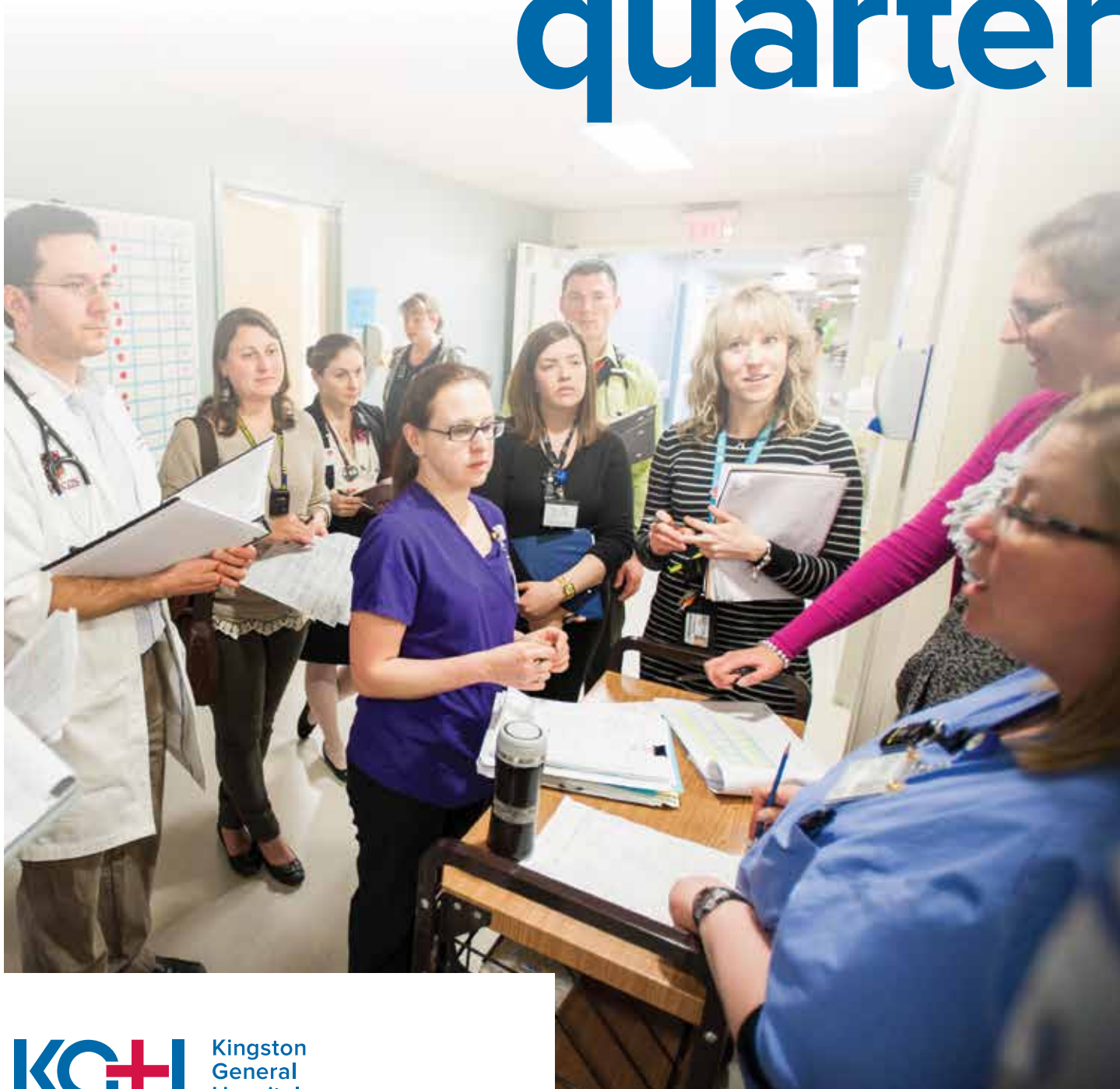


fiscal 2014-2015 **Q2**

2nd quarter ended September 30, 2014

KGH this quarter



Kingston
General
Hospital

Outstanding care, always



CEO Update

Welcome to *KGH This Quarter*, our quarterly public report on progress against our annual corporate plan and our long-term strategy for achieving Outstanding Care, Always. Our second quarter ended September 30, 2014. As you will see in this report, only 48 per cent of our Annual Corporate Plan performance targets and 33 per cent of our Quality Improvement Plan targets are on track. This is below our expected performance at this point in the year and we have completed an in-depth review of contributing factors and risks. Where appropriate, we have adjusted our action plans to help improve our results and with continued effort and targeted adjustments in our approach, we believe that 70 per cent of our strategy targets will be on track by March 31, 2015. Our board will continue to closely monitor our progress.

