

Chapter 4

Department of Health and Community Services Extra-Mural Hospital

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Background

4.1 In the autumn of 1995, the Department of Health and Community Services put forward a budget proposal to the Board of Management to close the Extra-Mural Hospital Corporation's head office in Fredericton. The services would continue, but the administration of the services would change. The separate legal entity known as the Extra-Mural Hospital Corporation would be abolished. The same services would be renamed as the Extra-Mural Program and the responsibility for the delivery would go to the general management of each of the regional hospital corporations. Three new positions would be created within the Hospital Services Branch to provide overall guidance and to monitor the program.

4.2 The Extra-Mural Program (EMP) - known by many as New Brunswick's "hospital without walls" - is a home-care program. It provides services in people's homes, as well as in other locations outside the formal institutional setting of a hospital.

4.3 The first unit of the Extra-Mural Hospital Corporation (EMHC) was opened in Woodstock in 1981. Twelve years later in 1993, the program was province-wide and operating through sixteen service delivery units. It continued to expand the services it offered: the oxygen program in 1994 and chemotherapy in 1995. The EMHC was the only province-wide hospital service in Canada. EMHC had a budget of approximately \$30 million. EMHC had 470 staff who made 350,000 home visits to 17,400 clients. It was known world-wide for its excellence in home-care.

4.4 In December 1995, Board of Management (BOM) approved the budget proposal to merge the EMHC into the regional hospital corporations. In February 1996, the Minister of Health and Community Services announced the decision and on 1 July 1996, EMHC became the EMP as it merged into the hospital corporations.

4.5 The decision-making process was selected for audit because it deals with two concepts that our Office feels are important: accountability and compliance.

4.6 *“Accountability is the obligation to render an account for a responsibility conferred”* (Report of the Independent Review Committee on the Office of the Auditor General of Canada). We addressed accountability issues by examining who is responsible for making a decision, how a decision is made, whether a decision is evaluated after it has been implemented, and how a significant decision is reported.

4.7 We looked for compliance with procedures documented in the Executive Council Office publication titled “Procedures Manual for Executive Council Documents” dated October 1994. It describes how the decision-making process of government uses a system of Cabinet Committees. It describes the Committees and the types of decisions assigned to each.

4.8 The Extra-Mural merge decision was selected because Extra-Mural is a high-profile program and it is of much interest to citizens of New Brunswick. There has been considerable media attention given to this program and on two occasions questions were raised in the Public Accounts Committee. Extra-Mural is often made reference to or discussed by the Legislative Assembly.

Scope

4.9 The objective for this audit project was to examine the decision-making process and determine if proper steps were taken in making the decision to merge the Extra-Mural Hospital Corporation into the eight regional hospital corporations. Our work was limited to this one decision in the Department of Health and Community Services. We are not commenting on the decision; the scope of this project did not include an evaluation of the decision made. The objective of the audit was limited to examining the decision-making process, not the decision itself.

4.10 In carrying out our audit work, our first steps were to gain knowledge on decision-making in general, the decision-making process of the government of New Brunswick, and the topic of the decision - Extra-Mural health care in New Brunswick. We carried out interviews with staff at the Hospital Services Branch and at two Extra-Mural units. The Executive Council Office publication “Procedures Manual for Executive Council Documents” dated October 1994, was a key reference used throughout our work. Other documentation we reviewed included literature on decision-making and information on the Extra-Mural Hospital Corporation.

4.11 We are not certain if we examined all the relevant information on the merge decision. There was no main file consolidating all the documentation supporting the decision. We were told that both the

Minister and the Deputy Minister were key participants in the decision; there has been a turnover in both of these positions. We obtained information from several individuals, but there is no way for us to be sure that we saw all the relevant documentation.

Results in Brief

4.12 In the autumn of 1995, the Department of Health and Community Services put forward a budget proposal to the Board of Management to close the Extra-Mural Hospital Corporation's head office in Fredericton. In December 1995, the Board of Management approved the budget proposal. In February 1996, the Minister of Health and Community Services announced the decision. On 1 July 1996, the Extra-Mural Hospital Corporation became the Extra-Mural Program as it merged into the hospital corporations.

4.13 While the Extra-Mural Hospital Corporation became merged into the regional hospital corporations, it was not clear to us whether the objective of the decision was to save money or improve the continuity of care. The evidence we received was not consistent.

4.14 There were no alternatives considered or presented in the budget submission relating to the proposed merger. The decision to be made was accept or reject the proposal to merge.

