

Rouge Valley Health System and The Scarborough Hospital Facilitated Integration Process

Due Diligence Workbook: Back Office – Finance (DRAFT)

A Facilitated Process of the Central East LHIN

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1. Current State Assessment & Leading Practice Review

1.1. Overview of Services/Programs

Use the following table to document the high-level profile of the services/programs within the area of focus, including key quality and performance metrics.

<p>Location of Service/Program <i>Where are the services/ programs delivered? At both hospitals? At specific sites?</i></p>	<p>RVHS</p> <ul style="list-style-type: none"> • Finance located at RVC campus • Procurement/Purchasing/Logistics at both campuses • Ancillary operations at both campuses <p>TSH</p> <ul style="list-style-type: none"> • TSH Finance located at the General campus with three clerical staff at the Birchmount • Procurement/Purchasing/Logistics at both campuses • TSH Ancillary and Retail Operations at both campuses
<p>Volume of Activity <i>What is the current volume of activity? (e.g. service levels, patient volume) Are there important trends? (e.g. growth, decline)</i></p>	<p>RVHS</p> <p><u>Finance:</u></p> <ul style="list-style-type: none"> • Accounts Receivable (A/R): 45,000 – 46,000 patient billings annually • Accounts Payable (A/P): Approximately 70,000 invoices processed annually <p><u>Procurement/Purchasing and Logistics</u></p> <ul style="list-style-type: none"> • Procurement/Purchasing <ul style="list-style-type: none"> • 300,248 lines processed annually • 96% purchase requisitions electronic • 8,000 Purchase Orders (POs) issued annually • 100 Request for Proposals (RFPs) posted locally and contracts negotiated • \$65 Million capital and operating spend processed annually <p><u>Logistics</u></p> <ul style="list-style-type: none"> • 260,000 lines ordered annually • Plexxus–managed logistics team • Outsourced 3rd party logistics/warehouse service provider (Cardinal Health) • FTEs: one Manager, one Logistics Coordinator, 13 Full Time Material Handlers, 10 Part Time Material Handler

	<p>TSH</p> <p><u>Finance</u></p> <ul style="list-style-type: none"> • Accounts Receivable (A/R): 72,000 invoices and statements processed annually • Accounts Payable (A/P): approximately 55,000 invoices <p><u>Procurement/Purchasing and Logistics</u></p> <ul style="list-style-type: none"> • Procurement/Purchasing <ul style="list-style-type: none"> • Number of Lines processed annually 93,600 • Purchase Orders processed annually 19,800 • 80% of Purchase Requisitions Paperless • \$550 million annual spend • Manage over 400 contracts • 0-5% of expired contracts • Service a large home peritoneal dialysis program as well as a large Dialysis Regional Centre • Logistics <ul style="list-style-type: none"> • Over 95% cart stock fill rate monthly • Over 400 top up carts scanned via SAP restock via third party Logistics Medical Mart (pick/pack/ship/issue/receive via SAP) • In-house printing of various on demand forms • Restock and reorder of linen service top up and stock maintenance • Mail service – internal and external in addition to administrative courier requirements
<p>Mode of Delivery <i>How are the services/programs delivered? (e.g. inpatient, ambulatory)</i></p>	<p>RVHS</p> <p><u>Finance:</u></p> <ul style="list-style-type: none"> • Corporate Function – support all areas of the Hospital • A/P: SAP system, minimal Electronic Funds Transfer (EFT) • A/P FTEs: one Supervisor, three clerks • A/R: Significant automated interfaces • A/R FTE's: one Supervisor, three clerks, two cashiers (one per site) <p><u>Procurement/Purchasing</u></p> <ul style="list-style-type: none"> • Corporate Function – support all areas of the Hospital • SAP Supply Chain Management/ SRM system • Combination of in-house and Plexxus managed team • FTE's – 0.5 Director, one Manager, three Contract Specialists, four Buyers <p><u>Retail Operations</u></p> <ul style="list-style-type: none"> • RVC: The hospital, with the assistance of a property manager, operates “The Court” which consists of a medical office building and retail court. Currently RVC leases space to over 40 professionals in the medical building and 15 retail tenants. Retail tenants include a lab, after hours clinic, pharmacy, rehabilitation clinic, gift shop, optical store, hearing aid

store and five food vendors. Most tenants pay base rent and a percentage of operating costs. Some tenants pay a percentage of sales rate. The Court is budgeted to generate a surplus of over \$500K.

- **RVAP:** Retail services at RVAP include a food vendor operating a deli and coffee shop and a retail pharmacy (opening Fall 2013). Both retail outlets pay rent to the hospital.

Ancillary Operations

- Consists of parking lots at both sites managed internally with security staff, and combination of self-pay kiosks and automated gates for main lots and pay and display machines. Parking operations generates revenues from visitors, patients, employees, physicians, contractors plus tenants and staff of "The Court".
- Parking revenues are budgeted at \$3.8M for RVC and \$1.2M for RVAP.

TSH

Finance

- General Accounting and Financial Planning – support all areas of the Hospital. one Director, one Manager and six Analysts
- A/P SAP system. 0.5 FTE Manager (shared with Payroll) and four clerks A/R one Manager 11 clerks
- Unionized A/R and A/P staff under Ontario Public Sector Employees Union (OPSEU) Clerical

Procurement/Purchasing & Logistics

- Support entire Hospital
- Combination of Plexxus and Plexxus managed Team – one Senior Manager, one Manager, three FT buyers, one Temporary buyer, two FT Contract Specialists
- one Temporary Data clerk
- SAP Is used for full procure to pay

Retail Operations

- The Retail Operations at TSH include two small Gift Shops, one at each campus, a Medical Mall and a retail food service arrangement with Marek Hospitality. The Retail Operations generate an annual surplus of \$706k.
- The Gift Shops are managed by the Volunteer Services.
- TSH with the assistance of a property management company (PARMED) operates a Medical Mall located at the General Campus. The space is leased to medical and retail tenants.
- Marek Hospitality provides Tim Horton Kiosks and Cafeteria services.

Ancillary Operations

- Parking Services are currently outsourced. Parking services generate revenue from staff, physicians, patients, visitors, contractors etc. The net parking revenue is budgeted at \$3.4M for both campuses. During the 2013/14 fiscal year, there are plans to invest in equipment to support customer self-pay using a credit card and to repatriate parking services.

Innovations Planned and/or Underway

What changes are planned or in-progress to improve the service/ program?(e.g. new model of care, investment in new technology)

RVHS

Finance:

- Bed Map – Meditech reconfiguration
- Business Intelligence and Financial Reporting Dashboards
- Expansion of on line patient registration, eKiosk check in and bill payment across both sites

Procurement/Purchasing and Logistics

- Vendor Credentialing – patient and staff safety initiative
- Total Gas Management program – reduction in wasted gas and patient safety improvement
- Automated greens distribution system – ScrubEx
- Cart scanning program
- Inventory reduction through min/max review
- Consignment inventory rationalization – orthopaedics

TSH

Finance:

- SAP Financial Reporting Dashboard to be available shortly
- Investment planned to improve/train Business Analysts in the new Ministry funding models
- Business case to assess benefits of scanning and archiving finance documents (e.g. invoices) to reduce filing and retrieval expenses.

Procurement/Purchasing and Logistics

- Improvements in patient and staff safety initiative
- Review Cart level inventory/Daily Distribution System (DDS) Stock after correcting SAP UOM issues.
- Intent to reduce carried inventory

Key Metrics

Identify and describe the key metrics that capture the quality and performance of the services/programs.

RVHS

Finance:

- Current Ratio (impacts cash flow): 0.45 (2012/13)
- Working Capital deficit: \$34,799 (2012/13)
- Bad debt % of patient revenue: 17% (2012/13)
- % of Accounts Payable greater than 60 days: 4.1% - 12/13
- % of invoices processed > \$1,100
- Patients Complaints: 15/day (average) (2012/13)
- % of Accounts Receivable greater than 90 days: 25%

Procurement/Purchasing and Logistics

- Purchase savings/cost avoidance per year
- Expired contracts %

	<p>Requisition to PO service level targets:</p> <ul style="list-style-type: none"> • 15 business days (PO Type \$10K-\$100K Non-Consulting) • 24 hours (<\$10K Non-Consulting) • 30 business days (<\$25K Consulting) • 45 business days (>\$25K Consulting) <p><u>Logistics</u></p> <ul style="list-style-type: none"> • Fill Rate • Number of Lines picked per month • Number of Lines ordered • Number of Errors per month • Number of Supply Carts serviced • Number of Inventory stored • Number of Lines scanned • Service level 5/month • Accuracy % <p>TSH</p> <p><u>Finance</u></p> <ul style="list-style-type: none"> • Current ratio: 0.32 (2012/13) • Working capital deficit \$43,332 (2012/13) • Bad Debt allowance as a % of Receivables over 90 days: 65-80% • % of A/R greater than 90 days is 22-24% <p><u>Procurement/Purchasing and Logistics</u></p> <ul style="list-style-type: none"> • Procurement/Purchasing & Logistics • Requisition to PO cycle time tracking • Expiring/expired contracts • Savings/cost avoidance • Hospital and Plexxus RFPs and Contracts • Quarterly Broader Public Sector spending analysis, policy adherence and audits • Cart Fill rate • Stock out rate • Expediting
<p>Other Information <i>Provide additional service/program information (if required)</i></p>	

1.2. Patient Profile

Use the following table to document the high-level patient profile related to the services/programs.