The first six months of the year have been challenging – the volume of patients coming to our Emergency Department is higher than anticipated, the number of people requiring admission to hospital is up, and the number of people who are waiting in hospital for transfer to non-acute care settings has increased. As a result, patients are waiting longer in the ED and there are fewer acute-care beds available. KGH has been in a nearly constant state of Gridlock over the past few months, which puts additional stress on patients and families, staff and our community. We know that there are system level issues that need to be addressed in collaboration with our hospital partners and internal teams.

Despite the fact that system challenges are not ours alone to solve, we are nonetheless committed to making things better for our patients and their families.

As we speak, we are closely examining our performance and ensuring that our efforts are channeled in the right direction. Wherever there are issues that are within our control to address, we are moving ahead with targeted improvements. For those system issues that are not directly within our control, we are working diligently with our partners to improve access to seamless, high quality care.

I am proud of how everyone who works, learns and volunteers at KGH has risen to the challenges we face and worked hard to create the best possible experience for our patients and their families. In spite of our difficult circumstances, our patient satisfaction survey results have remained high, which tells us everyone is doing their best.

I am happy to report that we have achieved our target of having \$20 million to invest in the facilities, equipment and technology we need to deliver outstanding care. This is enabling us to do a lot of important things to address our challenges and ensure our people have the tools they need to problem solve and innovate.

Our Q2 performance results are reported more fully in this document. I encourage you to read *KGH This Quarter* and send us any questions or comments you have to kghsmc@kgh.kari.net. For more detailed information, you can access the *KGH Strategy Performance Report* on our website where you can see how each of the indicators has trended over the past five quarters and what actions are being taken to improve performance.

Thanks for your interest in KGH. Stay tuned, we're on the move!

In this document, we report the status of our performance as either green, yellow or red. Here is what the colours mean:

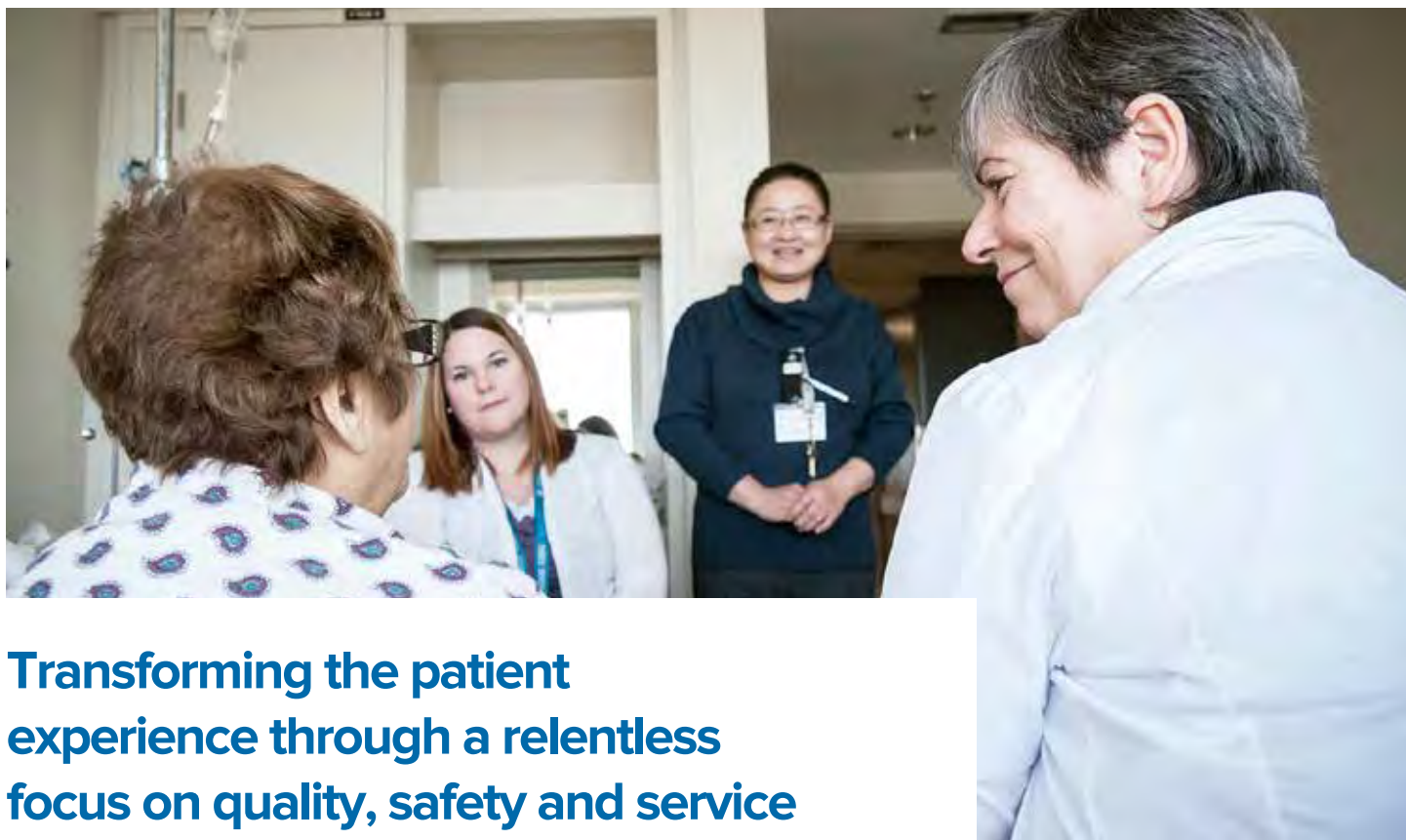
Status	Meaning
Green	On target
Yellow	Approaching target. Requires attention
Red	At risk. Focused review and action planning underway



