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AHS Board approves Consolidated Financial Statements

CALGARY— Alberta Health Services today released its Consolidated Financial Statements for April 1, 2010 to March 31, 2011. The statements have been audited by the Office of the Auditor General of Alberta, and include senior executive compensation. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reporting requirements of Financial Directives issued by Alberta Health and Wellness.

Overview of 2010/2011

AHS began operations on April 1, 2009, with an opening accumulated deficit of \$343 million from the former health entities. In February 2010 the Five-Year Funding Plan was announced, including funding the accumulated deficit of AHS in two phases: \$343 million in the prior year and \$527 million in the current year.

The operating surplus (deficit) for budget and both current and prior year actuals include deficit funding from Alberta Health and Wellness (AHW). The AHS operating surplus excluding deficit funding for the year ended March 31, 2011 is \$329 million compared to a budget of \$103 million. The \$226 million positive variance is primarily due to lower than budgeted expenses resulting from the timing of recruitment of positions for the implementation of new initiatives and filling of vacancies, lower utilities expenses, and higher patient fees and charges.

The operating surplus impacted accumulated surplus (deficit) and was utilized as follows (in millions):

Accumulated deficit, beginning of Year	\$(527)
Operating surplus	<u>856</u>
Accumulated surplus after operating surplus	329
Utilization of operating surplus:	
Used for internally funded capital assets	(146)
Internal restrictions to assist funding of South Health Campus in Calgary and to establish a parking infrastructure reserve for future maintenance, upgrades and construction	<u>(67)</u>
Accumulated surplus, end of Year	<u>\$ 116</u>

The resulting accumulated surplus for the year ended March 31, 2011 is \$116 million. AHS annual expenditures of \$10,976 million equate to approximately \$30 million per day, hence the accumulated surplus represents approximately 3.8 days of expenses.

Revenue

Total Revenue was \$11.83 billion compared to a budgeted \$11.81 billion.

Revenue	Budget 2011	Actual 2011	Variance	Actual 2010	Increase (Decrease)
Alberta Health & Wellness contributions	\$10,300	\$10,312	\$12	\$8,852	\$1,460
Other government contributions	98	101	3	103	(2)
Fees and charges	612	622	10	578	44
Ancillary operations	112	112	0	120	(8)
Donations	30	29	(1)	20	9
Investment and other income	289	292	3	261	31
Amortized external capital contributions	370	364	(6)	305	59
Total revenue	\$11,811	\$11,832	\$21	\$10,239	\$1,593

Expenses

Total expenses in 2011 increased by 4.8 per cent from 2010 and were lower than budgeted amounts by 1.8 per cent. This increase in expenses was primarily due to labour and contract inflation, increased volumes and expansion of services. AHS' distribution of expenses has remained consistent with the previous year, with inpatient acute nursing services and diagnostic and therapeutic expenses making up over 40 per cent of total expenses. The largest increases as compared to the prior year were seen in facility-based continuing care, information technology, community-based care, and support services.

Administrative Cost Savings

Administration is comprised of human resources, finance and general administration.

Administration amounted to \$307 million compared to a budget of \$375 million, resulting in a positive variance of \$68 million or 18.1 per cent due to vacancy management initiatives and savings targets achieved, decreased discretionary spending in the areas of consulting services, travel, and education/sundry expenditures, and reduced specialized recruitment and retention programs.

There is a decrease of \$74 million from the prior year.

Executive compensation

Senior leaders in Alberta Health Services are required to participate in a 'pay-at-risk' program. Under this program, a component of remuneration is withheld and released (in full or in part) at the end of the year based on the achievement of defined, measureable performance objectives determined at the outset of the budget year. The goals tie directly to measures outlined in the 5-Year Health Action Plan. Goals established for the President and Chief Executive Officer and his direct reports are approved by the Board and published on the Alberta Health Services' website. Payments under the pay-at-risk program are included in the Consolidated Financial Statements in Schedule 2. All pay-at-risk is subject to completion of annual individual performance reviews. Payment is made to the extent objectives are achieved.

In the year ended March 31, 2011, AHS paid senior executive \$564,278 in pay at risk and variable pay.

Moving forward, the AHS Board has made a number of changes to ensure greater focus on meeting performance expectations and ensure incentives for improved performance align with AHS priorities of AHS, particularly with Tier 1 measures from the Five Year Health Action Plan.

Severances

In the year ended March 31, 2011, AHS paid a total of \$13.348 million in severances, including terminations and voluntary exit programs.

The severance for former President & CEO Dr. Stephen Duckett is included in the financial statements. The reported severance includes 12 months base salary, and 15 per cent of the severance in lieu of other benefits, in accordance with his contract. The severance will be paid when a final release is signed.

Alberta Health Services is the provincial health authority responsible for planning and delivering health supports and services for more than 3.7 million adults and children living in Alberta. Its mission is to provide a patient-focused, quality health system that is accessible and sustainable for all Albertans.

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