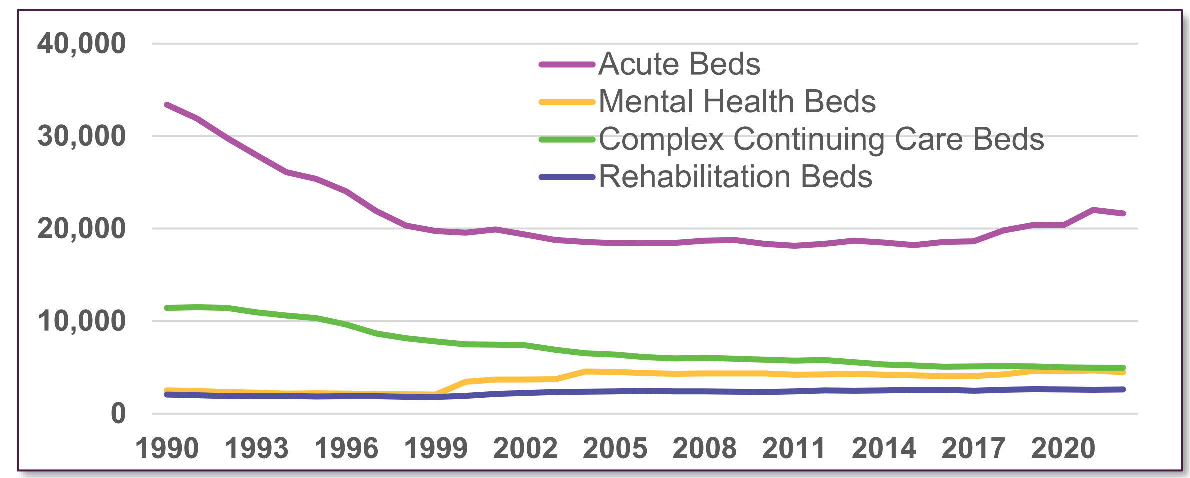
Fundamentals of Financial Oversight for Hospital Boards

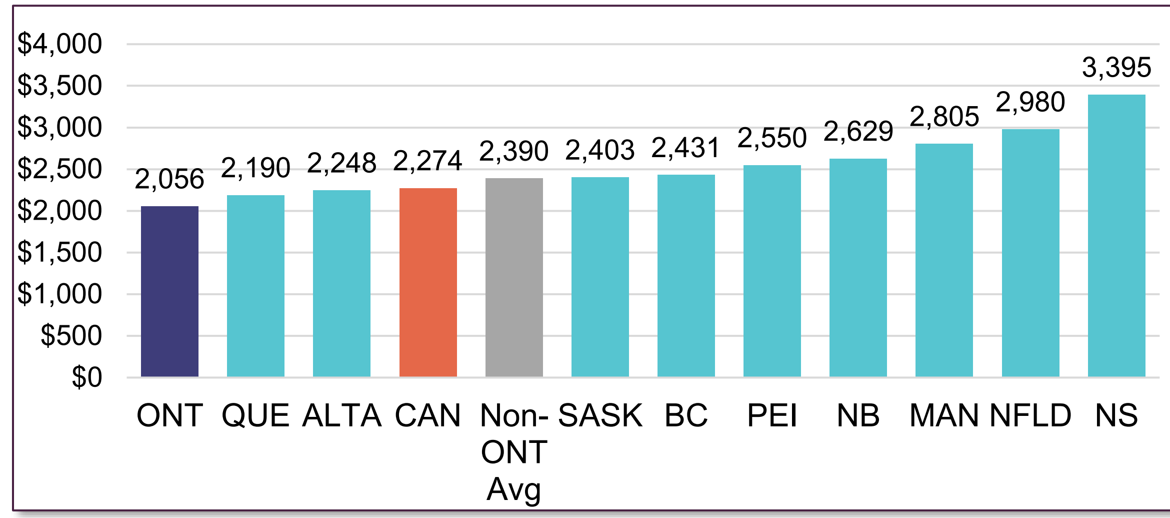
Session 2: Financial Oversight in Practice

April 23, 2026

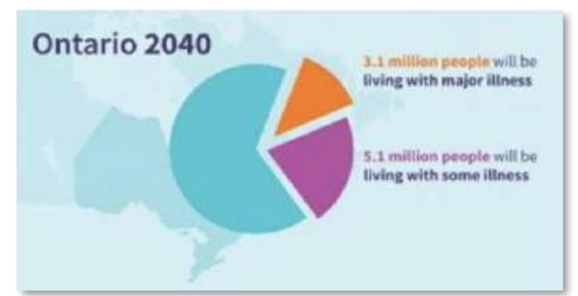
Current Financial Climate in Ontario Hospitals