To read more about strategy and performance at KGH, visit us online at www.kgh.on.ca

Sincerely,

Leslee Thompson
President and Chief Executive Officer



Transforming the patient experience through a relentless focus on quality, safety and service

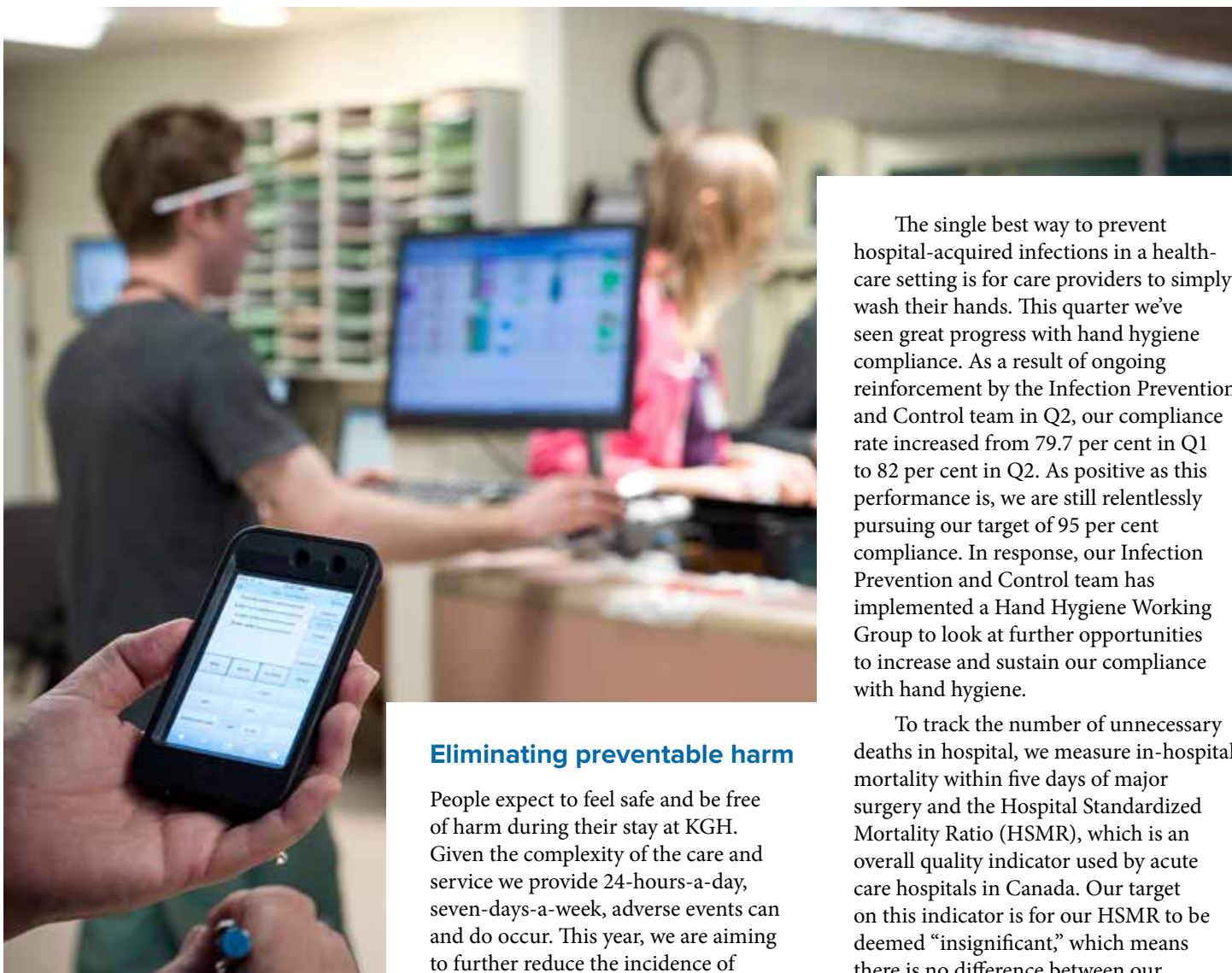
Engaging patients

Partnering with patients and families is what defines the KGH Way. For the past four years we have been working towards an inclusive environment that puts patients and their families at the table for all decisions that influence the patient experience at our hospital. As of Q2, there are over 60 Patient Experience Advisors embedded within our programs, committees and project teams.

