

## Memo

**To:** Hospital Advisory Committee

**From:** Nigel Trainor, General Manager Finance, IT & Commercial

**Date:** 11 January 2012

**Re:** Financial Reports – December 2011

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### Secondary Services Financial Reports

(Includes Timaru Hospital, Talbot & Support Services)

#### Performance Summary

000's	Year To Date			Forecast	Annual Budget
	Actual	Budget	Variance		
Net Surplus (Deficit)	\$(4)	\$286	\$(290)U	\$24	\$58

#### Summary

The Provider – Secondary Services had a \$230k unfavourable result for the month and \$174k unfavourable result year to date and is forecasting a \$24k surplus against a budget surplus of \$58k

Income exceeded budget by \$271k, if the reimbursement of Kiwi saver contributions were treated as a one off, then the base revenue would be close to budget, but the bottom would be further unfavourable. Expenditure was \$445k over budget. Personnel costs are unfavourable \$27k; the favourable variance in Medical and Allied health is off setting an unfavourable variance in Nursing. The cost of outsourced radiology will exceed budget given the response to the RFP. Clinical supplies driven by costs of medical supplies and patient transfers are concerning.

#### Commentary

Category	\$000	Commentary
<b>Income</b>		
Funder Contracted Volumes	\$85U	Mental Health revenue returned to the Funder of \$141U, this is offset by \$47F for suicide prevention funding..
ACC	\$94U	ATR Inpatients \$115U, the volumes are lower than budget and an accrual made in Sept 2011

Category	\$000	Commentary
		had not been reversed this has been corrected. and Audiology \$28U off set by Talbot \$47F
Other Health Income	\$215F	Community drug claims \$171F, mainly PCT's and offset by increased drug expenditure, Talbot Park \$44F reflecting occupancy mix, offset by \$117U RMO & Nursing health workforce NZ funding and Audiology \$32U
Other Non-Health Revenue	\$292F	Kiwi saver \$291F, Air Ambulance rebate \$34F off set by rental income \$21U

Personnel		
Medical Staff	\$111U	<p><b>Unfavourable:</b> The variances &gt; \$20k are:</p> <p><b>Unfavourable:</b></p> <ul style="list-style-type: none"> <li>Psychiatry \$59U, FTE 0.6F, with employed FTE 1.2FTE favourable and outsourced 0.6U, the cost of locums has pushed the costs over budget</li> <li>General Medicine \$132U, 1.1FTE over budget, offset with ATR</li> <li>Gynaecology \$31U, FTE on budget</li> <li>Orthopaedics \$53U, FTE are 0.1FTE unfavourable</li> </ul> <p><b>Favourable:</b></p> <ul style="list-style-type: none"> <li>Junior Doctors \$45F, FTE's are 0.4F, but we have 1.4 FTE outsourced locums.</li> <li>Emergency Medicine \$92F, FTE 0.2F, with locum FTE 1.1U</li> <li>ATR \$70F, FTE 1.0 under budget, offset by General Medicine</li> <li>General Surgery \$120F. 1.0 FTE under budget</li> <li>Paediatric Medicine \$53F, FTEs are 0.2U</li> </ul>
Nursing Staff	\$237U	<p>Overall nursing is 11.6 FTE over budget, the variances &gt;\$20k are:</p> <p><b>Unfavourable:</b></p> <ul style="list-style-type: none"> <li>Coronary &amp; Intensive \$61U and 0.6 FTE over budget.</li> <li>Operating Theatre \$38U and FTEs are 3.0U</li> <li>Inpatient Mental Health \$21U and 0.8 FTE over budget</li> <li>ATR \$52U and 2.0 FTE over budget</li> <li>Surgical service \$45U with 1.1 FTE over budget</li> <li>After hours \$36U with 0.3 FTE over budget</li> </ul> <p><b>Favourable:</b></p> <ul style="list-style-type: none"> <li>Adult Community Mental Health \$27F, 0.6 FTE over budget</li> </ul>

