projects at hospitals in northern Ontario. For these hospitals, the initial minimum grant amount is multiplied by the Northern Adjustment Factor that applies for the specific hospital location.

Example:

Assumptions: For the following example, it is assumed the minimum amount per site is $150,000, that a hospital has 4 eligible sites, and that the hospital qualifies for a Northern Adjustment Factor of 1.26.

Example 1:

The Minimum HIRF Grant is calculated as follows:

Grant = 4 X $150,000 X 1.26 = $756,000.

<u>Full HIRF Grant</u>

After the minimum HIRF grant is determined for each hospital, the remainder of the HIRF allocation is distributed among all hospitals using a three-year moving average of LHIN base operating funding (not including one-time funding) for each hospital corporation as a share of the three-year moving average of total LHIN operating funding.

The three-year average of LHIN operating funding is multiplied by the Northern Adjustment Factor for each hospital in the North Region to determine a higher value for operating funding that is used in the formula. These "adjusted" operating funding values are summed across all hospitals to determine an adjusted total for LHIN operating funding to all hospitals. All these "adjusted" values are used in the distribution formula.

Examples

Assumptions: For the following examples, it is assumed the total HIRF allocation (H) is $60,000,000, the total number of hospital sites is 213 (for simplicity assume, FT = 213 X $150,000 = $31,950,000), and that the three year average of total LHIN base operating funding to hospitals (after the Northern Adjustment Factor has been applied) is $10,000,000,000.

Example 1:

Hospital X has received $120,000,000, $125,000,000, and $130,000,000 in LHIN base operating funding in 2006/07, 2007/08 and 2008/09 respectively. This hospital has two sites located in the Eastern Region (no northern adjustment).

The grant is calculated as follows:

Grant = 2 X $150,000 X 1 + [($120,000,000 + $125,000,000 + $130,000,000M)/3 X 1] / $10,000,000,000 X [$60,000,000 – $31,950,000] = $650,625.

Example 2:

Hospital Y has received $48,000,000, $50,000,000, and $52,000,000 in LHIN base operating funding in 2006/07, 2007/08 and 2008/09, respectively. This hospital has one site located in the North Region (northern adjustment included). The Northern Adjustment Factor is 1.1 for the geographical area of the North Region in which Hospital Y is located.

The grant is calculated as follows:

Grant = 1 X $150,000 X 1.1 + [($48,000,000 + $50,000,000 + $52,000,000)/3 X 1.1] / $10,000,000,000 X [$60,000,000 – $31,950,000] = $484,275.

Appendix B

Northern Adjustment Factor by Area

Location	Cost Gross Up Factor	Northern Adjustment Factor
Southern Ontario (GTA)		1.00
Sudbury Base	+5 %	1.05
North Bay Base	+16 %	1.16
Sault Ste. Marie Base	+26 %	1.26
Timmins Base	+21 %	1.21
Thunder Bay Base	+15 %	1.15
James Bay Coast Base	+100 %	2.00
Manitoba Border Base	+19 %	1.19

Supplied by Altus Helyar, 2007.

Hospitals that have the Northern Adjustment Factor applied to them:

- All hospitals in the North East LHIN;
- All hospitals in the North West LHIN; and
- Muskoka Algonquin Health Centre.

Appendix C

Examples of Eligible and Ineligible HIRF Projects/Costs

The following list of projects is not intended to be exhaustive. Its purpose is to assist hospitals identify eligible (and ineligible) HIRF projects.

Eligible Projects Required to Address Code Requirements

The following examples of projects are those that, if not undertaken, may result in a local authority issuing an "Order to Comply" to a hospital:

- Sprinklering sections of building
- Addressing penetration to fire separations
- Removing contaminated soil
- Addressing egress from buildings
- Upgrading fire alarm system

Eligible Projects Required to Address Health and Safety Requirements

The following examples of projects are those that, if not undertaken, may affect the health and safety of a hospital's patients, staff, and visitors:

- Mould remediation
- Isolation room monitoring
- Inserting view panels in existing doors
- Addressing barrier-free requirements (i.e., at hospital entrance/exit points, washrooms)
- Installing ceiling lifts/tracks
- Replacing nurse call system
- Installing protective glass partitions
- Addressing hazardous materials
- Installing, for security purposes, closed circuit television systems

Eligible Projects Required to Maintain Critical Operations

The following examples of projects are those that, if not undertaken, may affect the critical operations of a hospital:

- Replacing Roof/Roof sections
- Replacing pumps
- Replacing windows
- Replacing flooring
- Replacing AHU (Air Handling Unit)
- Replacing cooling tower
- Replacing transfer switch gear for emergency power
- Restoring exterior cladding (i.e., tuck/stone-pointing)
- Replacing/Upgrading Chiller
- Replacing boiler(s)
- Replacing HVAC (rooftop) unit
- Upgrading elevator(s)
- Replacing emergency generator(s)
- Replacing/Removing underground tank(s)
- Upgrading electrical distribution and/or supply
- Replacing bulk oxygen system

Eligible Projects Required to Reduce Operating Costs or Create Efficiencies

The following examples of projects are those that may reduce a hospital's operating costs:

- Lighting retrofits
- Co-generation
- Energy retrofits
- Removing asbestos
- Computerizing control systems

Projects that are INELIGIBLE

The following examples of projects and/or costs are those that may be required/incurred by a hospital, but which are not eligible under the HIRF program. HIRF grants cannot be used for the following:

- Compensation for hospital staff engaged in HIRF/renewal projects
- Patching roof/flooring systems
- Replacing hardware
- Duct cleaning
- Painting walls, ceilings, etc.
- Repairing leaks to window/skylights
- Replacing lights
- Treating/Testing water quality/medical gases
- Installing valves
- Addressing any regular maintenance issues
- Conducting planning and/or feasibility studies of any kind
- Planning/Undertaking large projects as defined in the note below.
- Consulting fees for:
  - equipment
  - interior design and/or colours
  - landscape architecture
  - traffic
  - kitchen/dietary issues
- Projects involving leasing or "leasing to own" requirements
- Financing charges and/or campaign costs associated with fundraising
- Addressing infrastructure issues for revenue generating areas (e.g., parking lots/garages, gift shops, etc.)
- Gardens, works of art, and decorations
- Furnishings
- Purchasing/Installing:
  - Medical equipment
  - Information technology
  - Communications technology
- Addressing infrastructure issues for "extra-vote" programs (i.e., community-based mental health program, community-based substance abuse programs, etc.) and/or facilities (i.e., long-term care facilities) which may be operated by a hospital, but which are funded outside the LHIN's approved hospital operating budget

Note:

Large capital projects are defined as those that would otherwise be considered through the existing capital planning and funding process (see the *Capital Planning Manual*), as they generally:

- are valued at more than $1 million;
- normally require the development of a Functional Program;
- require more than one year to plan, tender and complete construction; and
- result in the need for increased LHIN operating funding.

  Examples of such projects include replacement of an existing hospital, construction of a new wing, redevelopment of a department(s), and renovations/new construction to accommodate additional beds and/or new/expanded services.

Glossary

Capital assets
Non-financial assets that have physical substance that are purchased, constructed, developed or otherwise acquired. Capital assets have useful lives extending beyond one year and are intended to be used on a continuing basis.

HIRF allocation
An annual appropriation of funds by the government (or the Legislative Assembly of Ontario) that the Ministry of Health and Long-Term Care may approve for use by its transfer-payment partners (i.e., public hospitals), in accordance with the Health Infrastructure Renewal Fund (HIRF) program being led by Local Health Integration Networks.

HIRF grant
An amount of funding, approved by a Local Health Integration Network to a particular transfer-payment partner (i.e., a hospital), to use to assist with costs of renewing infrastructure, in accordance with the *HIRF Guidelines*.

Maintenance
Work that results in a retention of the pre-determined service potential of a capital asset for a given useful life. Costs that are incurred that do not prolong an asset's economic life or improve its efficiency are not considered to be capital expenditures. Maintenance expenditures are operating expenditures and should not be included as part of capital spending.

Renewal
- Work done to extend an asset's useful life or improve its quality or functionality.
- Modernization of the asset to appreciably prolong its period of usefulness or enhance its service potential. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity such that associated operating costs are lowered, the useful life of the asset is extended, and the quality of the output is improved.
- Upgrade that increases the service potential of an asset (and may or may not increase the remaining useful life of the asset). This type of expenditure should be reported as a capital expenditure.

Useful life
The estimated finite period over which a capital asset is expected to be used. The actual life of a capital asset may extend beyond its estimated useful life due to good maintenance or under-utilization.

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