This year we are aiming to increase our overall patient satisfaction from 95 per cent to 97 per cent. To help us achieve this, we have rolled out the Communicate with H.E.A.R.T. training program that aims to improve how we communicate with our patients, their families, and each other. Created by the Cleveland Clinic and customized to reflect the unique culture and values of KGH, it is a health-care focused service model that empowers people to address and respond to questions in such a way that each person feels he or she was truly heard.

The H.E.A.R.T. program helps everyone understand the nine service behaviours that support positive and productive interactions. This model will provide all hospital staff, along with volunteers and physicians, with the practical knowledge to help them address patient concerns. It will also help staff to communicate with patients, families and co-workers with empathy.

This year, our aim is to train 500 people in the H.E.A.R.T. program. As of Q2, 224 KGH staff, learners and volunteers have completed the training, placing us at the halfway mark and firmly on track to achieve our target. The positive effects of this training are already beginning to take place. We are increasingly seeing positive feedback from patients and families that they are noticing a difference in their interactions with staff.



Eliminating preventable harm

People expect to feel safe and be free of harm during their stay at KGH. Given the complexity of the care and service we provide 24-hours-a-day, seven-days-a-week, adverse events can and do occur. This year, we are aiming to further reduce the incidence of hospital-acquired infections, unnecessary deaths in-hospital, specimen collection and labeling errors, medication events and falls.

In Q2, we saw a slight increase in the number of people who acquired *C. difficile* in our hospital. This quarter, we saw an average of 14 patients acquire *C. difficile*. This increase is largely due to an isolated incident that occurred on one unit. Public Health was notified and determined that there was no need to declare an outbreak. As an added measure, extra cleaning precautions were taken to clean core areas and shared equipment, and we're confident that we will see improvement in this indicator in the next quarter.

The single best way to prevent hospital-acquired infections in a health-care setting is for care providers to simply wash their hands. This quarter we've seen great progress with hand hygiene compliance. As a result of ongoing reinforcement by the Infection Prevention and Control team in Q2, our compliance rate increased from 79.7 per cent in Q1 to 82 per cent in Q2. As positive as this performance is, we are still relentlessly pursuing our target of 95 per cent compliance. In response, our Infection Prevention and Control team has implemented a Hand Hygiene Working Group to look at further opportunities to increase and sustain our compliance with hand hygiene.

To track the number of unnecessary deaths in hospital, we measure in-hospital mortality within five days of major surgery and the Hospital Standardized Mortality Ratio (HSMR), which is an overall quality indicator used by acute care hospitals in Canada. Our target on this indicator is for our HSMR to be deemed "insignificant," which means there is no difference between our hospital's mortality rate and the overall average rate. As of Q2, we do not have current HSMR data. This quarter we saw 10 in-hospital deaths following major surgery, which is greater than the provincial target and an increase from our Q1 result of six. As always, we continue to conduct regular reviews of in-hospital mortality in all KGH clinical departments so that we can understand the causes of deaths that occur in our hospital. Where those deaths are unexpected, we use mortality reviews to identify opportunities for improvement. Recommendations, if any, are forwarded to the Joint Quality and Utilization Committee and the Medical Advisory Committee for review.

Medication safety is a top priority to help eliminate all preventable harm to patients. This year, we are aiming to ensure all patients receive a best possible medication history (BPMH) when they are admitted and to reduce medication errors. In Q2, 75 per cent of patients had a BPMH taken upon their admission, which is a positive improvement over last quarter. Having a BPMH helps to inform care plans for patients and ensure safe, effective prescription of medications. One way that we are continuing to work on this target is by developing admission order sets that incorporate BPMH. These are groupings of standard orders that are used to expedite the physician ordering process for admitting patients to particular services within the hospital. This quarter, we saw continued progress with the adoption of admission order sets in surgery with one new order set approved for use in Orthopedics. That being said, there are some areas that are falling behind with adoption of order sets. Efforts are underway to develop a standard surgical admission order set that will help us improve the number of services completing BPMH with all patients admitted to our hospital.

In Q2, we continued to install automated drug dispensing cabinets throughout the hospital. These cabinets improve efficiency, enable access to a wide variety of drugs at a moment's notice and control the administration of drugs to prevent incorrect or unnecessary drug use. This year, we are aiming to reduce medication incidents specifically related to the administration of morphine and hydromorphone. In Q2, there were 14 reported incidents related to these two medications, which is a significant improvement over our Q1 result of 23. We expect that the continued rollout of the drug cabinets and additional work by the Medication Safety Committee to recommend safeguards will help us achieve our target of reducing these incidents to 12 by year-end.