PATIENT BILLINGS/ACCOUNTS RECEIVABLE FUNCTION

<p>Patient Value Statement <i>Identify the purpose of the service/program area and the value-added benefit that it offers from the perspective of the patient.</i></p>	<p><u>Samples:</u> <i>“Help me to live the fullest life I can with Type 1 diabetes.”</i> <i>“As a patient in the ED, I value being cared for by skilled, respectful, courteous staff who fix my problem without waiting and explain to me in plain language what is happening now and what will happen next”</i></p> <p><i>“I would like every effort made to increase my awareness of applicable hospital charges and to work with me and my family to accommodate payment plans, if necessary, to reduce potential hardship.”</i></p>
<p>Patient Characteristics <i>Describe the key patient characteristics; consider factors such as demographics, geography, complexity, etc.</i></p>	<p>Overview of patients that use the service:</p> <ul style="list-style-type: none"> • Insured patients • Refugees • Uninsured/Out of Country • Alternate Level of Care (ALC) patients and families
<p>Population Need <i>Describe the key factors driving population need; consider factors such as social determinants of health, incidence/ prevalence rates, demand (e.g. wait lists, people travelling outside CE LHIN for service/program), etc.</i></p>	<p>Population Needs from a finance perspective:</p> <ul style="list-style-type: none"> • Clarification of invoices • Payment arrangements • Assistance with ALC co-pay reduction forms • Different payment options (i.e. cash, credit/debit card) • Collection disputes

1.3. SWOT Analysis

This section should summarize the SWOT analysis using the following table. For each Strength, Weakness, Opportunity and Threat identified, indicate the organization(s) to which it applies by placing an X in the appropriate box.

FINANCE	RVHS	TSH
Strengths		
Staff		
<ul style="list-style-type: none"> Highly qualified (CAs, CMAs, MBAs) and experienced (several years' experience in hospital) finance team 	x	x
<ul style="list-style-type: none"> Excellent team dynamics 	x	x
<ul style="list-style-type: none"> Strong managers/directors with minimal turn over 	x	
<ul style="list-style-type: none"> Financial Planning/Analytics team with no turnover in the past three years 	x	
Organization Structure		
<ul style="list-style-type: none"> Payroll reports to Finance. Good working relationship with business and financial analysts. The relationship helps to monitor the compensation budget. 		x
<ul style="list-style-type: none"> Improved working relationships with managers, directors and VPs 		x
<ul style="list-style-type: none"> Strong partnerships with Purchasing and Logistics to improve the SAP process 	x	x
<ul style="list-style-type: none"> Admitting reports to Finance creating synergies with patient billings and data quality 	x	
Work Processes		
<ul style="list-style-type: none"> Focus on increasing efficiencies and working toward best practices 	x	x
<ul style="list-style-type: none"> Successfully implemented strong internal controls as a result of completed Accounts Receivable (A/R) and Accounts Payable (A/P) internal audit cycles within the last five years 	x	
<ul style="list-style-type: none"> Best practice Signing and Authorization Policy and compliance monitored by the department 	x	x
<ul style="list-style-type: none"> Stringent cash controls in place 	x	
<ul style="list-style-type: none"> Good process in place to monitor the cash flow 	x	x
<ul style="list-style-type: none"> Timely clearance of GRIR amounts 	x	
<ul style="list-style-type: none"> A/R Trial Balance is reviewed and approved monthly. 	x	x
<ul style="list-style-type: none"> All non-insured patients are interviewed by A/R clerk on a daily basis to collect payments of all related charges. 	x	x
<ul style="list-style-type: none"> Online OHIP billings and payments. Good relationship with diagnostic departments to resolve all OHIP rejections on a timely basis. 	x	x
<ul style="list-style-type: none"> Focus on Responsibility for Payment forms to be signed upfront 	x	x

FINANCE	RVHS	TSH
• Steady increase in preferred revenue over the past few years	x	
• Maximization of self-pay non-urgent ambulance collections		x
Technology		
• SAP system fully integrated, including Procurement, A/P, General Ledger (G/L) and Asset Management. SAP financial modules have excellent functionality and controls.		x
• Excellent functionality and processes for Ministry of Health Management Information System (MIS) trial balance quarterly submission		x
• Ontario Case Costing Initiative (OCCI) hospital		x
• Financial Business Intelligence platform is operational	x	
• Development of Finance Dashboard	x	
• Budgeting system (ONIX).		x
• Experienced Business Analysts who work as a team with minimum supervision	x	x
• End users enter data into the budget system		x
• Budget worksheet preparation time is minimized due to a live link to a web based user-interface, budget data directly from the server		x
• Within A/R function the automation of many Meditech B/AR and A/R routines has led to a staff complement of three Clerks and two Cashiers	x	
• Order entry cashiering used by Admitting and some clinics (payment collection at point of service)	x	
<u>Weaknesses</u>		
Budget		
• Inadequate working capital. Low current ratio.	x	x
• Low non-patient revenues		x
Staff		
• Management staff turnover in the past 12 months		x
• Managing in a mixed unionized and non-unionized environment	x	x
• Comparatively high A/R staffing expense and comparatively low financial services and financial planning staffing expense.		x
Work Processes		
• Limited documentation of processes (standard work)	x	x
• Lack of cross training	x	x
• Room for improvement for Patient Registration to assist with patient payment collections.		x
• Lagging collections due to A/R resource limitations	x	

FINANCE	RVHS	TSH
• Data quality issues related to patient information (i.e. incorrect health card, address)	x	x
• Multiple charts of accounts causing confusion for departmental managers	x	
• Struggles of transportation policy due to lack of communication to patients and families	x	x
• Organization does not fully understand the financial planning/analytics teams scope of role and workload	x	
Technology		
• Financial Business Intelligence platform not fully developed		x
• Management does not have self-service access to financial results (SAP dashboard in development)		x
• Case Costing not implemented	x	
• Functionality and processes for quarterly MIS trial balance submission	x	
• Financial planning tool (Onix Budgeting tool) not extended to end users to enter data into the budget system leading to onerous/extended budget roll out	x	
• Accessing information from B/AR is inadequate and time consuming	x	x
• Extensive use of Excel for routine reporting	x	x
• SAP system managed by Plexxus on behalf of 11 hospitals. Process for requesting and receiving modifications very slow.	x	x
• Financial statements are not prepared in a timely manner. SAP subledgers are not fully integrated while Meditech was.		x
• No integrated AP/GL/Payroll system	x	x
<u>Opportunities</u>		
Staff		
• Succession planning	x	x
Organizational Structure		
• Patient Registration began reporting to Finance in August 2013. Opportunity to change work processes to improve collections and data quality.		x
Customer Service		
• Increased staff customer service training	x	x
Technology		
• New SAP Finance dashboard will soon be available		x
Work Processes		
• Joint order entry and cash collection at every point of service	x	x
• Implementation of Procurement Card (PCard) program	x	x

FINANCE	RVHS	TSH
<ul style="list-style-type: none"> Opportunity to implement Electronic Funds Transfer (EFT) process in the A/P department 	x	x
<ul style="list-style-type: none"> Scan documents (e.g. invoices) to make available in A/R and A/P departments to improve timely access to information 	x	x
<ul style="list-style-type: none"> SAP system is robust and excellent but inadequate training for the staff. Hence staff unable to optimize the full potential of the SAP system. Adequate training would result in efficiencies. 	x	x
Budget		
<ul style="list-style-type: none"> Long Term – improve Health Based Allocation Model (HBAM) and Quality Based Procedure (QBP) funding and improve understanding of expenses using Case Costing data 	x	x
<ul style="list-style-type: none"> Improve staff understanding of the Health System Funding Reform (HSFR) funding model 	x	x
<ul style="list-style-type: none"> Maximize revenue opportunities 	x	x
Threats		
<ul style="list-style-type: none"> Short Term – current HBAM/QBPs results causing decrease in funding. Possibility of funding reduction in the future. 	x	x
<ul style="list-style-type: none"> Union contracts and arbitration creating budget gaps 	x	x
<ul style="list-style-type: none"> Cash flow 		x
<ul style="list-style-type: none"> Staff leaving department due to job uncertainty (merger discussions) 	x	x
<ul style="list-style-type: none"> Functionality and reporting limitations of current systems (e.g., Meditech, ONIX, B/AR) 	x	x

PURCHASING / LOGISTICS / CONTRACT MANAGEMENT	RVHS	TSH
Strengths		
Staff		
<ul style="list-style-type: none"> Well established procurement team who use leading practices to deliver services. Knowledgeable and innovative professionals. 	x	x
<ul style="list-style-type: none"> Seasoned management with staff development, labour relations and change management skills 	x	x
<ul style="list-style-type: none"> Management structure has been re-tooled in order to provide cost effective and efficient support 	x	x
Organization Structure		
<ul style="list-style-type: none"> Integrated Purchasing Department that supports all procurement including contract management. All purchasing requirements are in scope for the “Plexxus-Managed” staff working on site at hospital comprised of Plexxus-employed and hospital-employed staff. 		x
Customer Service		

PURCHASING / LOGISTICS / CONTRACT MANAGEMENT

	RVHS	TSH
<ul style="list-style-type: none"> Exceptional customer satisfaction scores in the last survey of stakeholders for Logistics and Cart Management 	x	x
<ul style="list-style-type: none"> Good relationships and collaboration with all stakeholders (internal staff, suppliers, Plexxus, Health Pro, etc.). Open communications (e.g. post procurement surveys). 	x	x
<ul style="list-style-type: none"> End users consider procurement to be enabler and strategic partner helping them to achieve their operational goals 	x	x
<ul style="list-style-type: none"> Patient focused procurement model 	x	x
Work Processes		
<ul style="list-style-type: none"> All Procurement requests are via Purchase Requisition (electronic for Majority and some paper) and screened by Purchasing Staff and processed according to Purchasing Policy and compliant to Broader Public Sector (BPS) Procurement Directives. 	x	x
<ul style="list-style-type: none"> High compliance of customers using SAP materials in electronic requisitioning (eReq) due to Materials Management to identify active materials accurately 	x	x
<ul style="list-style-type: none"> E-commerce enabled – own website called Winbidsuite.com is used for posting of bids below the public threshold of \$100,000 to further comply with BPS Directives. Site is enabled to receive bids electronically. 	x	
<ul style="list-style-type: none"> Standardized templates for Requests for Proposals (RFPs), Requests for Quotations (RFQs), and contract documents 	x	x
<ul style="list-style-type: none"> Implementing Vendor Credentialing policies and procedures, to further safety for patients and staff 	x	
<ul style="list-style-type: none"> Just-In-Time inventory delivery. Resource requirement to pick/pack/ship provided by third party vendor. 	x	x
Logistics		
<ul style="list-style-type: none"> External supply chain providers (RVHS - Cardinal and TSH - Medical Mart) are stable and are managed by organizations that are well capitalized 	x	x
<ul style="list-style-type: none"> External supply chain regularly achieves the metrics for process performance 	x	x
<ul style="list-style-type: none"> Cart management program is well defined and mature 	x	x
Metrics		
<ul style="list-style-type: none"> Metrics implemented and tracked to monitor compliance and performance of supply chain, including line fill rates from JIT program, picking errors reported, cart level stock outs, requisition to purchase order (PO) cycle time, Plexxus and hospital savings, contract expiry and others. 	x	x
<ul style="list-style-type: none"> Tracking multi-year operating savings 	x	x
BPS Controls		
<ul style="list-style-type: none"> Quarterly audits performed on previous quarter purchasing data in addition to an annual Broader Public Sector Procurement Directive external audit 		x