		<ul style="list-style-type: none"> <li>Medical investigations unit \$25F and FTEs are 0.5F</li> <li>Staff development unit \$44F and FTEs are 1.4F</li> </ul>
Allied Health Staff	\$157F	<p>The variance &gt; \$20k are as follows:</p> <p><b>Unfavourable:</b></p> <ul style="list-style-type: none"> <li>Day Patient Services \$42U, this is the 1.1FTE Anaesthetic Tech, this FTE was there in 2010/11, but no budget set in 2011/12.</li> <li>Operating theatre \$37U with 0.4 FTE over budget</li> </ul> <p><b>Favourable:</b></p> <ul style="list-style-type: none"> <li>Alcohol and Drug \$45F or 0.8 FTE under budget offset by revenue back to the fund.</li> <li>Adult Community MH \$82F 2.5 FTE with revenue back to the fund.</li> <li>Child &amp; Youth \$68F, 1.2 FTE with revenue back to the fund.</li> </ul>

<b>Outsourced Services</b>		
Treatment Services	\$102F	Pathology mainly Blood products \$72F, Ophthalmology \$51U, General Surgery \$62U for additional lists.
Diagnostic Services	\$238U	Radiology Services \$276U, the cost of this service has increased both volume and price, there was an assumption of savings from the RFP build into the budget. Pathology \$36F, savings from the RFP.

<b>Clinical Supplies</b>		
Medical Supplies & Equipment	\$147U	Medical supplies is \$133U, this is spread across most departments with a target saving of \$100k in Treasury. Chemicals are \$44F Medical equipment, Mattress leases \$16U, photocopiers leases \$23U and maintenance is \$41U this is offset by maintenance other being \$59F.
Implants & Prostheses	\$23F	Operating theatre is \$89F which is offset by savings target \$75U and the volume of hip & knee procedures being under the planned levels. Lower hearing aid sales (ACC) \$40F offset by Occupational Therapy \$29U.
Drugs	\$253U	Variance across a number of drug lines, but partly offset by increased revenue of \$171 as above.
Patient Transport	\$120U	Road transport Ambulance \$68U and Air Ambulance \$52U.

<b>Infrastructure Costs</b>		
Transport & Communications	\$66F	Staff travel is \$24U, Fuel for motor vehicles \$17U. IT & Communications across all departments is \$115F, the main variance are software maintenance costs \$67F, some of this will be timing and hardware/central processing costs \$39F.
Other Infrastructure costs	\$126U	Professional fees for projects such as MRI fund raising and Site Master planning and Clinical Governance. Legal costs are over budget \$54 and advertising \$21U offset by fees and subscriptions \$56F and sundry expenses \$81F.