4.15 Some qualitative and quantitative analyses were done. We found the qualitative analysis to be incomplete and the quantitative analysis to be not well supported.

4.16 The decision was made by the proper authority.

4.17 Responsibility for developing solutions and making the final decision was clearly assigned. However, the manner in which responsibility was assigned may not have led to a full review of options.

4.18 A time frame was applied to the decision-making process. It appears reasonable.

4.19 Procedures which are to be followed in obtaining Board of Management approval were not followed.

4.20 We were pleased to see that the merge decision was reported in the Department's annual report in both the year the decision was made and the year it was implemented.

4.21 The decision has not been evaluated to determine whether the projected savings occurred and other benefits were realized.

4.22 Even though the Department suspected that they may have to defend the merge decision, there was no main file consolidating all

the documentation supporting the decision. We are not certain if we examined all the relevant information on the decision.

The Decision-making Process

4.23 From the literature reviewed, we attempted to develop a succinct description of “a good decision-making process.” In our opinion, a good process must be a logical process. It starts with identifying the problem or opportunity and determining the objective of the decision. Next comes a search for alternatives. Using various methods, alternatives are analyzed and evaluated. In selecting a solution to the problem or opportunity, judgement, experience and intuition is used in addition to analysis. Then the final decision is authorized.

Identifying the Problem or Opportunity and Determining the Objective of the Decision

4.24 We had difficulty identifying the problem or opportunity and determining the objective of the decision to restructure Extra-Mural care. Furthermore, it was not clear to us why the Extra-Mural Hospital Corporation even became the subject of a decision.

4.25 There were no specific problems with EMHC that initiated the decision. An operational review of the Extra-Mural Hospital Corporation was done in the spring of 1995 by an external consulting firm. The report dated May 1995 contained several positive statements about the EMHC. The report said, “*All of EMH’s objectives have been met to some degree, some more completely than others. Major operational problems were not found; EMH services are of very high quality; its management is patient focused and cost conscious; its operations run smoothly and its communications and relationships, both internal and external, are excellent.*”

4.26 In our attempt to find the problem or opportunity being addressed and/or the objective of the decision, the evidence we received was not consistent. As mentioned earlier, there was no central file on the decision so it was necessary for us to gather evidence from various sources.

4.27 The merge proposal was put forward by the Department as a restructuring initiative. It was presented as a specific budget proposal, one of many directed towards the goal of achieving better use of resources.

4.28 A letter dated 20 November 1996 to the Auditor General from the Deputy Minister of the Department states the following:

Since a stated objective of the 1992 Comprehensive Health and Community Services Plan was to redirect resources from non-patient to patient services throughout the system, the Department examined every opportunity to reduce overlap and duplication, as well as overhead costs. Our own internal analysis indicated that as much as 10% of the total cost of the EMH program, or about \$3M annually, could be saved by integration with the Region Hospital Corporations. This

saving would be achieved essentially through reduction of overhead - elimination of EMH head office, phasing out leases and moving regional operations of EMH within existing hospital space whenever possible. This \$3M would be saved without affecting EMH services to patients.

In summary, therefore, the decision to present this option to the government for consideration was not the result of any detailed study or sophisticated analysis. It was part of an ongoing effort to streamline administration and become more efficient in the operation and delivery of health care.

4.29 We discussed the merge decision with a senior departmental staff member who indicated the decision addressed an opportunity, rather than resolving a problem. We were told that the objective of the decision was to put in place an integrated acute care program and to remove organizational barriers between the two entities involved – the EMHC and the hospital corporations.

4.30 We reviewed the Journal of Debates (Hansard) for the time when the Legislative Assembly discussed the proposed legislative amendments required for the merger. When asked the question, “*Except for the economic side of it, is there any additional reason the department is proposing these bills?*” the Minister responded, “*The thing that was more important than the money was that we think that by doing this, we can improve the continuity of care in New Brunswick. That is our primary reason for doing this.*”

4.31 The written evidence and the oral evidence are not consistent. The written evidence we received, including the letter to the Auditor General, indicates the merger was being done for financial reasons. The oral evidence, our interview with the senior staff member, and the Minister’s response in the Legislative Assembly, indicates that the merger was being done to improve the continuity of care.

Conclusion

4.32 It is not clear whether the objective of the decision was to save money or improve the continuity of care. It is vital to the decision-making process that the objective of the decision be clearly understood by all individuals involved in making the decision. The alternatives for saving money within the Department would probably be different than the alternatives for improving the continuity of health-care.