PURCHASING / LOGISTICS / CONTRACT MANAGEMENT

	RVHS	TSH
<ul style="list-style-type: none"> • Broader Public Sector (BPS) compliant, competitive, responsive and timely procurement of goods and services 	x	x
<ul style="list-style-type: none"> • Use MERX to post all procurements over \$100,000 	x	x
Technology		
<ul style="list-style-type: none"> • SAP is operational and robust and provides for significant growth and further operational efficiencies 	x	x
Plexxus		
<ul style="list-style-type: none"> • Plexxus contribution to supply chain operations that allow for best practices and innovative ideas to cross pollinate across the supply chain 	x	x
<ul style="list-style-type: none"> • As Plexxus member hospital, can leverage group buying initiatives and services led and managed by Plexxus 	x	x
Other		
<ul style="list-style-type: none"> • Solid procurement principals, policies, procedures and processes • Open, fair and transparent procurement process • Lean supply chain philosophy 	x	x
<u>Weaknesses</u>		
Staff		
<ul style="list-style-type: none"> • Past history of labour issues at both sites with union grievances related to an adversarial relationship with management 	x	x
<ul style="list-style-type: none"> • No ability to shift employees from site to site and provide coverage within the integrated Logistics Team 	x	x
<ul style="list-style-type: none"> • Relatively lean Purchasing team with little spare capacity for extra projects that may be required on occasion 		x
Work Processes		
<ul style="list-style-type: none"> • Supply chain processes are not fully standardized at both sites 	x	x
<ul style="list-style-type: none"> • High Accounts Payable workload for processing invoices from replenishment of Medical Mart DDS inventory 		x
Logistics		
<ul style="list-style-type: none"> • The performance level of the Medical Mart supply chain requires improvement. 		x
<ul style="list-style-type: none"> • TSH owned inventory is high in both sites and including the DDS warehouse inside Medical Mart 		x
Technology		
<ul style="list-style-type: none"> • For TSH in particular and to a lesser extent, RVHS, the implications of not using the Plexxus Distribution Centre (DC) for daily delivery LUM service, require modifications in SAP or manual processes that are labour intensive. 	x	x
<ul style="list-style-type: none"> • Plexxus turnaround on requested changes to SAP system is slow 	x	x

PURCHASING / LOGISTICS / CONTRACT MANAGEMENT

	RVHS	TSH
<ul style="list-style-type: none"> The implementation of SAP in the unique TSH DDS has resulted in tedious workarounds. The change request process for revisions to SAP is lengthy. 		X
<ul style="list-style-type: none"> Performance of eRequisitioning system and ongoing data quality issues with catalogues causes ordering and order processing inefficiencies and user frustration. 	X	X
Plexxus		
<ul style="list-style-type: none"> Multi-hospital strategic sourcing events and associated contract negotiations sometimes result in contract extensions that are avoidable and/or selection of vendors that is not optimal for individual hospitals and perceived increase in costs in some cases. 	X	X
<ul style="list-style-type: none"> Complexities associated with purchases that are in and out-of-scope to Plexxus requirements. End users sometimes are confused where to turn next. 	X	
Budget		
<ul style="list-style-type: none"> Budget constraints / limitations 	X	X
<u>Opportunities</u>		
Staff		
<ul style="list-style-type: none"> Work with Canadian Union of Public Employees (CUPE) to allow for pooling of part-time workers across both sites 	X	X
<ul style="list-style-type: none"> Collective bargaining agreements may limit opportunity to consolidate services between sites 	X	X
<ul style="list-style-type: none"> Review appropriate resource requirements to achieve consistently desired quality outputs 		X
Work Processes		
<ul style="list-style-type: none"> Implement consistent standard processes and procedures, work instructions and documents 	X	X
<ul style="list-style-type: none"> Create combined procurement strategy, processes and procedures 	X	X
<ul style="list-style-type: none"> Create common procurement strategy with Plexxus, HealthPro, etc. 	X	X
Logistics		
<ul style="list-style-type: none"> Reduce inventory in all store locations at both campuses and at the DDS warehouse 		X
<ul style="list-style-type: none"> Alter the DDS supply chain by moving it to the Plexxus warehouse or another vendor; eliminate inventory and overhead (Purchasing and Accounts Payable) related to replenishment 		X
<ul style="list-style-type: none"> Continue to reduce direct buys whenever possible and leverage the efficiencies of the Just-In-Time (JIT) supply chain 	X	X
<ul style="list-style-type: none"> Reduce complexity in the supply chain with product standardization and vendor rationalization 	X	X

PURCHASING / LOGISTICS / CONTRACT MANAGEMENT

	RVHS	TSH
<ul style="list-style-type: none"> Engage department managers with active procurement streams in the concept of virtual carts 	x	x
Purchasing		
<ul style="list-style-type: none"> Shift on-site buyers to the Plexxus central purchasing group for personnel retention mitigation and lower transactional costs 	x	
<ul style="list-style-type: none"> Combine contract specialists with the downtown hospital group to better leverage purchasing power and arrange for more multi-site cooperation on sourcing initiatives 	x	
<ul style="list-style-type: none"> Analyze free text orders to increase the efficiency of ordering those products where they are likely to be ordered again 	x	x
<ul style="list-style-type: none"> Promote process standardization between the hospital sites to gain efficiencies and promote high performance 	x	x
<ul style="list-style-type: none"> Leverage volumes on contracts and collaborate on various procurements to achieve savings, implement best practice. 	x	x
<ul style="list-style-type: none"> Reduce number of contracts, consolidate purchase orders 	x	x
<ul style="list-style-type: none"> Improve on turnaround times for complex and high dollar requirements 	x	x
Technology		
<ul style="list-style-type: none"> Improve local access to SAP data and increase use of available SAP data to assist in timely procurement activities 	x	x
<ul style="list-style-type: none"> Use common contract database (Ariba) to track expiry dates and to initiate timely sourcing activities. 	x	x
Threats		
Staff		
<ul style="list-style-type: none"> Staff concerns about their positions post integration 	x	x
<ul style="list-style-type: none"> Department silo mentality that protects status quo at the expense of larger improvement initiatives 	x	x
<ul style="list-style-type: none"> Increase in workload while exploring and implementing Integration/merger (while maintaining regular workload) 	x	x
Geography		
<ul style="list-style-type: none"> Logistics of serving four/two campuses 	x	x
<ul style="list-style-type: none"> Geographic distance between the two sites creates barriers to sharing best practices and promoting standardization 	x	
Work Processes		
<ul style="list-style-type: none"> Failure to embrace Lean philosophies within the hospital and properly utilize the methodology to increase the success rate of hospital projects 	x	
<ul style="list-style-type: none"> Increased workload if contracts to be combined/rationalized or reconciled 	x	x

PURCHASING / LOGISTICS / CONTRACT MANAGEMENT	RVHS	TSH
<ul style="list-style-type: none"> Rushing implementation without task appropriate time provision to collaborate, review, then implement 		X
Purchasing		
<ul style="list-style-type: none"> Different models for providing purchasing services (all in scope v. Plexxus/non-Plexxus procurement) 	X	X
<ul style="list-style-type: none"> Increased time requirements on procurement staff due to SAP implementation, BPSSA 	X	X
Budget		
<ul style="list-style-type: none"> Limited budgets to integrate systems, space, services 	X	X
Technology		
<ul style="list-style-type: none"> Purchasing, Logistics and Finance systems are owned by Plexxus. Difficult to withdraw from Plexxus at end of current agreement 	X	X
<ul style="list-style-type: none"> Technology limitations (consistent use of technology) 	X	X
Other		
<ul style="list-style-type: none"> Increasing regulatory requirements for procurement (e.g. BPSSA requirements) 	X	X

RETAIL/ANCILLARY OPERATIONS	RVHS	TSH
<u>Strengths</u>		
<ul style="list-style-type: none"> Parking revenue enhancement initiatives have delivered incremental revenue of \$1.5M 	X	
<ul style="list-style-type: none"> Strong alliances with peer hospitals for benchmarking information relating to parking revenue 	X	X
<ul style="list-style-type: none"> Outsourced services provide significant cost savings while deploying the highest standard of security personnel as the contractor can leverage national relationships with partners for training 		X
<ul style="list-style-type: none"> Strong internal controls 	X	X
<ul style="list-style-type: none"> Highly sophisticated closed-circuit television (CCTV) and access control systems are widely deployed through both campuses. The system has the ability for data and video retention for 90 days and the system can also accommodate future expansions as required. 	X	X
<ul style="list-style-type: none"> Retail Strategy (revenue enhancement) initiatives expected to deliver incremental \$1M to annual bottom line 	X	
<ul style="list-style-type: none"> The Court and RVAP retail services provide convenient, accessible one-stop shopping and food options with extended hours for patients, staff and visitors 	X	
<ul style="list-style-type: none"> Medical office building provides recruitment leverage for physicians wanting easy access to the hospital and it's services 	X	X