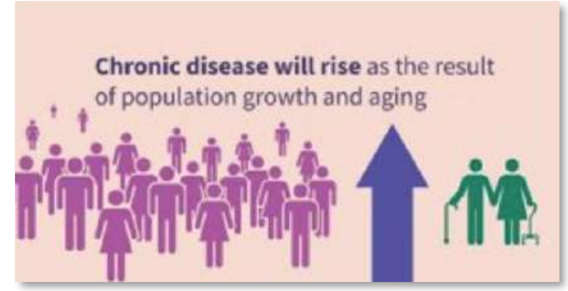
Austerity and demographic changes highlight the pressing need to reform the health system.





- The 1990s, Austerity, and **32-Year Strategy to Reduce Reliance on Hospitals**
- Ontario has the lowest hospital expenditure per capita by a provincial government. If Ontario were to fund hospitals at the average rate per capita for all other provinces, it would cost the province an additional **$5.4 billion**.
- Ontarians living with major illnesses will increase from **1.8 in 2020 to 3.1 million by 2040**.





Prebudget 2026/27: Challenged Sector

- Demographics and related operational volume pressures (occupancy, ED, ALC)
- Labour costs
- Inflation; rates that have not been adjusted for many years
- Ancillary cost pressures
  - HIS, technology upgrades, cyber security, insurance
  - Physician compensation (top up and other issues)
  - Agency nursing
- Economic uncertainty
- Rapidly accumulating working capital deficits and long-term debt
- Zero-tolerance for hospital quality issues

Funding Gap Remains in FY26/27

- Incremental allocation of $1.1B will leave **$1.5B unaddressed**
- Sector funding increase of 4% best case translates into approx. 2% increase in non-targeted base funding – which is <2% increase in total revenue.
- FY25/26 structural deficit and most of projected sector inflation remain unaddressed
- Operating deficits accelerating, with consequent cumulative impact on Working Capital

Projected F26/27 Hospital Sector Funding Gap

			$M	%
A	**2025/26 Unaddressed Structural Deficit***		**830**	**3.0%**
	2026/27 Natural Growth & Inflation Pressures			
	GEM	737		
	PCOP	90		
	Targeted Programs (QBP/WT/PP)	183		
	Inflation (Labour & Non-labour)	766		
B	**Total 2026/27 Natural Growth & Inflation**		**1,776**	**6.0%**
C=A+B	**Funding Required for sustainability**		**2,606**	**9.0%**
D	**2026 Ontairo Budget Hospital Finding****		**1,100**	**4.0%**
E=C-D	**Total 2026/27 Unfunded Pressures**		**1,506**	**5.0%**

** F25/26 Q3 Forecast (All Fund Types)*

***$1.1 B in additional hospital funding - up to 4 per cent in base and targeted funding and one-time funding (“3+1”)*

Operating Deficits projected to drive historic Working Fund Deficits

$ 3000.0 M
$ 2000.0 M
$ 1000.0 M
$ -
$ (1000.0 M)
$ (2000.0 M)
$ (3000.0 M)
$ (4000.0 M)
$ (5000.0 M)
$ (6000.0 M)

2014/15 YE, 2015/16 YE, 2016/17 YE, 2017/18 YE, 2018/19 YE, 2019/20 YE, 2020/21 YE, 2021/22 YE, 2022/23 YE, 2023/24 YE, 2024/25 YE, 2025/26 YE Forecast at Q3, 2026/27 YE Forecast at Q3, 2027/28 YE Forecast at Q3

$ (468.6 M)
$ (830.0 M)
$ (957.2 M)