Recommendation

4.33 **When a significant decision is to be made, the problem being resolved or the opportunity being addressed should be clearly understood by all individuals involved in making the decision.**

Departmental response

4.34 *Benefits to be achieved from the integration of the EMP into the region hospital corporations included financial benefits, as well as a*

smoother flow between hospital and home health care; this was clearly understood by all. We do not see any useful purpose in a debate as to which came first.

Searching for Alternatives

4.35 After a problem or opportunity has been identified, the next step in the decision-making process is to search for alternatives.

4.36 We saw no evidence that alternatives were considered. There were no alternatives presented in the budget submission relating to the proposed merger. The decision to be made was to accept or reject the proposal.

Conclusion

4.37 It is likely that the uncertainty of the decision's objective caused the omission of the exploration of alternatives. Identifying alternatives is a vital step in the decision-making process. As stated earlier, the alternatives for saving money within the Department would probably be different than the alternatives for improving the continuity of health-care. We saw no alternatives for either objective.

Recommendations

4.38 **Once the problem being resolved or the opportunity being addressed is clearly understood by all individuals involved in making the decision, time should be spent identifying alternatives.**

4.39 **When making a significant decision, several alternatives should be explored before one is selected as the solution.**

Departmental response

4.40 *The alternatives under consideration were clearly understood: the integration of the EMH into the region hospital structure, or the status quo, i.e. the continuation of the provincial Extra-Mural Hospital as a separate organization.*

Analyzing and Evaluating the Alternatives

4.41 The third step in the decision-making process is to select a solution to the problem or opportunity. This is done by analysing and evaluating alternatives, using judgement, experience and intuition and by negotiating among decision-makers. Since only one proposal was considered, that being to merge, it was not possible for us to perform any work on this step of the decision-making process.

4.42 We found the qualitative analysis (discussion of benefits and disadvantages) to be incomplete for the following reasons:

- There was no reference to the external evaluation of EMHC. This operational review had been done at the request of the Department and it was only a few months old. Although the scope of the evaluation was the effectiveness of the program, the report did have comments on its delivery (structure and management). We expected that this would be a valuable resource in the analysis.
- There is no evidence that the Extra-Mural Hospital Corporation's head office functions were examined to determine where there was

duplication with the hospital corporations and which roles would need to be maintained by the Hospital Services Branch. Whether it would be possible to assign specific responsibilities to the existing hospital corporations and the proposed Hospital Services Extra-Mural Program staff is an important step in maintaining service quality. The potential disadvantage of the loss of central quality control and direction over the EMH services was identified by the Department. With this serious potential disadvantage being known, it is unusual that it was not fully addressed in the analysis. We expected that the staff requirements for the newly created Hospital Services Extra-Mural Program component, along with their specific responsibilities, would be considered in the decision process in order to minimize the risk of loss in service quality.

- The analysis was done at a very high level with little or no consideration to the intricacies of service delivery. These include some of the program's key success factors (staff morale, information systems, purchasing of supplies, vehicle management) and the projects in progress for improving the program (a new documentation system in Sussex using handheld computers known as Patient Care Technology and a pilot-project in Miramichi for assessing and charting).

4.43 Quantitative analysis on the proposal to merge was done and both personnel and financial issues were considered. It indicated the reduction of 30 positions (FTEs) and anticipated net annualized savings to be \$1 million in 1996-97, \$2.6 million in 1997-98 and \$3 million in 1998-99.

4.44 We found that the quantitative analysis was not well supported. Phasing out leases and moving regional operations of EMHC within existing hospital space was reported as "*a significant portion of the anticipated savings (about 38%).*" The financial analysis assumed that the leases had cancellation clauses and some penalties were included in the analysis. However, as it turns out, there are some ten-year leases with no cancellation clauses.

4.45 The Department agrees that a sophisticated analysis was not done.

Conclusions

4.46 Only one option was analyzed and presented to BOM for consideration.

4.47 Some qualitative and quantitative analyses were done. We found the qualitative analysis to be incomplete and the quantitative analysis to be not well supported.

Recommendations

4.48 All significant decisions should be adequately supported by qualitative and quantitative analysis. The qualitative analysis should recognize the potential problems of the suggested solution and

indicate how they will be managed. The quantitative analysis should be done using reliable figures and where estimates and assumptions are used, they should be clearly identified.