RETAIL/ANCILLARY OPERATIONS

	RVHS	TSH
<ul style="list-style-type: none"> Property management expertise 	X	X
<u>Weaknesses</u>		
<ul style="list-style-type: none"> Parking machines have limited capabilities which restrict smaller rate increase increments 	X	
<ul style="list-style-type: none"> Aging parking infrastructure 	X	X
<ul style="list-style-type: none"> Restrictions of physical revenue generating parking spaces 		X
<ul style="list-style-type: none"> No clear retail strategy (work in progress) 		X
<ul style="list-style-type: none"> Not all retail rates are guaranteed because of % of sales rent 	X	
<ul style="list-style-type: none"> Hospital has limited wireless capabilities which limit e-commerce and wireless solutions to support ancillary operations 	X	
<u>Opportunities</u>		
<ul style="list-style-type: none"> Leverage current parking and security infrastructure technologies to increase revenue and physical security 	X	X
<ul style="list-style-type: none"> Increase revenues through the deployment of an automated parking system modality 		X
<ul style="list-style-type: none"> Introduce more gated lots to increase revenue 	X	
<ul style="list-style-type: none"> Strong revenue generation through parking and to be further bolstered through the implementation of a sophisticated parking control system 	X	X
<ul style="list-style-type: none"> Potential to increase revenue opportunities for food and other retail tenants with the introduction of new retail food service provider and a broader retail strategy 		X
<ul style="list-style-type: none"> Current contract with retail food service vendor is soon to expire 		X
<ul style="list-style-type: none"> Broaden use of Medical Mall for retail strategy on main floor when leases expire 		X
<ul style="list-style-type: none"> An increase in patient services has the potential to increase profits 		X
<ul style="list-style-type: none"> Growth opportunities for introducing additional non-food retail tenants replacing hospital occupied space 	X	X
<u>Threats</u>		
<ul style="list-style-type: none"> Reduction in patient services has the potential to reduce retail profits 		X
<ul style="list-style-type: none"> Community concerns over elevating parking rates. 	X	X
<ul style="list-style-type: none"> Future expansion or siting of programs and land lease expires may further restrict revenue generating parking space. 		X
<ul style="list-style-type: none"> Other medical office buildings compete for same physicians – rates need to stay competitive 	X	X

1.4. Environmental Scan

This section should contain a summary of key external factors (i.e. influences/trends) that should be considered in the due diligence process. At minimum, Working Groups should consider using a PESTLE framework for identifying external factors – **P**olitical, **E**conomical, **S**ocial, **T**echnological, **L**egal, **E**nvironmental. Note: Complete only for the sections of the framework that are relevant to your Working Group area of focus. For each of the sections that are relevant, focus on the key 2-3 external factors that are most important to consider.

FINANCE

<p>Political <i>Factors that include provincial strategies and/or programs, LHIN priorities/directions and other government trends</i></p>	<ul style="list-style-type: none"> • Election of new government and/or new political party may change Ministry of Health organization structure (e.g. role of LHINs), funding models and timeliness of funding announcements • Yearly provincial challenge to reduce the deficit and balance the annual budget • Short-term additional workload and stress (Financial and Human Resources) due to externally driven facilitated integration
<p>Economical <i>Factors that include fiscal realities, funding models and other economic trends</i></p>	<ul style="list-style-type: none"> • Change in funding model (Health System Funding Reform - HSMR) requires continuous review of financial and statistical analysis • Changing funding model has required increased focus on data quality and reporting for the department • Central East LHIN reallocation models for QBP volumes to higher population growth areas • Decrease in federal funding; for example refugee medical coverage • HBAM/QBP funding model uncertainty • Drummond and other government reports • Financial health of the Province of Ontario impacts the hospitals' funding
<p>Social <i>Factors that include demographics, socio-cultural trends, social determinants of health and other social/community trends</i></p>	<ul style="list-style-type: none"> • Socio-economic, demographic characteristics of our patients. Large new immigrant and refugee population. The lack of knowledge of available patient services and the inability of the patients to pay for non-insured services impact the expense of bad debts. • Language barriers • Perception of entitlement in the general public that health care is free – many patients unaware of potential charges for services causing increased workload for the department • Aging population has reduced the availability of long term care (LTC) facilities causing patients to wait in the acute care facilities – increased work load for Accounts Receivable department to determine appropriate co-payment for each patient

<p><u>Technological</u> <i>Factors that include information management and information technology trends, globalization, innovations in patient care and other technical trends</i></p>	<ul style="list-style-type: none"> • Challenge in multiple Financial Systems – Meditech, Onix, and SAP • Slow pace of implementation of eHealth initiatives that could create efficiencies (e.g. Connecting GTA and Ontario Laboratory Information System (OLIS) projects)
<p><u>Environmental</u> <i>Factors that include attitudes towards “green” or ecological products/resources, corporate social responsibility trends and other environmental trends</i></p>	<ul style="list-style-type: none"> • Attempt to be paperless with the department (scan rather than photocopy) • Need to consider environmental metrics when evaluating Request for Proposal responses
<p><u>Legal</u> <i>Factors that include relevant legislation and other legal trends</i></p>	<ul style="list-style-type: none"> • Changes in OHIP regulations causing significant system updates and increased monitoring by finance and relevant departments • Changes in privacy laws has impacted the department significantly on the calls made to patient homes • Impact of union agreements on workflow and staffing changes in the department • Broader Public Sector Accountability Act (BPSAA) regulations, reporting and attestation requirements • Canada Revenue Agency (CRA) and other government bodies – legislations • Changes to accounting standards (Public Sector Accounting Standards) and tax laws

PURCHASING/LOGISTICS/CONTRACT MANAGEMENT

<p>Political <i>Factors that include provincial strategies and/or programs, LHIN priorities/directions and other government trends</i></p>	<ul style="list-style-type: none"> • Agreement on Internal Trade (AIT) is a federal government governing document. BPSAA Directives are closely related to AIT directives. • Freedom of Information and Protection of Privacy Act (FIPPA) and Personal Health Information Protection Act (PHIPA) impacts procurement organizations • As part of the organizational structure, procurement and supply chain department is responsible for promoting provincial strategies and directives in the hospital or at the LHIN level when requested. BPSAA legislation/directives are the guiding documents used by the department at both organizations. • Extensive focus and effort required to support various annual and semi-annual legislated attestations and public disclosure requirements on compliance with BPSAA guidelines and ministry directives • As members of the Central East LHIN, both organizations must comply with its priorities and directions as well as abide with government best practices
<p>Economical <i>Factors that include fiscal realities, funding models and other economic trends</i></p>	<ul style="list-style-type: none"> • Provincial fiscal constraints which will create financial challenges for purchasing departments (do more with fewer resources) • On-going challenge to create budget savings for hospital as a whole through proper procurement processes • Funding relationship with external partners (e.g. Plexxus, Healthpro, Medbuy, etc)
<p>Social <i>Factors that include demographics, socio-cultural trends, social determinants of health and other social/community trends</i></p>	<ul style="list-style-type: none"> • Diverse patient communities and more complex procurement – patient information forms in several languages, interpreter services and focus on Patient Experience
<p>Technological <i>Factors that include information management and information technology trends, globalization, innovations in patient care and other technical trends</i></p>	<ul style="list-style-type: none"> • As a support organization procurement works with all hospital departments to buy best value equipment, goods and services. Technological advances impact procurement significantly. Procurement is becoming a knowledge-based service where purchasing personnel is required to understand the products/services customers need. • Plexxus manages SAP system for purchasing, logistics and TSH Finance on behalf of 11 Plexxus member hospitals. • Electronic Data Interchange (EDI), Electronic Funds Transfers (EFT) are growing in use

<p><u>Legal</u> <i>Factors that include relevant legislation and other legal trends</i></p>	<ul style="list-style-type: none"> • BPSAA legislation/directives • Contract documents are reviewed by external legal counsel when required
<p><u>Environmental</u> <i>Factors that include attitudes towards “green” or ecological products/resources, corporate social responsibility trends and other environmental trends</i></p>	<ul style="list-style-type: none"> • Socially sustainable procurement practices are considered when products/services are procured • TSH has a Green Group and promotes where possible the group is led by Facilities Director who reports to Vice President Patient Experience as well other department members

RETAIL/ANCILLARY OPERATIONS

<p>Political <i>Factors that include provincial strategies and/or programs, LHIN priorities/directions and other government trends</i></p>	<ul style="list-style-type: none"> • If the facilitated integration of TSH and RVHS negatively impacts one site's volumes and traffic patterns of clinical operations, it will have a direct impact on retail performance and the ability to collect rent and % of rent.
<p>Economical <i>Factors that include fiscal realities, funding models and other economic trends</i></p>	<ul style="list-style-type: none"> • The Ontario government, as part of their transportation funding plan, is considering implementing a parking space levy on all commercial parking lots including hospitals. Hospitals will have to recover this cost by increasing parking rates. This limits the ability to increase parking rates for the hospital's benefit. • As funding models put added pressure on hospitals, there will be more pressure on ancillary operations to help support clinical operations vs. reinvesting in parking infrastructure
<p>Social <i>Factors that include demographics, socio-cultural trends, social determinants of health and other social/community trends</i></p>	<ul style="list-style-type: none"> • The visitors and patients at RVC have limited discretionary income to pay for parking, services and food. Employees are in the habit of bringing their lunches. In order to sustain the new number of food outlets at RVC and meet rent targets with five food vendors, the success of the program will depend on them eating out more. • The CBC recently aired a program on high parking rates at hospitals. Many perceive parking fees as limiting access to care. There have been calls for the government to impose limits on hospital parking fees.
<p>Technological <i>Factors that include information management and information technology trends, globalization, innovations in patient care and other technical trends</i></p>	<ul style="list-style-type: none"> • With trends moving to wireless solutions for many services (e.g. television, telephone and internet capabilities), the hospital will need to invest in wireless capabilities throughout the hospital
<p>Legal <i>Factors that include relevant legislation and other legal trends</i></p>	<ul style="list-style-type: none"> • The federal government has eliminated the HST exemption for foundations who are leasing the parking lots from the foundation. This does not impact RVHS but will negatively impact parking surpluses for those hospitals that do, if rates are not increased to compensate. This could lead to an overall increase in hospital parking rates.

Environmental

Factors that include attitudes towards “green” or ecological products/resources, corporate social responsibility trends and other environmental trends

- As costs of parking and gas continue to escalate and consumers move to public transportation and carpooling for environmental and cost reasons, it could lead to reduced parking revenues

1.5. Leading Practices

This section should contain a summary of leading practices, as relevant to the area of focus. Note: KPMG support will be provided for the leading practice review.