Surplus/Deficit - HSAA
Surplus/Deficit - All Fund Types
Adjusted Working Funds

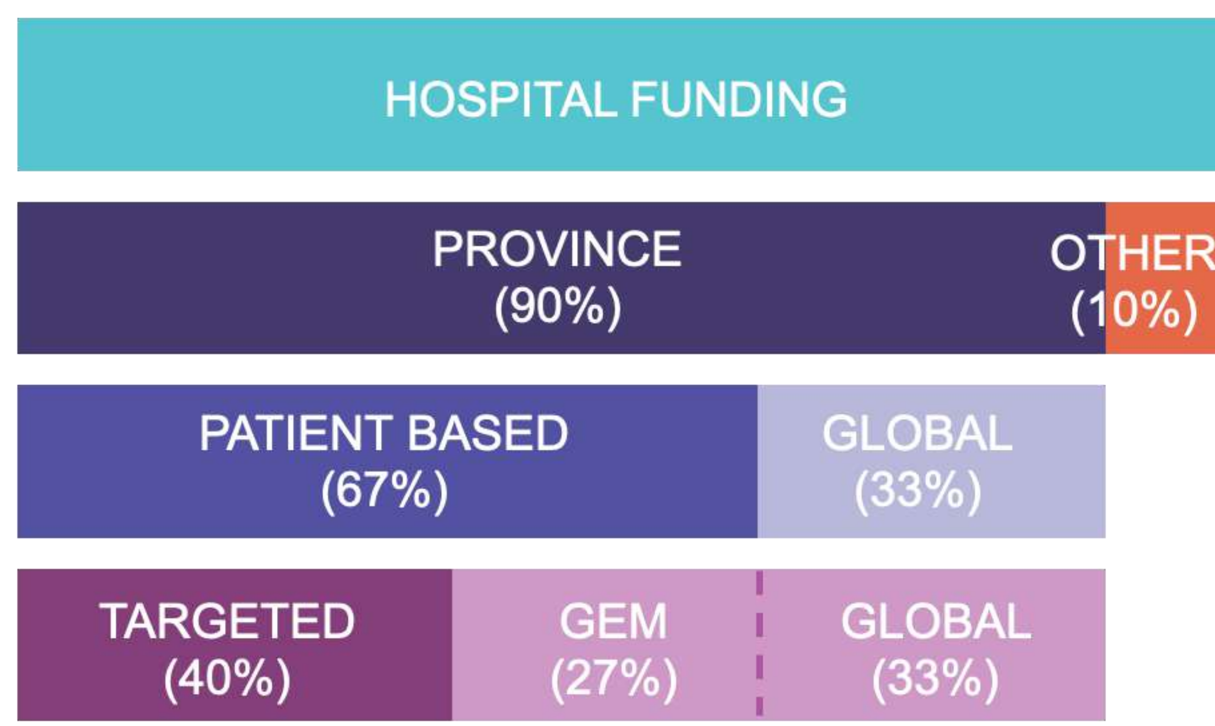
Note: 23/24 reflects revenue related to 22/23 Bill 124 expenses incurred.
Sources: Data up to 2025/26 from SRI and HDCS. Data for 2026/27 and beyond from OHA Q3 Multi-Year Forecast Survey.

"We note that the impact of **multiple years of operating deficits** and decreasing working fund positions is cumulative. **Simply achieving a balanced budget in a given year or multiple years will not "undo" the accumulated working fund deficit** and therefore simply achieving a balanced position will not resolve the issue."

Deloitte Analysis of Ontario Hospital Working Funds – Updated to March 31, 2025

Confidential – Do not distribute

Hospital Funding Today



**Ontario's small hospitals do not participate in patient based funding*

- 90% of hospital funding is from the Ministry of Health. The remaining 10% comes from other sources like preferred accommodation, parking, cafeteria, etc.
- 33% of Ministry of Health funding is directed to hospital global budgets; The majority (67%) of Ministry of Health funding is directed to patient-based funding models.
- 40% of Ministry of Health funding, is targeted, or program specific; Non-targeted funding makes up 60% of the total Ministry of Health funding and is flexible or non-program specific.

Challenges with Contemporary Models

- Models sought to align funding with activity, demand, and efficiency while encouraging quality
- Supported by a complex ecosystem of healthcare analytics
- Funding models **are not fully funded**, such that methodologies constructed to **fund** efficient activity on a "rate x volume" basis instead have become **allocation mechanisms** to distribute top-down funding
- There is no mechanism to right-size non-volume based (global) funding for **inflation**
- Not all hospital activity is directly funded; unlike OHIP, budgets are semi-fixed (e.g. ED volumes)
- Distribution of funds through each mechanism has become disproportionate towards "buying new services" through targeted funding (e.g.) QBPs
    - Unintended dynamic within hospitals between un-funded unscheduled activity (urgent, emergent) utilizes resources (beds) meant for revenue-earning procedures
- Current practice is net new funding is allocated, such that existing funding is essentially grandfathered

Today's funding models are robust and complex, however are currently suboptimal at aligning funding with agility to expected expenses or incentivizing financial performance

Efficiency vs. Margin

Efficiency %

10.00%
5.00%
0.00%
-5.00%
-10.00%
-15.00%
-20.00%
-25.00%
-30.00%

Halton Healthcare Services Corporation

-14.00% -12.00% -10.00% -8.00% -6.00% -4.00% -2.00% 0.00% 2.00% 4.00% 6.00% 8.00%

Margin %

There is no discernible correlation between performance (efficiency) and financial position (margin) – today's funding methodologies appear to be failing to drive and reward efficiency

The Hospital Sector Stabilization Plan (HSSP): A multi-year plan for achieving financial and operational stability for the hospital sector, to enable continued high quality, connected, and accessible care.