4.49 The advantages of the selected solution over all other alternatives should be explained.

Departmental response

4.50 *We agree..... that the analysis of all the potential ramifications was not as complete as a retrospective, in-depth review permits; the quantitative analysis was done using the information available at the time, in the strict confines of the confidential nature of the measure.*

Authorization of the Decision

4.51 The Policy and Priorities Committee approved in principle a policy framework for the Department which included reference to the merger. BOM approved the decision when the budget was approved on 6 December 1995. The Minister announced the decision on 12 February 1996. The Policy and Priorities Committee and the Executive Council authorized the necessary legislative changes in February and March. The Orders in Council authorizing the legislation changes are dated 13 June 1996 and effective 1 July 1996.

Conclusion

4.52 The decision was properly authorized.

Responsibility for Developing Solutions and Making the Final Decision

4.53 Responsibilities should always be clearly assigned. In the decision-making process of government, the responsibility for developing solutions rests with management in the departments.

4.54 In the merge decision, four senior individuals in the Department were responsible for developing the proposal. Due to the sensitivity of the decision (closure of the EMHC's head office), the decision-making process was considered confidential and the group was kept small and limited to Department staff. A conscious decision was made not to include EMHC staff on the decision-making team.

Conclusion

4.55 Responsibility for developing solutions was appropriately assigned to departmental staff. However, the manner in which responsibility was assigned may not have led to a full review of options. The weaknesses in the analyses are likely the result of the composition of the decision-making group; no one had detailed knowledge of the subject of the decision, the EMHC.

The Time Frame of the Process

4.56 The decision-making process followed the Department's budget preparation and submission process. We were told that the merge proposal was discussed at meetings during the summer of 1995. The first formal documentation relating to the decision is dated 27 October 1995, titled *Merge NB EMH into the region hospital corporations*. This documentation accompanied the budget submission in November.

4.57 The Board of Management approval of the 1996-97 budget including the merge proposal occurred on 6 December 1995. The Minister announced the decision on 12 February 1996. The merger occurred on 1 July 1996.

Conclusion

4.58 A time frame was applied to the decision-making process. It appears reasonable.

Procedures for Executive Council Documents

4.59 The decision to merge the Extra-Mural Hospital Corporation into the eight regional hospital corporations did require approval by the Executive Council. This being the case, we determined that the appropriate reference for determining compliance with government procedures was the "Procedures Manual for Executive Council Documents." This manual was published by the Executive Council Office in October 1994. The Introduction to the Manual states:

The purpose of this manual is to outline for departments and agencies of the Government of New Brunswick the procedures that are to be followed in obtaining Executive Council approval of policies and legislation. The procedures outlined will ensure that decisions of the Executive Council, the Policy and Priorities Committee and the Board of Management are based on a complete knowledge of the circumstances that necessitate a decision and of the effect of the recommended action.

4.60 The procedures to be followed are quite specific. For instance, all information is to be presented under sections and no other sections are to be added. The ten sections to be used are as follows:

- subject;
- recommended action;
- background;
- legal authority for recommended action;
- interdepartmental consultation;
- external consultation;
- financial considerations;
- communications plan;
- contact person; and
- attachments.

4.61 Each section has its purpose and this is explained in detail in the Procedures Manual. We were particularly interested in the sections that have a direct bearing on the decision-making process and these are: Background, Interdepartmental Consultation, External Consultation and Financial Considerations.

4.62 The *Background* section requires “a concise but complete statement of the facts upon which the Recommended Action is based”. The manual requires all stakeholders to be identified and an explanation in non-technical terms as to what the current situation is and what problems are being addressed. It should normally offer alternative solutions. And if the decision is related to Public Health, there must be information on the impact that it will have on the health of New Brunswickers.

4.63 The purpose of the *Interdepartmental Consultation* section is to give the decision-makers the names of government departments and Provincial agencies that have been consulted and the substance of their replies. It is important to indicate whether there is agreement or disagreement with the recommendation. “*This section should satisfy Cabinet Committee Members that proper interdepartmental consultation has been carried out, and what the results were.*”

4.64 In the *External Consultation* section there should be a list of all groups, organizations and relevant businesses that have been consulted, and their responses. The objective of this section is the same as the section on Interdepartmental Consultation.

4.65 The *Financial Considerations* section must present all cost and revenue estimates for the action being contemplated. “*The financial impact on other departments and agencies as well as external groups and organizations should also be included. Savings that will result from a proposed action for the current fiscal and each of the succeeding two fiscal years should be shown.*”

4.66 In our attempt to establish compliance with the “Procedures Manual for Executive Council Documents,” we were informed that no document was presented to the Board of Management in accordance with the prescribed guidelines.