The purpose of this section is to highlight and identify high-level leading practices themes for the purpose of assisting in the due diligence review. The themes that have been identified in this document are from several sources and are meant to provide Working Group members with a broad view of the themes related to **leading practices** for back office functions. These sources include KPMG's own experience, global thought leadership and recent surveys.

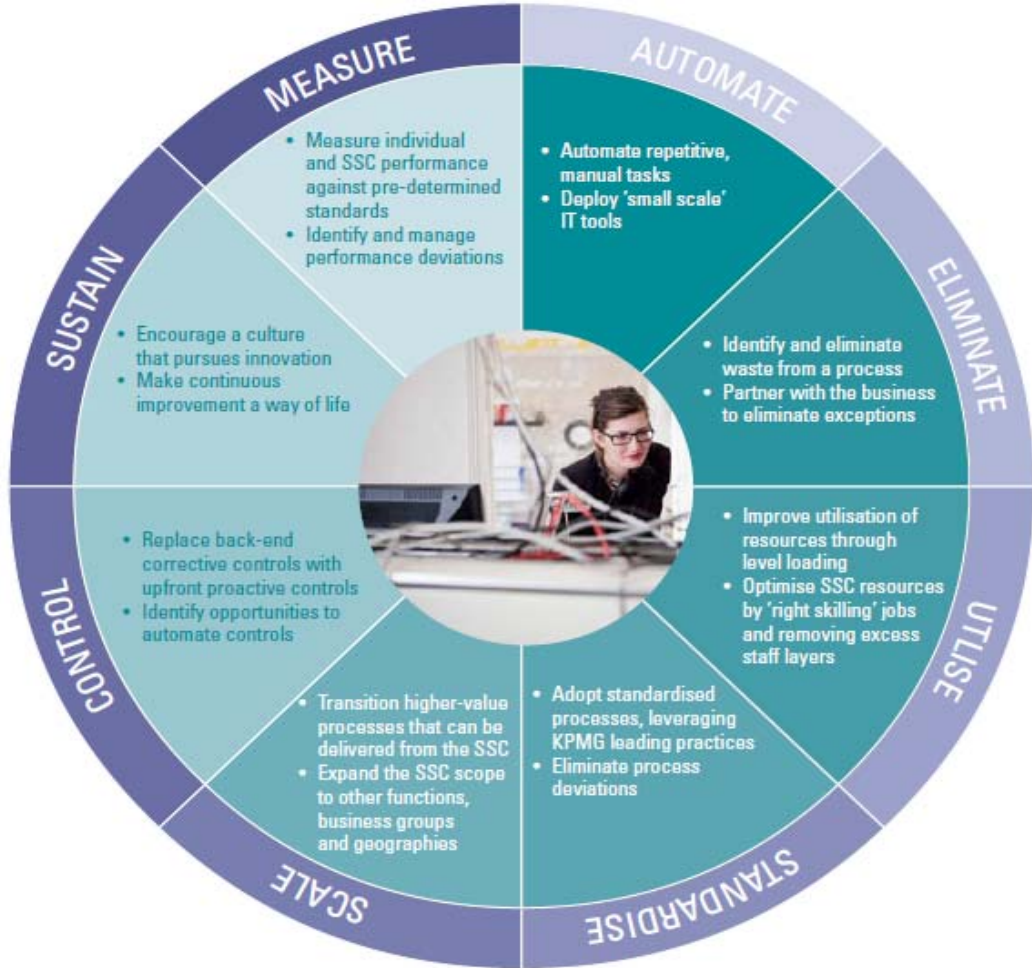
The below tables summarizes leading practices themes for Finance back office functions.

Back Office Functions – Finance

Leading Practice Themes	
<p>Shared service centers perform general accounting and financial reporting better</p>	<ul style="list-style-type: none"> • All finance processes should be standardized between organizations. Many healthcare organizations are transferring these functions to a shared services model and in some cases outsourcing to a private provider. Benefits include reducing costs, improving effectiveness and allowing organizations to focus on core activities such as patient care. • Finance and accounting functions are often split between retaining services in-house, and shared service/outsourcing. Governance, policy setting, strategy, and planning processes are rarely fully outsourced. • Shared service organizations are an increasingly important component of finance functions. We have found that in many cases, shared service centers perform general accounting and financial reporting better than their counterparts at the site levels headquarters and business unit. Shared service centers are cost effective and efficient, using fewer full-time employees to perform general accounting and reporting activities. • Many companies have also established in-house or outsourced shared services but have not achieved the anticipated benefits. Based on KPMG's experience working with clients on integration efforts, we have learned that there are typically eight key levers which can unlock significant client benefits (see next page)
<p>DRAFT</p> <p>Central East LHIN RVHS/TSH Due Diligence Workbook – Back Office – Finance</p>	
<p>Page 25 of 57</p>	

Leading Practice Themes

Source: KPMG White Paper – Shared Service Optimization



The accounts payable (AP) function is more readily offered by shared services organizations, while accounts receivable (AR) is not as widely offered

- We have found that within the accounting functions, some processes are more often retained than outsourced, or using a shared service organization.
- With regards to scope of services, the **AP function generally includes all services as in scope** (many organizations argue nothing should be excluded). The scope of services of **AR varies more widely across organizations offering these services** (many stakeholders suggest that those services requiring more customer facing interaction may be the only services that remain out of scope).
- A summary of the range of AR services is provided below:
 - *Johns Hopkins Institutions Shared Services*: billings, receivables, inter-entity transactions
 - *Health Shared Services British Columbia*: patient accounts, non-patient accounts, home and community care, cash handling and payment processing, AR financial systems

Leading Practice Themes

- *NHS Shared Business Services*: invoice-to-cash process, from invoice creation to cash application and debt management
- **Overall, key factors for success in integrating AP and AR functions include:** map all processes prior to integration, cleanse data, build-rule based/standardized system, clearly distinguish customer role and expectations through a Service Level Agreement, create transparent pricing mechanisms, and implement leading governance practices.
- **Note:** KPMG has found in recent reviews that there are challenges to transferring AP to a shared services model if the processes have not been standardized along with standard protocols for physician billings, etc.

Trend: Type and % of finance functions are dependent on the type of Finance or Accounting function

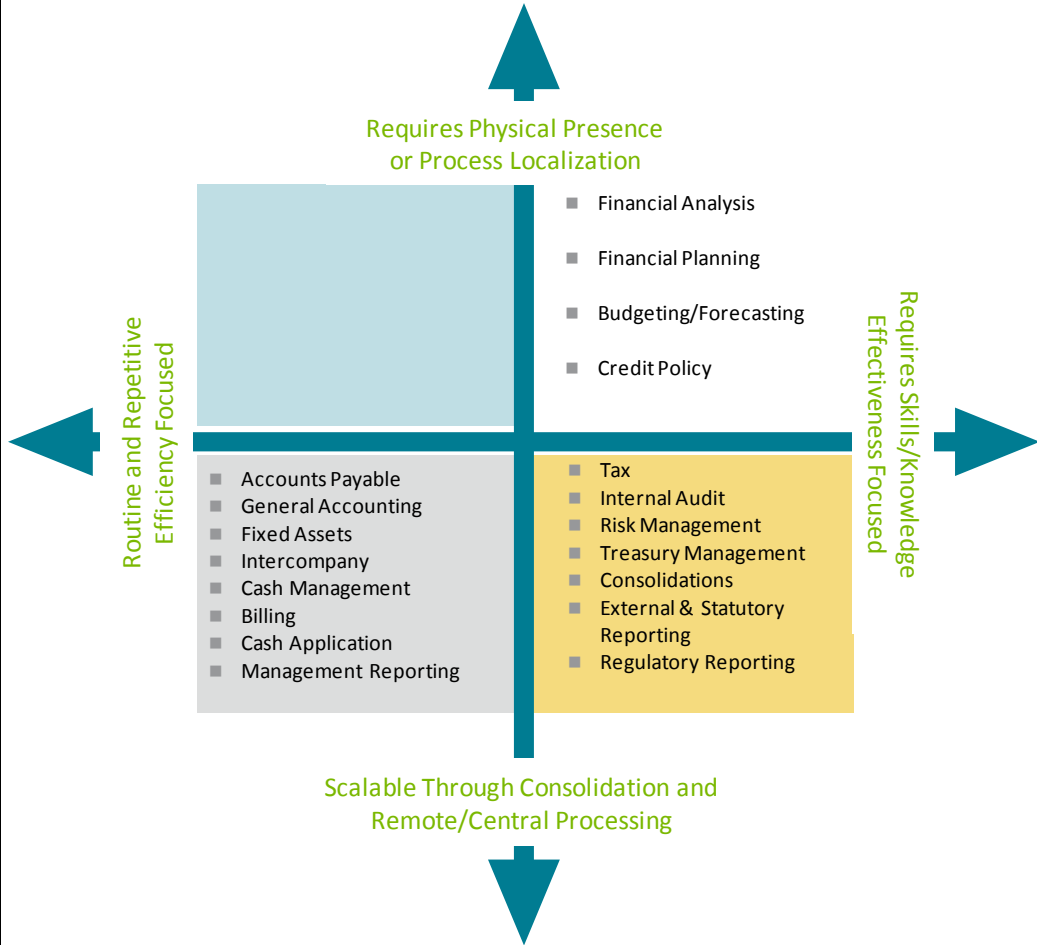
- The chart depicted below indicates which finance and accounting functions are typically included in Shared Service organizations or outsourced, and those which are commonly retained in-house. Those functions which are more transactional, and have repeatable elements tend to be included in Shared Service organizations, while those requiring more judgment such as Internal Audit, Planning & Forecasting and Tax are retained.



Leading Practice Themes

Process Decomposition

- The following decomposition diagram provides decision-making criteria that can be used when analyzing which functions are best suited to be retained versus outsourced, or through a shared service organization.