Governance & Accountability

- The Health Sector Governance and Oversight Office will define board requirements, best practices, and track implementation to enhance decision-making and accountability.

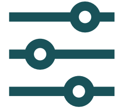
Oversight

- Quarterly monitoring with OH regions to ensure stability, emphasizing proactive strategies for emerging issues such hospital cash flow and debt management.

Planning and Performance

- A framework for planning and performance with OH will include recovery plans. This will enable balanced budgets, prioritize access to care, and ensure consistency and standardization.

Targeted Transformation



- Focus beyond funding issues to spur change in priority areas such as ED Wait Times and Surgery.

Funding Optimization

- Adjust funding models to support greater flexibility with accountability.

Overview: Planning and Performance Process

01	02	03	04	05
Local Plans	**Risk Assessment**	**Regional Planning**	**Provincial Solutioning**	**MOH Decision**
FY25-26 forecasting and initiative generation	Triage initiatives based on level of risk	Regional Working Groups develop risk management strategy	Assess initiatives for required intervention	Support or decline implementation

Board Accountabilities

Duties of Board Directors

Duty of Care:
each director and officer of a corporation must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duty:
that directors and officers act honestly and in good faith with a view to the best interests of the corporation.

Hospital Board Accountabilities

- **Fiduciary**
  - Quality Patient Care
  - Financial
  - People – staff and physicians
  - Assets – facilities, equipment, IT
  - Short-term and strategic
- **Funder**
- **Community**
- **Other stakeholders – e.g. research**

Measuring Hospital Financial Performance

Some Terminology: Fund Types

Fund Type 1	Fund Type 2	Fund Type 3	Fund Type 4	Fund Type 7
Hospital Services	Community and Long-term Care	Non-MOH Funded Programs	Integrated Care Models	Convalescent Care in Long-term Care
▪ Complex Continuing Care Hospitals ▪ Large Community Hospitals ▪ Other Hospitals ▪ Private Hospitals ▪ Rehabilitation Hospitals ▪ Small Hospitals ▪ Specialty Children's Hospitals ▪ Specialty Mental Health Hospitals ▪ Teaching Hospitals	▪ Children's Treatment Centres (CTC) ▪ Community Health Centres (CHC) ▪ Community Mental Health & Addictions (CMH&A) ▪ Community Support Services (CSS) ▪ Home Care Services ▪ Interim Long-Term Care ▪ Long-Term Care Homes (LTCH) ▪ Medical Formal Education	▪ Federal Government ▪ Municipal Governments (e.g. Ambulances) ▪ Non-Government Agencies (e.g. United Way) ▪ Other Ministries (e.g. Ministry of Children Community and Social Services (MCCSS))	For use by organizations that are directly accountable to the MOH and Ontario Health(OH) for the scope of care/service defined under an integrated care model to report the contracted-out services provided by partners within the scope of this model.	

Board visibility into financial performance and sustainability

- Quarterly **operating** results (operating and capital)
- Rolling **operating** forecasts (minimum 12 months)
  - Volumes, headcount, financial
- **SRI / HDCS submissions**
- Annual HAPS / "SAAs" / **operating budget**
- **Asset management** / replacement plan (minimum 3 years) (equipment, facility)
- **Long-term cashflow plan** (e.g. 10 year)
  - Operating free cashflow goals; foundation / philanthropy, Ministry (funding, grants)
- **CPWC**; un- and under-funded activity
- Labour, non-labour **cost drivers relative to funding growth**
- Enterprise Risk Management
- **Cash, cash, cash** – short-term liquidity and debt, **daily cash forecasts (lowest daily balance)**, working capital / current ratio, debt ratio, Free Cash Flow utilization (debt service commitments)

As with any business, "cash is king" … maintain high visibility and understanding

Capital cashflow management for equipment additions and replacement is a blind-spot in sector financial performance measures and targets

Audited Financial Statements

- Objective annual measurement of fiscal year financial performance and balance sheet "snapshot"
- Corporate view, "all fund types"
- Consolidated results most relevant to business performance
  - vs. "Balanced hospital operations" which is Fund type 1 excluding long-term debt and net building amortization
- Statement of Cash Flows (!)