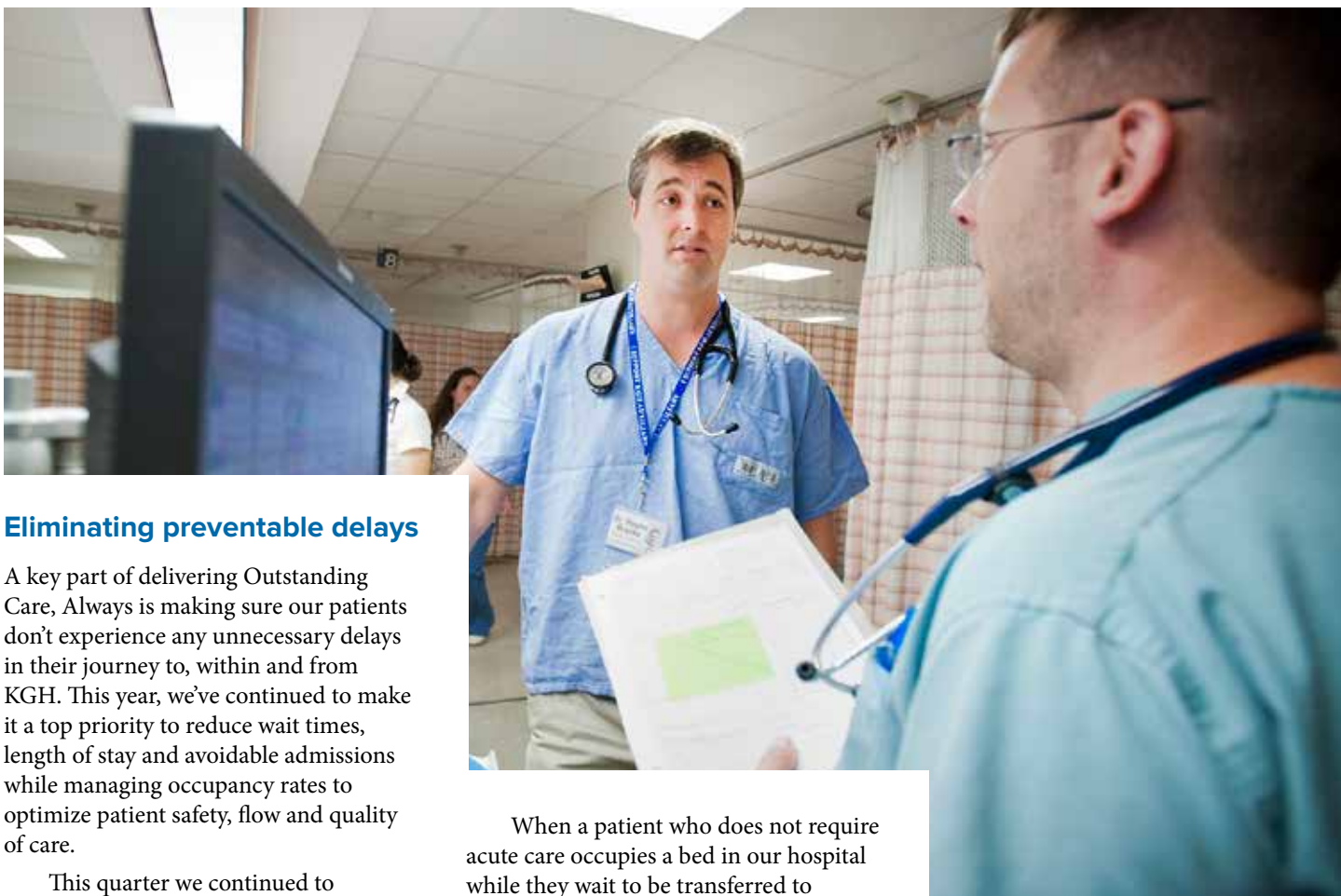
Falls are one of the top three sources of preventable harm to patients at KGH. To help us meet our aim of eliminating patient falls that result in moderate or severe harm, we are delivering education on two programs. The Falling Star program helps staff identify patients at risk of a fall so they know that extra care is needed. The MOVE-ON ARTIC program keeps elderly patients mobile to prevent loss of muscle strength, which puts them at an increased risk of falling.

Education on both of these programs was successfully delivered to all clinical area implementation teams. In Q2, four falls occurred in instances that involved ambulating patients, an increase from one in the first quarter. Improvement teams have been established to support increased consistency in the use of our two fall prevention programs and to help identify opportunities to eliminate falls, including ensuring we have the right equipment, eliminating trip hazards and managing medications. While positive work is underway, we will not achieve our target of zero patient falls this year.

Patients are counting on us to test their samples quickly and accurately to support their diagnosis and treatment. However, sometimes these samples are collected or stored improperly, or are mislabelled or mismatched. In Q2, we saw a significant reduction in specimen labelling errors with a total of 80 mislabelled specimens, down from 102 in Q1. This is a dramatic improvement from previous quarters which saw numbers in the hundreds. This continued positive downward trend brings us closer to our stretch target of 45. In Q2, we also completed our lab order entry project, which automates the process of ordering lab tests while helping to reduce test turnaround time and errors.