SOUTH CANTERBURY DISTRICT HEALTH BOARD									
PROVIDER - SECONDARY SERVICES & SUPPORT									
INCOME STATEMENT									
For the Period Ended 31 December 2011									
	Current Month			Year To Date			ANNUAL		
	Actual	Budget	Variance to Budget	Actual	Budget	Variance to Budget	Last YTD	Full Year Forecast	This Year Budget
<b>Income</b>									
Funder Contracted	5,744	5,713	31	34,217	34,302	(85)	33,655	71,183	68,565
MOH Non-CFA Revenue	55	54	1	327	327	0	344	644	654
ACC Revenue	33	116	(83)	595	689	(94)	708	1,413	1,370
Other Health Revenue	676	626	50	3,934	3,719	215	3,693	4,959	7,402
Interest Revenue	118	107	11	634	635	(1)	610	1,250	1,263
Other Non Health Revenue	198	152	46	1,195	903	292	1,088	1,916	1,796
<b>Total Income</b>	<b>6,824</b>	<b>6,768</b>	<b>56</b>	<b>40,902</b>	<b>40,575</b>	<b>327</b>	<b>40,097</b>	<b>81,366</b>	<b>81,050</b>
<b>Expenditure</b>									
Medical Staff	1,472	1,315	(157)	8,044	7,933	(111)	7,695	15,964	16,075
Nursing Staff	1,726	1,737	12	10,646	10,409	(237)	10,157	21,519	21,344
Allied Health Staff	525	579	54	3,270	3,427	157	3,024	6,771	6,863
Support Staff	219	197	(21)	1,197	1,179	(18)	1,166	2,368	2,375
Admin & Management Staff	570	572	1	3,413	3,420	7	3,552	6,886	6,800
Staff Development Costs	104	82	(23)	473	484	11	470	947	963
Recruitment & Other Staff Costs	17	33	17	149	198	48	207	380	393
<b>Total Personnel Costs</b>	<b>4,632</b>	<b>4,515</b>	<b>(117)</b>	<b>27,192</b>	<b>27,049</b>	<b>(143)</b>	<b>26,270</b>	<b>54,835</b>	<b>54,814</b>
Treatment Services	182	186	4	1,003	1,105	102	1,158	2,114	2,199
Diagnostic & Other Services	371	324	(46)	2,162	1,925	(238)	2,020	4,087	3,828
<b>Total Outsourced Services</b>	<b>552</b>	<b>510</b>	<b>(42)</b>	<b>3,166</b>	<b>3,030</b>	<b>(136)</b>	<b>3,178</b>	<b>6,201</b>	<b>6,027</b>
Medical Supplies & Equipment	259	295	37	1,900	1,753	(147)	1,799	3,643	3,488
Implants & Prostheses	144	132	(12)	759	782	23	1,004	1,507	1,556
Drugs	340	253	(87)	1,756	1,503	(253)	1,593	3,070	2,989
Patient Transport	52	49	(3)	413	293	(120)	283	787	583
<b>Total Clinical Supplies</b>	<b>795</b>	<b>730</b>	<b>(66)</b>	<b>4,827</b>	<b>4,331</b>	<b>(496)</b>	<b>4,679</b>	<b>9,006</b>	<b>8,615</b>
Catering & Cleaning	196	196	0	1,172	1,166	(6)	1,153	2,368	2,319
Facilities	182	186	5	1,153	1,183	30	1,244	2,256	2,302
Transport & Communications	144	121	(23)	652	718	66	670	1,359	1,430
Other Infrastructure Costs	116	145	29	1,093	967	(126)	763	1,734	1,815
Inter-Arm Charges	(63)	(63)	0	(377)	(377)	0	(373)	(749)	(749)
<b>Total Infrastructure Costs</b>	<b>574</b>	<b>585</b>	<b>11</b>	<b>3,694</b>	<b>3,658</b>	<b>(36)</b>	<b>3,457</b>	<b>6,968</b>	<b>7,117</b>
<b>Capital Charge</b>	<b>51</b>	<b>49</b>	<b>(2)</b>	<b>304</b>	<b>290</b>	<b>(14)</b>	<b>277</b>	<b>728</b>	<b>578</b>
<b>Interest Expense</b>	<b>27</b>	<b>47</b>	<b>19</b>	<b>163</b>	<b>276</b>	<b>113</b>	<b>191</b>	<b>352</b>	<b>549</b>
<b>Depreciation</b>	<b>260</b>	<b>279</b>	<b>19</b>	<b>1,559</b>	<b>1,656</b>	<b>96</b>	<b>1,573</b>	<b>3,251</b>	<b>3,293</b>
<b>Total Expenditure</b>	<b>6,893</b>	<b>6,715</b>	<b>(178)</b>	<b>40,906</b>	<b>40,289</b>	<b>(616)</b>	<b>39,625</b>	<b>81,342</b>	<b>80,992</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>(69)</b>	<b>54</b>	<b>(122)</b>	<b>(4)</b>	<b>286</b>	<b>(290)</b>	<b>472</b>	<b>24</b>	<b>58</b>