Statement of Financial Position
(expressed in thousands)

Statement of Accumulated Remeasurement Losses
(expressed in thousands)

Statement of Operations
(expressed in thousands)

Statement of Cash Flows
(expressed in thousands)

For the year ended March 31,		2025		2024
Cash flows from operating activities				
Excess (Deficiency) of revenues over expenses	$	**(4,816)**	$	5,584
Adjustment for items not affecting cash:				
Amortization of capital assets		**66,713**		64,691
Loss on disposal of capital assets		**1,718**		2,998
Amortization of deferred grants		**(60,150)**		(60,546)
Post-retirement and employment benefits		**1,563**		1,544
Accretion expense		**23**		22
Changes in non-cash working capital items:				
Accounts receivable		**3,504**		(1,889)
Due from related parties		**(946)**		(145)
Inventories		**(326)**		(91)
Prepaid expenses		**(1,274)**		(606)
Accounts payable and accrued liabilities		**8,810**		(7,689)
		14,819		3,873
Cash flows used in investing activities				
Decrease in long-term receivable		**16,293**		15,289
Decrease in investments		**9,592**		2,286
Increase in restricted cash		**(1,431)**		(7,150)
		24,454		10,425
Cash flows used in capital activities				
Purchase of capital assets		**(30,020)**		(23,224)
Proceeds on disposal of capital assets		**7**		16
		(30,013)		(23,208)
Cash flows from financing activities				
Contributions received for capital purposes		**27,702**		22,438
Repayment of long-term debt		**(2,634)**		(2,521)
Decrease in long-term payable, net		**(16,418)**		(15,538)
Payment of post-retirement and employment benefits		**(815)**		(804)
		7,835		3,575
Increase (decrease) in cash, during the year		**17,095**		(5,335)
Cash, beginning of year		**124,729**		130,064
Cash, end of year	$	**141,824**	$	124,729
Non-cash item:				
Contribution received for a non-depreciable capital asset (note 7a)	$	**-**	$	43,300

The accompanying notes are an integral part of these financial statements

9

Financial Health Dashboard

Financial Health Dashboard | Hospital Executive Summary

Definitions | Instructions | ?

F Data Visualization: Halton Healthcare Services Corpo...
Fiscal Year: 2024/2025, YE
Facility Type: (Multiple values)
Benchmark Selection: (All)

Indicator	Value	YoY	Yearly Trend
Working Capital	$87.07M	↑	
Debt to Asset Ratio	0.0353	↑	
Debt Charges to Revenue	0.50%	↓	
LTD to Corporate Revenue	11.16%	↓	
NBV Capital Assets to Capital Assets Costs	0.67	↓	
Current Ratio	1.49	↓	
Equip Additions to Equip Amortization Ratio	5.02	↑	
Total Margin	-0.31%	↓	
Operating Margin	-1.48%	↓	
Occupancy Rate	101.82	↓	
ALC Rate	13.62%	↑	

Data Source: OHRS, CCO ALC [Mar, 2026]

PURPLE dot is YOUR organization | **AQUA** dots are benchmark hospitals

Demonstrating Financial Performance and Efficiency

- Hospital financial margin ($ / %)
- Adjusted Working Funds & Current Ratio
- Debt ratio
- Administrative indicators
  - % admin expenses (CIHI, OHRS)
  - Overtime
  - Sick time
  - % Supplies
- Cost per Weighted Case (CPWC) vs expected
  - Acute Inpatient & Day Surgery
  - ER
  - Rehab
  - CCC
- Clinical metrics
  - Conservable Days / LOS vs ELOS
  - ED Admit Rates
  - ALC %
  - ED LOS
  - % Outpatient surgeries

Efficiency vs. Margin

Show as % | Show as $M

*Please note that data for 2025/26 YE Forecast Q1 Survey currently contains information on **104** hospitals only.*

Efficiency %

8.00%
6.00%
4.00%
2.00%
0.00%
-2.00%
-4.00%
-6.00%

Halton Healthcare Services Corporation

-10.00% -8.00% -6.00% -4.00% -2.00% 0.00% 2.00% 4.00% 6.00% 8.00%

Margin %

- Positive Efficiency & Margin Position
- Negative Efficiency or Margin Position
- Negative Efficiency & Margin Position
- Custom User Peer Selection
- Selected Organization

Data Source: HDCS & GEM Workbook, Ontario Ministry of Health [Nov 2025]

GEM Cost Summary

Halton Healthcare Services Corporation: GEM Cost Summary

Export to Excel

Landing Page | Efficiency vs. Margin | GEM Cost Summary | GEM Cost Variance | Financial & Admin | Clinical Programs

Filter Settings| Facility Type: **Large Community**; OH Region: **All**; Facility: **All**