The Surgical Safety Checklist was put in place to improve safety before, during and after any surgical procedure. We monitor its use to make sure that all three phases of the checklist are being completed for every surgery that takes place in our hospital. As of Q2, the checklist was performed for 99 per cent of surgeries in our hospital against our target of 100 per cent. The creation of a new paediatric and orthopaedic-specific surgical safety checklist was completed and will be implemented in Q3.





Eliminating preventable delays

A key part of delivering Outstanding Care, Always is making sure our patients don't experience any unnecessary delays in their journey to, within and from KGH. This year, we've continued to make it a top priority to reduce wait times, length of stay and avoidable admissions while managing occupancy rates to optimize patient safety, flow and quality of care.

This quarter we continued to struggle with reducing the amount of time patients wait to be admitted from our Emergency Department. In Q2, 288 patients waited longer than 32.6 hours for an inpatient bed, against our target of 25 hours. We also experienced six episodes of 'Code Gridlock' at KGH, lasting for a total of 498 hours. Gridlock occurs when there are significant delays in moving patients through the hospital to their intended destination and it challenges our ability to admit new patients to the hospital. Work is continuing on our bed map project which will redistribute bed resources amongst our clinical services based on the volume and activity we are experiencing and this is expected to help with patient flow and decrease wait times in the Emergency Department. The Patient Flow Task Force continues to meet twice a month and review additional opportunities for moving patients safely and effectively through the hospital in a timely manner.

When a patient who does not require acute care occupies a bed in our hospital while they wait to be transferred to a more appropriate setting, such as a long-term care home, the patient is designated alternate level of care (ALC). Over the past five quarters, the number of ALC patients has remained unchanged. In Q2, we saw an average of over 40 patients per day, which is well above our target of 20. Since Q2, this number has continued to grow. Reducing the number of patients who wait to receive care in another setting is a focus for teams across the hospital and great effort is underway to help reduce this number. We have assigned a staff member to lead ALC process improvements and are doing a refresh on the education of ALC designation criteria to ensure that care providers do not create expectations on the part of the patient or family. We are also looking at this issue on a regional level and mobilizing partners to help develop a long-term solution so that patients in our region receive the right care, in the right place at the right time.

As of Q2, 75 per cent of clinical services met wait time targets against our target of 100 per cent. This is a positive increase from our first quarter results. It's important to note that our median and average wait times are still well below provincial benchmarks. When a patient and surgeon decide to proceed with surgery, a priority score is assigned based on standard criteria for when that patient's surgery should take place. Education is underway to ensure consistency in how priority scores are assigned, and routine monitoring of patients with extended waits is taking place to proactively identify where patients may be waiting too long for surgery.

KGH 2015 Outcome	2014/15 Improvement Priorities	2014/15 Targets	Status
Patients are engaged in all aspects of our quality, safety and service improvement initiatives	Partner with patients to address priorities identified in our patient surveys and feedback	Overall patient satisfaction increases from 95 to 97 per cent	N/A
All preventable harm to patients is eliminated	Reduce the incidence of hospital acquired infections and unnecessary deaths in hospital	C-Difficile rate is reduced from 0.44 to 0.37	Red
		Hand hygiene compliance rate improves from 84 to 95 per cent	Red
		Hospital mortality within 5 days of major surgery is at or better than the Provincial teaching hospital average	Red
		Hospital standardized mortality ratio is at the standard rate of 100 and/or deemed "not significant"	N/A
	Reduce the incidence of specimen collection errors, medication events and falls	Medication reconciliation improves from 72 to 100 per cent for all admissions	Red
		Level 3 and 4 patient falls are eliminated	Red
		Reduce morphine and hydromorphone administration incidents from 24 to 12 per quarter	Green
		Reduce specimen collection and labelling errors from 225 to 45 per quarter	Red
		All three phases of the Surgical Safety Checklist are performed for all surgeries	Green
All preventable delays in the patient journey to, within and from KGH are eliminated	Reduce wait times, length of stay and avoidable admissions	ED wait time for admitted patients improves from 33 to 25 hours	Red
		Percent of ALC days improves from 11 to 7	Red
		Clinical services meeting wait time targets improves from 83 to 100 per cent	Red
	Manage occupancy rates to optimize patient safety, flow and quality	Overall medical/surgical occupancy rate improves from 98 to 95 per cent	Red
		OR cancellation rate is reduced from 5.4 to 5.0 per cent per quarter	Yellow

Bed occupancy is an important efficiency indicator for hospitals. Optimal occupancy is said to be 85 per cent, which allows for appropriate staffing and capacity to respond to potential surges in clinical activity. Managing our occupancy rate is an important part of optimizing patient safety, flow and quality. This quarter we saw an increase of our medical/surgical occupancy rate to 100 per cent, which is an increase from our first quarter result of 96 per cent. The number of ALC patients, increased volumes of patients in the Emergency Department and numerous episodes of 'Code Gridlock' challenged our ability to meet this target. To help address this challenge, we will be adding 14 permanent beds to help enable patient flow once appropriate staffing is in place. Gridlock has become a persistent

state at KGH and we are working with regional partners and the SE LHIN to create initiatives to improve community supports and to help raise awareness of when it is appropriate to access the Emergency Department.