4.67 The only document received by the Board of Management that addressed the issue was part of the 1996-97 budget submission for the Department of Health and Community Services. This budget submission was a large, 181-page document, of which only three and one-half pages were devoted to the merge decision. We examined these three and one-half pages and noted that many fundamental provisions from the guidelines were not included. For instance, there was not a clear description of all stakeholders and no alternatives were considered. There was no reference to any interdepartmental or external consultations. We did note, however, that there was clear indication as to what impact the decision would have on budgets for the current and succeeding two fiscal years.

Conclusion

4.68 The procedures that are to be used in obtaining Executive Council approval were not followed.

Recommendation

4.69 All managers and staff involved in the decision-making process should familiarize themselves with the Manual to ensure that decisions requiring approval by the Executive Council, the Policy and Priorities Committee and the Board of Management are prepared for submission according to the documented procedures.

Departmental response

4.70 We agree with the recommendation and we believe we conformed to it. One must recognize the particular context and processes associated with the annual budget submission to government by departments.

Significant Decisions are Reported in the Annual Report

4.71 The merge decision was referred to in the *Annual Report for Health and Community Services* in two consecutive years. The 95-96 *Annual Report*, the year of the announcement of the merge decision, lists the legislation changes regarding Extra-Mural Hospital Corporation. The 96-97 *Annual Report*, the year of implementation of the merge decision, states the decision and the chief benefit of decentralizing these services.

Conclusion

4.72 We were pleased to see that the merge decision was reported in the Department's annual report in both the year the decision was made and the year it was implemented.

Evaluation of the Decision After it has Been Made and Implemented

4.73 After a significant decision has been implemented, it should be evaluated to determine if the objective of the decision was met and whether the outcomes were as expected; and if not, why. Our review of the Journal of Debates (Hansard) for the time when the Legislative Assembly discussed the proposed legislative amendments required for the merger, showed that the Department recognized the importance of evaluating this particular decision. When responding to the statement, "I would like the minister to indicate to the House if he can point to one jurisdiction that stands as having had success with merging home care under the auspices of institutions?" the Minister said, "There is no jurisdiction I can point to that has an Extra-Mural Hospital system similar to what we have had in NB. We have to watch this to make sure that we get the gains we think we are going to get and do not end up with losses. That is a judgmental thing. It requires us to be vigilant as we go along." We were surprised to learn that the Department has not evaluated the decision and has no intention of doing an evaluation.

4.74 The decision was made in December 1995 and the merger occurred in July 1996. As of January 1999, the decision to integrate the EMHC into the hospital corporations had not been evaluated. There are no plans to do so.

Conclusion

4.75 The decision has not been evaluated. There has not been an analysis to determine whether the projected savings occurred and there has not been a review to determine whether any of the other benefits were realized.

Recommendation **4.76** All significant decisions should be evaluated to determine if the objective of the decision was met and whether the outcomes were as expected; and if not, why. Where the results dictate, necessary changes should be made.

Departmental response **4.77** We agree with the recommendation, in the general context of limited resources and associated priorities of Government.

Conclusion **4.78** We examined the decision-making process to determine if proper steps were taken in making the decision to merge the NB Extra-Mural Hospital Corporation into the eight regional hospital corporations.

4.79 We gathered evidence through reviewing documentation and interviewing. Based on this evidence, it appears that not all the attributes of a good decision-making process were present. The most serious shortcomings we identified were: a failure to identify the objective of the decision; a failure to identify and analyze alternatives to resolving the problem or opportunity; sending an information package to the decision-makers that was not completed according to the prescribed guidelines; and not evaluating the decision after it had been implemented. However, we are not sure that our examination was complete and that we examined all the relevant information. Therefore, we are unable to conclude as to whether all proper steps were taken by the Department of Health and Community Services when making the decision to merge the Extra-Mural Hospital Corporation into the eight regional hospital corporations.

4.80 There was no central file on the decision. This made it difficult to establish whether or not appropriate steps were taken by the Department of Health and Community Services. We think important information supporting major decisions should be kept in one file. This could serve several purposes. It would preserve the “corporate memory” of the entity, as turnover in positions is inevitable. It could serve as a reference for future decisions. It would serve the accountability function by presenting justification and rationale, should a decision be questioned after the fact.

Recommendation **4.81** When a significant decision is to be made, a file should be maintained holding all relevant information including: the problem or opportunity being addressed and the objective of the decision; the names of the individuals involved and consulted with in the process; the time frame; the alternatives considered; qualitative and quantitative analysis; and conclusions made.

Departmental response **4.82** We agree with the recommendation.