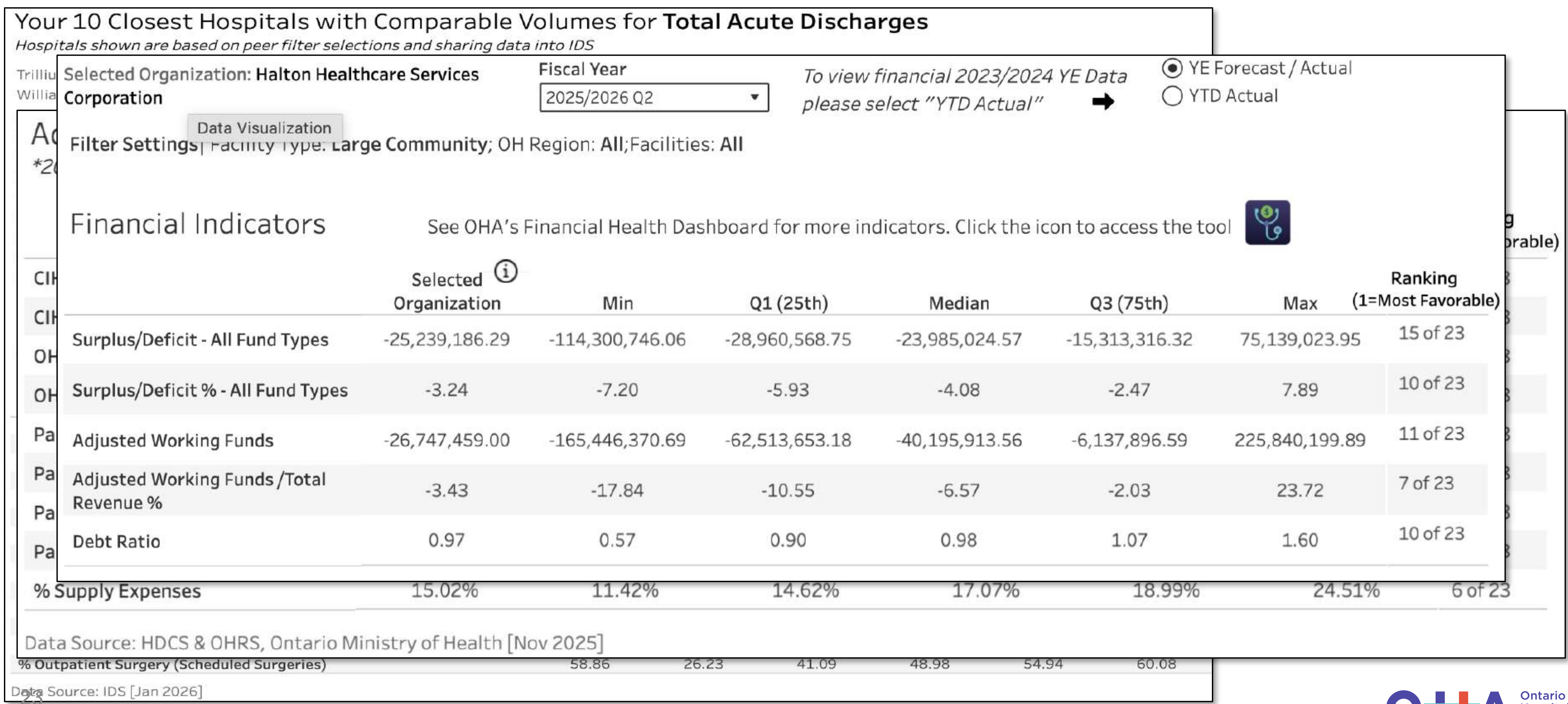
Efficiency ($M) for Halton Healthcare Services Corporation & Peer Comparison - 2023/2024 YE

	Efficiency ($M)	Unit Cost Actual	Unit Cost Expected	Tot Act	Costs ($M) Actual	Costs ($M) Expected	Efficiency %
Acute	$16.2M	6,611	6,931	50,738	$335.4M	$351.6M	4.6%
ER	($5.9M)	405	369	163,312	$66.1M	$60.2M	-9.8%
Rehab	($1.7M)	20,310	18,031	767	$15.6M	$13.8M	-12.6%
CCC	$2.3M	717	783	35,081	$25.1M	$27.5M	8.5%
MH	$0.0M	940	940	16,284	$15.3M	$15.3M	0.0%