When patients are scheduled to undergo surgery in our hospital, they expect to be seen as planned. Unfortunately, surgeries can and do get cancelled for a variety of reasons - some of which are related to our role as the region's only complex-acute and specialty care hospital, and some of which are avoidable. In Q2, 178 patients had their surgeries cancelled, which is consistent with the number of cancellations we had in Q1. Though many of these cases were out of our control, we know that the reasons for 33 of those cancellations

could have been identified earlier so those OR times could be assigned to other patients. These included reasons such as incomplete surgical screening, patients not fasting as directed prior to their procedure, patients who were unavailable at the scheduled time, and instances where surgery was no longer required. To help reduce our surgical cancellation rate, our OR cancellation working group has developed several new tactics, including quarterly meetings with program leaders and administrative staff to review surgical bookings, enhanced communication of patient volumes and wait times to support monitoring of bookings, creation of a booking resource person to support office staff, patient follow up calls and enhanced communication to patients about preparation for surgery.



Bringing to life new models of interprofessional care and education

Building on our interprofessional collaborative practice model

KGH is on a journey to partner with patients in everything we do. This is the foundation of our Interprofessional Collaborative Practice Model (ICPM), which features teams of health-care professionals working together to deliver patient and family-centred care. This year, we are working to increase the adoption of our five patient and family-centred care standards in every clinical area of the hospital to support everyone who works, learns and volunteers at KGH to use these approaches consistently. These standards include patient-led feedback forums where recently discharged patients come back to share their stories about what went well and where we could have improved their experience; ID badges worn at chest level so names can be easily seen and read; patient communication whiteboards completed at every shift

change to improve communication between care teams, patients and families; staff introducing themselves to patients and family members and hourly rounding to ensure each patient is seen by a staff member every hour. Each quarter, we audit compliance with each of these standards and as of Q2 we achieved 92 per cent compliance, a slight decrease

from our Q1 rate of 94 per cent. To help support meeting our target of 100 per cent compliance, managers have been made aware of this decrease and will be working with staff to help increase awareness and compliance with each of the five standards. As our H.E.A.R.T. program training continues to roll-out we expect to see improved communications.

KGH 2015 Outcome	2014/15 Improvement Priorities	2014/15 Targets	Status
Our Interprofessional Collaborative Practice Model (ICPM) is implemented in every clinical area with high ratings from patients, staff and learners	Increase adoption of patient- and family-centred care standards in every clinical area	Adoption rates for all five patient- and family-centred care standards increase from 81 to 85 per cent	Green
KGH is recognized as a centre of excellence in interprofessional education			

Cultivating patient-oriented research

Strengthening clinical research

Patient-oriented research brings patient outcomes into sharper focus and is a hallmark of what we do at KGH. Over the past several years, we have made deliberate and impressive strides to position KGH as a globally competitive research hospital. We established the Kingston General Hospital Research Institute (KGHRI) to help us consolidate and realize our research potential. We are now building on this enterprise by partnering with Queen’s University and our local academic hospitals to create a Kingston-wide health research institute that will help with the coordination, visibility, promotion and growth of health research across Kingston.

In Q2 we selected a vendor to begin working on the creation of a constitution, structure, governance and business plan for this joint venture. The vendor has now started a landscape survey of the research enterprises at our partner hospitals and Queen’s University. We are also moving forward with the creation of a KGHRI website, which will help to put a face on health research at KGH and make it easier for researchers, industry partners and patients and families to get involved with patient-oriented research at KGH. A big success for this quarter has been reaching the target of increasing research revenue by 51 per cent. This accomplishment will help to further position KGH as a top research hospital in Canada.