- In general, pure transactional and first level customer service and issue resolution processes offer the greatest opportunity for shared services
- Financial Planning and Analysis are driven from the Business Partnership Areas
- Few processes are driven from site support but activities and tasks within a process may be done there

2. Opportunity Assessment

2.1. Overview of Opportunities

This section should provide an overview of the portfolio of potential opportunities identified by the Working Group. Opportunities should be numbered for ease of reference to Detailed Opportunity Assessment section.

The Finance Working Group has identified 6 potential opportunities listed below. Outsourcing of the Accounts Payable function, which was highlighted in Section 1.5 as a leading practice, was considered but excluded from the opportunity list. The combined Accounts Payable staffing of both hospitals is approximately 8 FTEs, which is relatively small given the volume of work and current technology environment. In addition, a review conducted by Plexxus years ago, in the context of sharing services across the Plexxus membership, also concluded that outsourcing of Accounts Payable was not a viable option. There may be opportunities to realize staffing efficiencies and/or outsource certain clerical roles in a combined RVHS/TSH finance and human resources function, but these joint opportunities have not been considered by the Finance Working Group at this time.

Reference	Opportunity
1	FINANCE – Consolidation of finance function leading to staffing efficiencies
2	FINANCE – Improved financial reporting and standardization of work processes
3	PURCHASING / LOGISTICS / CONTRACT MANAGEMENT – Purchasing process improvement and standardization
4	PURCHASING / LOGISTICS / CONTRACT MANAGEMENT – Logistics process improvement and standardization
5	RETAIL/ANCILLARY OPERATIONS – Consolidated Parking Program
6	RETAIL/ANCILLARY OPERATIONS – Develop and implement Retail Strategy at TSH

2.2. Opportunity Assessment

For each of the opportunities identified in Section 2.1, complete the table on the following page.

Facilitation Tip: Prior to assessing the potential opportunities, work together as a Working Group brainstorming the possibilities. Encourage Working Group members to consider different ideas and different types of integration scenarios (e.g. consolidation, outsourcing).

Opportunity 1 FINANCE – Consolidation of finance function leading to process and staffing efficiencies

Overview:

<p>Description</p>	<ul style="list-style-type: none"> • A consolidated finance function would lead to staffing efficiencies due to the elimination of duplicate roles across both hospitals. • Reduction of management and non-management costs and FTE head count to create one finance department to serve all four campuses. • A consolidated finance function also presents an opportunity to improve processes, which may further create service delivery and staffing efficiencies • Potential reduction in non-compensation costs from combining contracts for external services such as: <ul style="list-style-type: none"> • Audit fees • Actuarial fees • Banking fees • Internal audit fees • Other supplies • System maintenance fees <p>Current compensation budget for each site :</p> <ul style="list-style-type: none"> • TSH - \$1.9M FTEs: 25.3 • RVHS - \$2.2M FTEs: 23.00
<p>Anticipated Alignment to Guiding Principles</p> <p><i>Shade the relevant guiding principle(s)</i></p>	<ul style="list-style-type: none"> • Collaboration • Accessibility • Sustainability • Excellence

Potential Benefits and Risks:

Potential Benefits

Identify the most significant potential benefits. Where relevant, consider the following perspectives when identifying benefits: Patient, Community, Organization, Clinicians & Staff.

Patient	<ul style="list-style-type: none"> • Cost reduction savings reinvested in patient care • Improved customer service
Community	<ul style="list-style-type: none"> • One department serves the community – one point of contact
Organization	<ul style="list-style-type: none"> • Efficient and highly motivated finance team. Potential staffing impact due to redesign of roles and work processes. • Maximize revenue opportunities by leveraging both organizations' successes. Potential patient and non-patient revenue increase. • Reduced costs for audit, banking fees, actuarial costs and other supplies
Clinicians & Staff	<ul style="list-style-type: none"> • Increased efficiencies of work on a broader scale due to a leaner department • One department – one point of contact

Potential Risks

Identify the key risks that must be considered (e.g. high impact and high probability). For each risk identified, provide a proposed risk mitigation strategy.

Risk	Mitigation Strategy
<ul style="list-style-type: none"> • Increased staff turnover before merger due to uncertainty resulting increased interim positions and replacement costs 	<ul style="list-style-type: none"> • HR/OE strategy • Constant communication and transparency of process
<ul style="list-style-type: none"> • Union implications on potential relocation 	<ul style="list-style-type: none"> • Connect with human resources to understand collective agreement
<ul style="list-style-type: none"> • Increased risk of staff burnout in early stage of integration 	<ul style="list-style-type: none"> • Implementation of leaner more efficient processes

Benefit Realization:

Estimated Timeline <i>Shade the estimated timeline (choose only one)</i>	<ul style="list-style-type: none">• Short-term (up to 1 year)• Medium-term (1-2 years)• Long-term (3-5 years)
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Key Metrics to Measure Benefits	<ul style="list-style-type: none">• Decrease in % of finance expenses to total hospital expenditures• OCDM improvement• Staff satisfaction
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Financial Impact:

Key Metrics to Estimate High-Level Financial Impact	<ul style="list-style-type: none">•
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Required Investments – Operating and Capital (if applicable) <i>Identify the key financial investments (e.g. one-time costs) required to realize the benefits.</i>	<ul style="list-style-type: none">•
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Analysis	<ul style="list-style-type: none">•
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Anticipated Financial Impact <i>Indicate the order or magnitude financial impact (stated in the \$100,000).</i>	<ul style="list-style-type: none">•
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<i>Is this opportunity a financial investment or savings?</i>	
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Opportunity 2: FINANCE - Improved financial reporting and standardization of work processes

Overview: A merged finance function presents an opportunity to standardize approaches to all aspects of financial reporting and planning and provides an environment which can accelerate process improvement.

<p>Description</p>	<p><u>IMPROVED FINANCIAL REPORTING</u></p> <ul style="list-style-type: none"> • Internal financial reporting: achieve efficiencies in financial reporting through the adoption of one common financial system and using consistent standard practices. • Optimize the full potential of the SAP Financial System (currently TSH uses GL, AP, FA, MM) to reduce manual processing time (currently RVHS only using AP, MM functionality). <p><u>IMPROVED FINANCIAL PLANNING</u></p> <ul style="list-style-type: none"> • Gain efficiencies in financial planning: with the use of the common budget system and the preparation of one operating plan. • Capital planning: the merged hospital will have the ability to develop one capital budget process and enhance the monitoring process of the capital expenditures. • We have significant planning expertise within both hospitals – a merger strengthens the budget process. • Maximize funding through joint efforts: use case costing data to provide insight into opportunities for cost reduction. <p><u>STANDARDIZATION OF WORK PROCESSES</u></p> <ul style="list-style-type: none"> • Revenue generation: Review and research all areas of the hospital to enhance current revenue streams and to explore potential new patient/non-patient revenues. One example: implement joint order entry and cash collection at every point of service to capture all current revenue. • Consistent processes/communication/services delivered by one department in a timely manner that is seamless for the patient regardless of site. One example: patient billings/rates are consistent across all sites. <p>A merged finance department will be better placed to use and implement best practices. One example: strengthening on internal controls.</p> <p><u>IMPROVED RECRUITMENT PROSPECTS</u></p> <ul style="list-style-type: none"> • A larger, more powerful hospital will provide better career opportunities • Improved retention • Develop subject matter expertise within a stronger finance department. For example - allocate expert resources to achieve data quality of the combined submissions to MOHLTC/CELHIN (SRI (Self Reporting Initiative), MIS (Management Information System) Trial Balance), HBAM
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	<p>(Health Based Allocation Model) , HAPS (Hospital Annual Planning Submission), HIRF(Health Infrastructure Renewal Funding) and GRE (responsible Government Entity)</p> <p><u>TECHNOLOGY HARMONIZATION AND REINVESTMENT</u></p> <p>Some examples are:</p> <ul style="list-style-type: none"> • Reinvestment in scanning & archiving to reduce manual processing time • Reinvestment in EFT (Electronic Funds Transfer) vendor payment and EDI (Electronic Data Interchange) invoice processing. • Reinvestment in drill down capabilities • Harmonization of Business Intelligence
<p>Anticipated Alignment to Guiding Principles</p> <p><i>Shade the relevant guiding principle(s)</i></p>	<ul style="list-style-type: none"> • Collaboration • Accessibility • Sustainability • Excellence

Potential Benefits and Risks:

<p>Potential Benefits</p> <p><i>Identify the most significant potential benefits. Where relevant, consider the following perspectives when identifying benefits: Patient, Community, Organization, Clinicians & Staff.</i></p>	
Patient	<ul style="list-style-type: none"> • Shared billings patient data base, consistent and easy accessibility to patient information from any site • Consistent processes and trained staff will improve customer services – patient satisfaction • Improved PbF expertise will lead to increased funding which will allow investments in quality of care and hence improve patient satisfaction
Community	<ul style="list-style-type: none"> • One hospital to do business with • Consistent financial treatment of all community groups (i.e. Taibu Community Health Centre)

Organization	<ul style="list-style-type: none"> • Leading edge/best practices finance department supporting a strong organization - resulting in clinical and operational efficiencies • Efficient and highly motivated finance team. Potential staffing impact due to redesign of roles and work processes • Succession planning with stronger department • Maximize revenue opportunities by leveraging both organizations' successes. Potential patient and non-patient revenue increase • Stronger organizational internal controls to minimize financial risk • Robust and more sophisticated analytics to make sound decisions
Clinicians & Staff	<ul style="list-style-type: none"> • Improved OHIP billing practices and reduction in rejects • Improved timely, complete, accurate and evidence based financial information

<p>Potential Risks</p> <p><i>Identify the <u>key risks</u> that must be considered (e.g. high impact and high probability). For each risk identified, provide a proposed risk mitigation strategy.</i></p>	
Risk	Mitigation Strategy
<ul style="list-style-type: none"> • System incompatibility leading to cost prohibitive reinvestment 	<ul style="list-style-type: none"> • external funding to support merger/one-time costs
<ul style="list-style-type: none"> • Data quality issues until there are fully integrated systems and elimination of manual intervention 	<ul style="list-style-type: none"> • Increased audit checks on data
<ul style="list-style-type: none"> • Competing priorities while trying to achieve standardization of work processes 	<ul style="list-style-type: none"> • Effective project management
<ul style="list-style-type: none"> • Staff turnover due to increased workload during transition phase 	<ul style="list-style-type: none"> • HR/OE strategy
<ul style="list-style-type: none"> • Change resistance 	<ul style="list-style-type: none"> • Effective change management

Benefit Realization:

<p>Estimated Timeline</p> <p><i>Shade the estimated timeline (choose only one)</i></p>	<ul style="list-style-type: none"> • Short-term (up to 1 year) • Medium-term (1-2 years) all categories • Long-term (3-5 years)
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Key Metrics to Measure Benefits	<ul style="list-style-type: none"> • HBAM and QBP calculations, Cost per Case • A/R over 90 days • % of revenue increase • % of AP over 60 days • OCDM improvement • Current ratio • Working capital deficit • Bad debt • Patient complaints • Staff satisfaction
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Financial Impact:

Key Metrics to Estimate High-Level Financial Impact	<ul style="list-style-type: none"> •
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Required Investments – Operating and Capital (if applicable) <i>Identify the key financial investments (e.g. one-time costs) required to realize the benefits.</i>	<ul style="list-style-type: none"> •
--	---

Analysis	<ul style="list-style-type: none"> •
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Anticipated Financial Impact <i>Indicate the order or magnitude financial impact (stated in the</i>	<ul style="list-style-type: none"> •
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\$100,000).