Detailed Efficiency ($) & Expenses by Facility and Unit

		Efficiency ($)			Total Activity			Total Actual Expense ($)		
		2022/2023 YE	2023/2024 YE	% Change	2022/2023 YE	2023/2024 YE	% Change	2022/2023 YE	2023/2024 YE	% Chang
Halton Healthcare Services Corporation	Acute	1,944,390	16,226,891	735%	47,306	50,738	7%	311,131,594	335,421,268	7%
	ER	(5,007,762)	(5,896,576)	-18%	161,537	163,312	1%	60,127,811	66,080,038	9%
	Rehab	(1,512,890)	(1,748,375)	-16%	714	767	7%	13,816,520	15,579,305	11%
	CCC	2,726,276	2,328,635	-15%	33,769	35,081	4%	23,047,786	25,135,830	8%
	MH	0	0		15,603	16,284	4%	17,935,586	15,306,644	-17%

Clinical, Financial and Administrative Indicators



Your 10 Closest Hospitals with Comparable Volumes for **Total Acute Discharges**

Hospitals shown are based on peer filter selections and sharing data into IDS

Selected Organization: **Halton Healthcare Services Corporation**

Fiscal Year: 2025/2026 Q2

To view financial 2023/2024 YE Data please select "YTD Actual"

YE Forecast / Actual
YTD Actual

Data Visualization

Filter Settings| Facility Type: **Large Community**; OH Region: **All**;Facilities: **All**

Financial Indicators

See OHA's Financial Health Dashboard for more indicators. Click the icon to access the tool

	Selected Organization	Min	Q1 (25th)	Median	Q3 (75th)	Max	Ranking (1=Most Favorable)
Surplus/Deficit - All Fund Types	-25,239,186.29	-114,300,746.06	-28,960,568.75	-23,985,024.57	-15,313,316.32	75,139,023.95	15 of 23
Surplus/Deficit % - All Fund Types	-3.24	-7.20	-5.93	-4.08	-2.47	7.89	10 of 23
Adjusted Working Funds	-26,747,459.00	-165,446,370.69	-62,513,653.18	-40,195,913.56	-6,137,896.59	225,840,199.89	11 of 23
Adjusted Working Funds /Total Revenue %	-3.43	-17.84	-10.55	-6.57	-2.03	23.72	7 of 23
Debt Ratio	0.97	0.57	0.90	0.98	1.07	1.60	10 of 23
% Supply Expenses	15.02%	11.42%	14.62%	17.07%	18.99%	24.51%	6 of 23

Data Source: HDCS & OHRS, Ontario Ministry of Health [Nov 2025]

% Outpatient Surgery (Scheduled Surgeries)	58.86	26.23	41.09	48.98	54.94	60.08

Data Source: IDS [Jan 2026]

Ontario Hospital Association

Link Between Operating Revenue & Capital

- A sustainable hospital must generate the cash flow necessary for evergreen replacement of equipment and minor infrastructure improvements.
- Every dollar not spent on operations is available to reinvest in capital programs and debt repayment, ultimately supporting improved patient care.

$1,000 Revenue:
- Global
- GEM
- QBPs
- PCOP
- Other

$975 Operating Cash Costs

$15 Non-cash costs (net depreciation)

$10 Surplus goal

$25 Available Cash Flow

$5 Foundation

$5 MOH (HIRF, capital grants)

- $10 Debt Servicing
- $25 Capital Program
  - Clinical equipment
  - IT
  - Building

Long Range Plan (LRP) = Cashflow Plan

Section	Item	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
	Opening Balance Carryforward	21.5	3.7	5.0	3.8	1.9
SOURCES OF CASH	Surplus (before building)	22.2	26.4	30.2	34.2	30.7
	Cash from Operations (non-cash items)	9.8	11.2	14.7	18.8	22.2
	Extraodinary Item Sale of Surplus Assets	-	13.7	-	-	-
	Structured Debt Acquisition	-	-	-	-	-
	Capital Funding - Foundation	9.6	3.6	3.2	1.7	1.2
	Capital Funding - OH (CCO)	2.9	-	-	-	-
	Capital Funding - HIRF	5.0	5.0	5.0	5.0	5.0
	Capital Funding - Other	6.5	-	-	-	-
	Lease Financing	0.5	-	-	-	-
		63.4	67.2	58.0	61.3	60.5
USES OF CASH	Long-term Debt (Principal & Interest)	8.7	8.7	8.6	8.6	7.0
	Lease Payments	12.2	8.2	5.9	4.3	3.0
	Transfer to Reserves (Working Funds)	5.0	13.7	2.0	2.0	2.0
	Capital WIP carryforward	20.1	8.6	10.3	12.2	14.2
	Infrastructure	7.6	6.1	8.0	7.8	7.7
	Capital Development	9.1	9.3	7.0	4.0	4.0
	Other Clinical	5.6	3.5	4.5	5.5	5.5
	Periop	1.0	4.0	5.0	6.0	6.0
	Diagnostic Imaging	5.4	4.0	6.5	9.0	8.5
	Corporate	3.9	3.0	4.0	5.0	5.0
	Information Technology	3.1	5.0	7.5	10.0	10.0
	Other	3.6	2.0	2.0	3.0	3.0
	Capital Cash flow timing	(8.6)	(10.3)	(12.2)	(14.2)	(14.0)
		81.3	65.8	59.2	63.2	61.8
	Net Uncommitted / Closing Balance	**3.7**	**5.0**	**3.8**	**1.9**	**0.6**
MEASURES	Net Financing Cash Flow	(20.5)	(16.8)	(14.5)	(12.9)	(10.0)
	Current Ratio	34.2%	35.8%	36.7%	37.8%	39.9%
	Debt to Asset Ratio	19.5%	16.4%	15.1%	13.9%	12.7%
	Interest Expense	4.79	3.97	3.55	3.18	2.83
	Accumulated Fixed Asset Backlog	38.0	52.5	59.2	55.7	35.5
	Operating Margin (Fund 1)	2.10%	2.46%	2.85%	3.23%	2.90%
	LRP Operating Expense	1,047.2	1,048.4	1,048.0	1,052.1	1,055.6
	Equipment Refresh	22.6	21.5	29.5	38.5	38.0

Bracket annotations: 39.5 (Yr 1, Infrastructure to Other); 22.6 (Yr 1, Other Clinical to Other)

- Multi-year cashflow plan
  - 5 year minimum; 10 is better
- Sources
  - Operating Free Cashflow (FCF)
  - Grants, donations
  - Financing – short-term, long-term
- Uses
  - Debt management (principal & interest)
  - Working Capital improvement
  - WIP projects
  - Equipment, infrastructure, IT
- Drives planning for target Operating FCF, long-range financing requirements, and debt capacity
- Anchors Operating goals i.e. Surplus requirements
- Board visibility to long-term sustainability, financial capacity and balance sheet metrics

Balanced Scorecards

Patient & Family *(Quality, Safety, Experience, and Outcomes)*

Patient Safety
- Rates of C. difficile infections
- Rates of MRSA/VRE infections
- Surgical safety checklist completion
- Hand hygiene compliance (before and after patient contact)
- Pressure injury rates
- Sepsis rates

Clinical Outcomes
- Hospital Standardized Mortality Ratio (HSMR)
- 30-day all-cause readmission rates

Patient Experience
- Patient satisfaction survey results
- Patient complaints
- Litigation cases

People & Workforce *(Staffing Stability, Safety, and Capacity)*

Workforce Stability
- Employee Engagement
- Turnover rates
- Vacancy rates
- Grievances
- Workforce Demographics
- Master rotation compliance

Workforce Health & Safety
- Reported injuries
- Sick time
- Overtime
- Staffing Levels
- Nurse-to-patient ratios
- Skill Mix (RPN / RN / PSW)
- Nurse Resource Team Fill Rate

Access & Flow *(Timeliness, Throughput, and System Flow)*

Access to Care
- Emergency department wait times (90th percentile)
- No-bed admits
- Ambulance offload times
- Surgical wait times
- Diagnostic wait times
- Laboratory turnaround times

Patient Flow & Capacity
- Alternate Levels of Care (ALC) rates
- ALC throughput
- Hospital bed occupancy rates
- On-time surgical start rates
- Estimated Discharge Date %
- Conservable days (LOS vs ELOS)

Financial & Efficiency *(Sustainability and Resource Management)*

Financial Performance
- Operating Margin ($ and %)
- Total Margin ($ and %)
- Budget Variance
- Daily cash position
- Debt ratio
- Working capital / Current ratio

Efficiency & Sustainability
- Cost per Weighted Case
- Cost per Patient Day
- State of Good Repair backlog %
- Equipment evergreen %
- Multi-year financial planning
- Length of Stay (actual vs expected)
- % Admin Expense

Set Clear Objectives

- SMART Objectives – Specific, Measurable, Achievable, Relevant, Time-bound
- Resist “improve everything” plans
- Test for underlying plans vs. “improve by 5%” Hail Mary objectives
- Track / monitor
- Engage, discuss, ask questions!

Indicator	Target	Current	Trend		Status
C. difficile Rate	≤ 0.25 / 1,000 Pt days	0.24	↑		●
ED Wait Time - non-admit *(90th percentile)*	≤ 4 hours	5.2	↓		●

Panel Discussion