*Is this opportunity
a financial
investment or
savings?*

Opportunity 3: PURCHASING / LOGISTICS / CONTRACT MANAGEMENT – Purchasing process improvement and standardization

Overview:

<p>Description</p>	<p><u>PROCUREMENT PROCESSES</u></p> <p>1. Standardize processes and policies for purchasing and logistics This opportunity will lead to:</p> <ul style="list-style-type: none"> ○ greater efficiencies, better compliance and ○ cost effective use of resources. <p>2. Create active Product Standardization Committees to explore standardization between The Scarborough Hospital and Rouge Valley Health System. This opportunity will lead to:</p> <ul style="list-style-type: none"> ○ Increased vendor rationalization ○ Product standardization ○ Reduction in product purchases ○ Cost savings ○ Reduce consumption of supplies and <ul style="list-style-type: none"> ▪ better align with the appropriate clinical need. <p>3. Review staffing requirements to:</p> <ul style="list-style-type: none"> ○ Consolidate all spending under one purchasing management structure ○ Reduction of management costs and FTE head count to create one department to serve all four campuses, which would: ○ Provide better coverage and increase throughput and ○ Provide specialization and efficiency in contracting and sourcing events. <p>4. Review contract databases and create an opportunity to:</p> <ul style="list-style-type: none"> ○ rationalize on local initiatives ○ consolidate and leverage volumes to <ul style="list-style-type: none"> ▪ achieve additional contract savings. <p><u>TECHNOLOGY</u></p> <ul style="list-style-type: none"> ● Use SAP to the fullest extent which would result in benefits such as: <ul style="list-style-type: none"> ○ Increase efficiencies in PO processing ○ Reduction of paper requisitions ○ Streamlined communication between vendor and finance dept. would provide better management, payment and improved visibility for all ○ Reduction in direct purchases by making use of item lists to reduce number of free text items ○ Reduction in labour by all utilizing SAP as processing of orders would be more efficient in time required to request and process orders, resulting in improved accuracy
<p>Anticipated Alignment to Guiding Principles</p>	<ul style="list-style-type: none"> ● Collaboration ● Accessibility
<p>DRAFT Page 39 of 57 Central East LHIN RVHS/TSH Due Diligence Workbook – Back Office – Finance</p>	

<i>Shade the relevant guiding principle(s)</i>	<ul style="list-style-type: none"> • Sustainability • Excellence
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Potential Benefits and Risks:

Potential Benefits	
<i>Identify the most significant potential benefits. Where relevant, consider the following perspectives when identifying benefits: Patient, Community, Organization, Clinicians & Staff.</i>	
Patient	<ul style="list-style-type: none"> • Patient-focused procurement is focused on delivering right product, at the right place at the right time for the best cost.
Community	<ul style="list-style-type: none"> •
Organization	<ul style="list-style-type: none"> • Procurement supports all organizational strategic goals by providing expertise in contracting and contract management, be it construction, safety or data management
Clinicians & Staff	<ul style="list-style-type: none"> • Hospital staff and clinicians gain greater efficiencies and reduce costs through access to efficiently run procurement.

Potential Risks	
<i>Identify the key risks that must be considered (e.g. high impact and high probability). For each risk identified, provide a proposed risk mitigation strategy.</i>	
Risk	Mitigation Strategy
<ul style="list-style-type: none"> • Reduction in competent staff 	<ul style="list-style-type: none"> • Strategy must be in place to mitigate
<ul style="list-style-type: none"> • Staff leaving due to workload increase 	<ul style="list-style-type: none"> • Monitor workloads distribution
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •

Benefit Realization:

Estimated Timeline	<ul style="list-style-type: none"> • Short-term (up to 1 year) • Medium-term (1-2 years) • Long-term (3-5 years)
<i>Shade the estimated timeline (choose only one)</i>	

Key Metrics to Measure Benefits	<ul style="list-style-type: none"> • • RVHS <ul style="list-style-type: none"> • Purchase savings/cost avoidance per year • Expired contracts % • Requisition to PO service level targets: <ul style="list-style-type: none"> • 15 business days (PO Type \$10K-\$100K Non-Consulting) • 24 hours (<\$10K Non-Consulting) • 30 business days (<\$25K Consulting) • 45 business days (>\$25K Consulting) <p>TSH</p> <ul style="list-style-type: none"> • Requisition to PO cycle time tracking • eRequisitions • First time invoice match • Free text • PO Lines per employee • EDI compliance • Sourcing Cycle Time • Expiring/expired contracts • Savings/cost avoidance • Hospital and Plexxus RFPs and Contracts/RFP • Quarterly Broader Public Sector/ Spending analysis, /Policy Adherence and Audits
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Financial Impact:

Key Metrics to Estimate High-Level Financial Impact	<ul style="list-style-type: none"> •
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Required Investments – Operating and Capital (if applicable) <i>Identify the key</i>	<ul style="list-style-type: none"> •
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<i>financial investments (e.g. one-time costs) required to realize the benefits.</i>	
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Analysis	•
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Anticipated Financial Impact <i>Indicate the order or magnitude financial impact (stated in the \$100,000).</i> <i>Is this opportunity a financial investment or savings?</i>	•
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Overview:

Description	<p><u>LOGISTICS PROCESSES</u></p> <ol style="list-style-type: none"> 1. <u>STAFFING</u> <ul style="list-style-type: none"> ○ Engage the CUPE union and: <ul style="list-style-type: none"> ▪ Standardize logistics roles, titles and job descriptions to allow for personnel movement between sites. ○ This promotes flexibility within the workforce and enables better coverage for absenteeism and coverage by trained staff. 2. <u>INVENTORY</u> <ul style="list-style-type: none"> ○ Continue to reduce inventory at The Scarborough Hospital warehouse at Medical Mart (DDS) Daily Delivery System while <ul style="list-style-type: none"> ▪ Improving supply chain effectiveness ▪ Reduce stores inventory at both The Scarborough Hospital and Rouge Valley Health System. ○ Explore the opportunity to revamp the (DDS) Daily Delivery System supply chain for The Scarborough Hospital; <ul style="list-style-type: none"> ▪ For example, migrating to the Plexxus DC or JIT Model. ○ Reduce direct purchases for departments by utilizing the JIT supply chain for both organizations. <ul style="list-style-type: none"> ▪ This leads to less administrative effort for all departments and increase in accuracy due to entry errors. ○ Continuously work with departments to assure optimum inventory levels and fill rates while mitigating product obsolescence. 3. <u>PRINTING</u> <ul style="list-style-type: none"> ○ Review the option to outsource The Scarborough Hospital print shop in a similar fashion to what Rouge Valley Health System has done; <ul style="list-style-type: none"> ▪ Review the possibility to consolidate the TSH printing operation into the RV outsourced print shop, employing a single facility. 4. <u>COURIERS</u> <ul style="list-style-type: none"> ○ Consolidate courier operations and leverage the combined volumes for pricing discounts 5. <u>LINEN</u> <ul style="list-style-type: none"> ○ Review the opportunity to manage linen by outsourcing the replenishment of the Scrub-Ex machines, now found in both The Scarborough Hospital and Rouge Valley Health System. 6. <u>TECHNOLOGY</u> <ul style="list-style-type: none"> ○ Use SAP to the fullest extent which would result in benefits such as: ○ Utilization of barcoding to improve the transactional requisitioning and issuing process for stores inventory ○ Reduce transactional tasks and labour for staff and improve inventory accuracy and fill rates ○ Improved reporting and data visibility for all users.
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Anticipated Alignment to Guiding Principles <i>Shade the relevant guiding principle(s)</i>	<ul style="list-style-type: none"> • Collaboration • Accessibility • Sustainability • Excellence
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Potential Benefits and Risks:

Potential Benefits <i>Identify the <u>most significant</u> potential benefits. Where relevant, consider the following perspectives when identifying benefits: Patient, Community, Organization, Clinicians & Staff.</i>	
Patient	
Community	
Organization	<ul style="list-style-type: none"> • Logistics supports critical areas of the hospital, with a key focus on clinical supplies delivery and management. • Logistics manages product delivery and inventory levels, thereby allowing clinicians and other departments to focus on their core task.
Clinicians & Staff	<ul style="list-style-type: none"> • Hospital staff and clinicians gain: <ul style="list-style-type: none"> ○ greater efficiencies and reduce administrative costs as they do not have to spend time managing inventory levels and have the assurance that products will be available when needed.

Potential Risks <i>Identify the <u>key risks</u> that must be considered (e.g. high impact and high probability). For each risk identified, provide a proposed risk mitigation strategy.</i>	
Risk	Mitigation Strategy
<ul style="list-style-type: none"> • Reduction in competent staff 	<ul style="list-style-type: none"> • Strategy must be in place to mitigate
<ul style="list-style-type: none"> • Staff leaving due to workload increase 	<ul style="list-style-type: none"> • Monitor workloads distribution
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •

Benefit Realization:

Estimated Timeline <i>Shade the estimated timeline (choose only one)</i>	<ul style="list-style-type: none"> • Short-term (up to 1 year) • Medium-term (1-2 years) • Long-term (3-5 years)
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Key Metrics to Measure Benefits	<ul style="list-style-type: none"> ○ RVHS <ul style="list-style-type: none"> • Fill Rate • Number of Lines picked per month • Number of Lines ordered • Number of Errors per month • Number of Supply Carts serviced • Number of Inventory stored • Number of Lines scanned • Service level 5/month • Accuracy % • TSH <ul style="list-style-type: none"> • Line Fill Rates • Order Pick Accuracy • Receiving Metrics • Cart Fill rate • Expediting
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Financial Impact:

Key Metrics to Estimate High-Level Financial Impact	<ul style="list-style-type: none"> •
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Required Investments – Operating and Capital (if applicable) <i>Identify the key financial investments (e.g. one-time costs) required to realize the benefits.</i>	<ul style="list-style-type: none"> •
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Analysis	<ul style="list-style-type: none"> •
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Anticipated Financial Impact	<ul style="list-style-type: none"> •
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<p><i>Indicate the order or magnitude financial impact (stated in the \$100,000).</i></p> <p><i>Is this opportunity a financial investment or savings?</i></p>	
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Opportunity 5: RETAIL/ANCILLARY OPERATIONS - Consolidated Parking Program

Overview:

Description	<ul style="list-style-type: none"> • Consolidate the parking program and equipment. • Automate parking equipment to allow for multi-site use • Centralize parking operations and eliminate redundancy
Anticipated Alignment to Guiding Principles <i>Shade the relevant guiding principle(s)</i>	<ul style="list-style-type: none"> • Collaboration • Accessibility • Sustainability • Excellence

Potential Benefits and Risks:

Potential Benefits	
<i>Identify the most significant potential benefits. Where relevant, consider the following perspectives when identifying benefits: Patient, Community, Organization, Clinicians & Staff.</i>	
Patient	<ul style="list-style-type: none"> • Patient/visitor to purchase parking that can be used at all campuses. Cost for visitor will be reduced if there is a need for them to go between campuses.
Community	<ul style="list-style-type: none"> •
Organization	<ul style="list-style-type: none"> • Operational and cost efficiencies • Strong revenue generation through parking
Clinicians & Staff	<ul style="list-style-type: none"> •

Potential Risks	
<i>Identify the key risks that must be considered (e.g. high impact and high probability). For each risk identified, provide a proposed risk mitigation strategy.</i>	
Risk	Mitigation Strategy
<ul style="list-style-type: none"> • System compatibility 	<ul style="list-style-type: none"> • Systems evaluation and review
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •

Benefit Realization:

Estimated Timeline <i>Shade the estimated timeline (choose only one)</i>	<ul style="list-style-type: none">• Short-term (up to 1 year)• Medium-term (1-2 years)• Long-term (3-5 years)
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Key Metrics to Measure Benefits	<ul style="list-style-type: none">• Patient/Visitor satisfaction survey
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Financial Impact:

Key Metrics to Estimate High-Level Financial Impact	<ul style="list-style-type: none">•
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Required Investments – Operating and Capital (if applicable) <i>Identify the key financial investments (e.g. one-time costs) required to realize the benefits.</i>	<ul style="list-style-type: none">•
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Analysis	<ul style="list-style-type: none">•
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Anticipated Financial Impact <i>Indicate the order or magnitude financial impact (stated in the \$100,000). Is this opportunity a financial investment or savings?</i>	<ul style="list-style-type: none">•
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Opportunity 6: Develop and implement a Master Retail Strategy at TSH

Overview: Develop and Implement a Master Retail Strategy at TSH

<p>Description</p>	<ul style="list-style-type: none"> • Many GTA hospitals have been aggressive in turning to retailers to increase revenue and better serve their customers. The most profitable operational model for hospital retail services is one in which the hospital acts as a landlord and leases space to retailers directly while outsourcing management and leasing services. • In September 2013, RVHS successfully implemented a two-year Master Retail Strategy to revitalize commercial activity at RVC and redevelop retail space at RVA, providing users with more and improved services. This initiative will substantially increase net revenues for the hospital. The strategy included the introduction of a number of retailers (food and non-food) to maximize overall profitability of commercial activity. The Master Retail Strategy also included the renewal and re-negotiation of a number of key commercial leases of existing tenants in the Medical Office Building (MOB). • TSH is in the early stages of creating a retail food strategy, one component of this is the development of a food retail plan that coincides with the maturity of an existing third party food vendor contract. • As RVHS has experience in the development of a master retail strategy there is an opportunity to assist in the development of a similar strategy with TSH. • In addition, both organizations use a third party property manager PAR Med, who works with them in their tenant/lease arrangements for the Medical Mall properties.
<p>Anticipated Alignment to Guiding Principles <i>Shade the relevant guiding principle(s)</i></p>	<ul style="list-style-type: none"> • Collaboration • Accessibility • Sustainability • Excellence

Potential Benefits and Risks:

<p>Potential Benefits <i>Identify the most significant potential benefits. Where relevant, consider the following perspectives when identifying benefits: Patient, Community, Organization, Clinicians & Staff.</i></p>	
<p>Patient</p>	<ul style="list-style-type: none"> • Improved food options

Community	<ul style="list-style-type: none"> •
Organization	<ul style="list-style-type: none"> • Revenue generation and potential cost savings •
Clinicians & Staff	<ul style="list-style-type: none"> • Improved amenities makes for an attractive workplace

Potential Risks	
<i>Identify the key risks that must be considered (e.g. high impact and high probability). For each risk identified, provide a proposed risk mitigation strategy.</i>	
Risk	Mitigation Strategy
<ul style="list-style-type: none"> • Human Resources/ Union concerns 	<ul style="list-style-type: none"> • The principles related to any staff impacted by the changes would be consistent with TSH/Marek Human Resources practices
<ul style="list-style-type: none"> • Sustainability of new tenants 	<ul style="list-style-type: none"> • An extensive research and options analysis will need to be completed to develop various options and examine risk and feasibility of different options.
<ul style="list-style-type: none"> • Marek Hospitality contractual obligations 	<ul style="list-style-type: none"> • Review existing Marek contract

Benefit Realization:

Estimated Timeline <i>Shade the estimated timeline (choose only one)</i>	<ul style="list-style-type: none"> • Short-term (up to 1 year) • Medium-term (1-2 years) • Long-term (3-5 years)
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Key Metrics to Measure Benefits	<ul style="list-style-type: none"> •
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Financial Impact:

Key Metrics to Estimate High-Level Financial Impact	<ul style="list-style-type: none"> •
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<p>Required Investments – Operating and Capital (if applicable)</p> <p><i>Identify the key financial investments (e.g. one-time costs) required to realize the benefits.</i></p>	<ul style="list-style-type: none"> •
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<p>Analysis</p>	<ul style="list-style-type: none"> •
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<p>Anticipated Financial Impact</p> <p><i>Indicate the order or magnitude financial impact (stated in the \$100,000).</i></p> <p><i>Is this opportunity a financial investment or savings?</i></p>	<ul style="list-style-type: none"> •
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2.3. Stakeholder Engagement Information

*This section should summarize the input considered from stakeholder engagement activities. Content in this section should be drawn from the Working Group's **Stakeholder Engagement Summary**. (Refer to the Guiding Framework for expectations).*

Note: This section will be completed before final submission of the Workbook. Working Groups are to use the Stakeholder Engagement Summary as a tool to document and consider stakeholder input/feedback collected during the due diligence process.

Note: Stakeholder engagement activities are ongoing. This section will be completed in conjunction with completing Section 3 of the workbook and reflect stakeholder feedback to Section 2.

3. Recommended Integration Opportunities

3.1. Alignment to Guiding Principles

For each of the recommended opportunities, complete the table on the following page. Specifically, for each of the recommended integration opportunities, Working Groups must clearly articulate a rationale that describes the degree to which the integration opportunity supports each of the Guiding Principles. In building this rationale, the Working Groups will use the most relevant measures/indicators based on the service/program.

Recommendation 1: [Insert Recommendation Statement]

Description:

Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text Body text

Alignment to Guiding Principles:

COLLABORATION <i>We believe that collaboration will lead us to better solutions.</i>	ACCESSIBILITY <i>We believe in providing accessible patient care to our community.</i>	SUSTAINABILITY <i>We believe that we must find new solutions to sustain our health care system.</i>	EXCELLENCE <i>We believe that we must never waver from our responsibilities to provide quality patient care and to be accountable to our stakeholders.</i>
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Rationale	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •
Measures/ Indicators	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •

4. Workbook Sign-Off

Identify the individuals that were involved in the completion of the Workbook.

Organization - Program	Team Member:
RVHS – Finance/ Retail & Ancillary Operations	Signature Print Name Cathy Campos and Cory Bryan Date 19-Aug-13
RVHS – Procurement/ Purchasing/ Logistics	Signature Print Name Boris Tsinman Date 19-Aug-13
RVHS – Retail Operations	Signature Print Name Penny Lalopoulos Karafile Date 19-Aug-13 Aug-13
RVHS – Ancillary Operations	Signature Print Name Craig Wickens Date 19-Aug-13 13
TSH - Finance	Signature Print Name Brenda D’Sylva, Sandra Essex and Francis Chiu Date 19-Aug-13
TSH – Procurement/ Purchasing/ Logistics	Signature Print Name Nick Dimovski and Ken Rana Date 19-Aug-13
TSH – Retail Operations	Signature Print Name Tammy Cook Date 19-Aug-13
TSH – Ancillary Operations	Signature Print Name Tyler Crocker and Dennis Jocko Date 19-Aug-13
	Signature Print Name Date
	Signature Print Name Date
	Signature Print Name Date
	Signature Print Name Date
	Signature Print Name Date
	Signature

Organization - Program	Team Member:
	Print Name Date
	Signature Print Name Date
	Signature Print Name Date
	Signature Print Name Date
	Signature Print Name Date
	Signature Print Name Date
	Signature Print Name Date