KGH 2015 Outcome	2014/15 Improvement Priorities	2014/15 Targets	Status
Externally funded research at KGH has increased by 50%	Advance the plan for a Kingston-wide health research enterprise	Establish research joint venture with Queen’s University and Kingston hospital partners	Green



Increasing our focus on complex-acute and specialty care

Aligning and integrating health system services

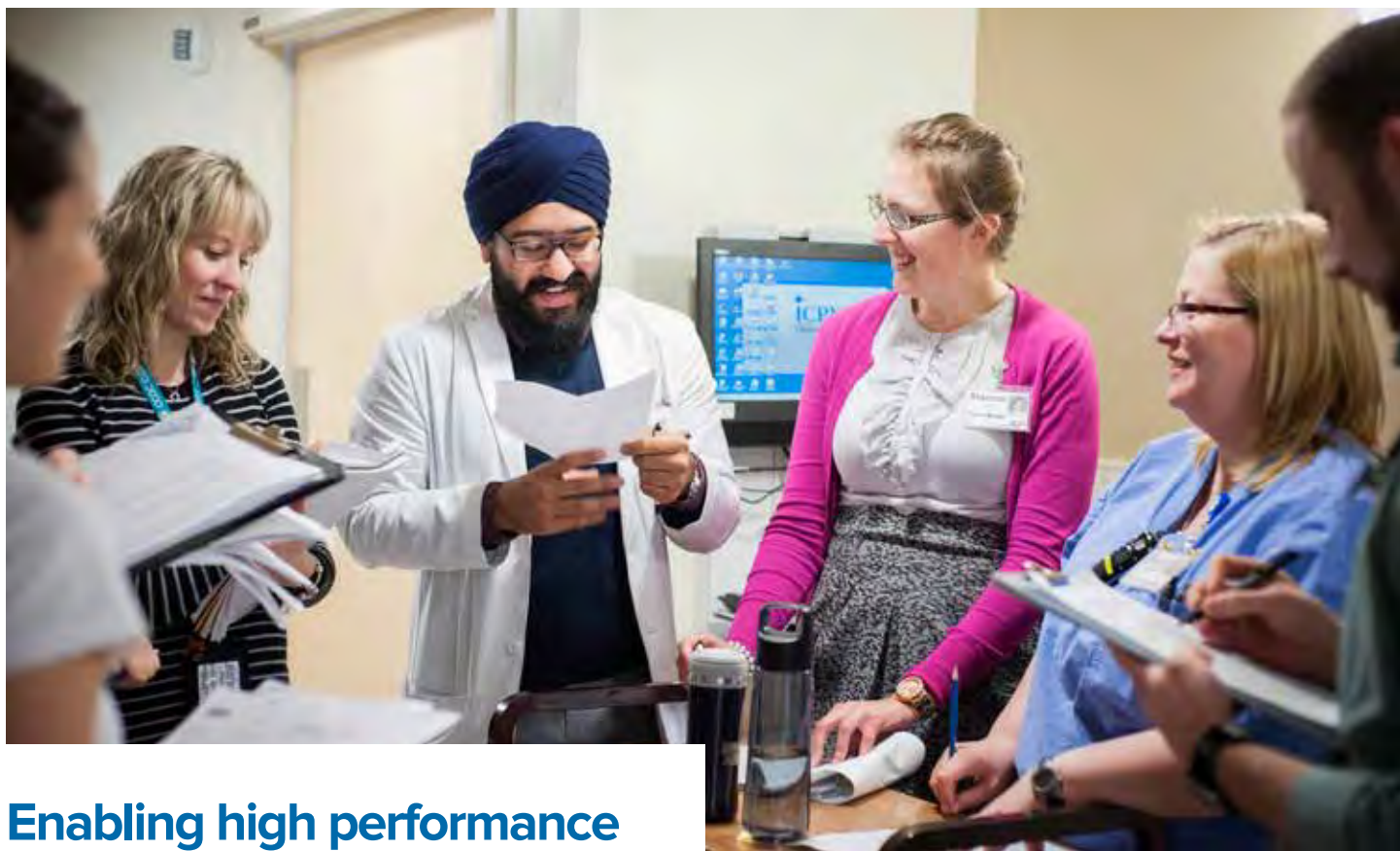
KGH is an integral part of the broader health-care system, and we are working closely with other health-care organizations to develop a well-integrated system of care that meets the needs of patients today and into the future. To do this, we are focusing on reducing the rate at which patients return to the hospital within 30 days of discharge. This is an important indicator of quality of treatment, discharge practices and follow-up care. The latest data that we have from the Ministry of Health and Long-Term Care from Q2 of last fiscal year shows that 19.04 per cent of patients need to be readmitted within 30 days of discharge, above our goal of 12.9 per cent.

KGH 2015 Outcome	2014/15 Improvement Priorities	2014/15 Targets	Status
KGH services are well aligned and integrated with the broader health-care system	Reduce 30-day readmission rates	30-day readmission rate improves from 15.6 to 12.9 per cent	N/A

While many factors contribute to patients being readmitted following discharge from our hospital, we know that receiving good instructions on proper medication use, wound care and other follow up instructions, as well as the availability of care supports in the community are important determinants of whether patients will need to be readmitted.

We are actively working with our partners in the local Health Links initiative to ensure appropriate community supports are in place for recently discharged patients and to ensure that discharge summaries are sent to our patients' family physicians within 72 hours to facilitate their ability to provide follow-up care. We are also conducting a continuous improvement exercise to better understand all the factors that influence patients being readmitted to hospital and identify opportunities for improvement.



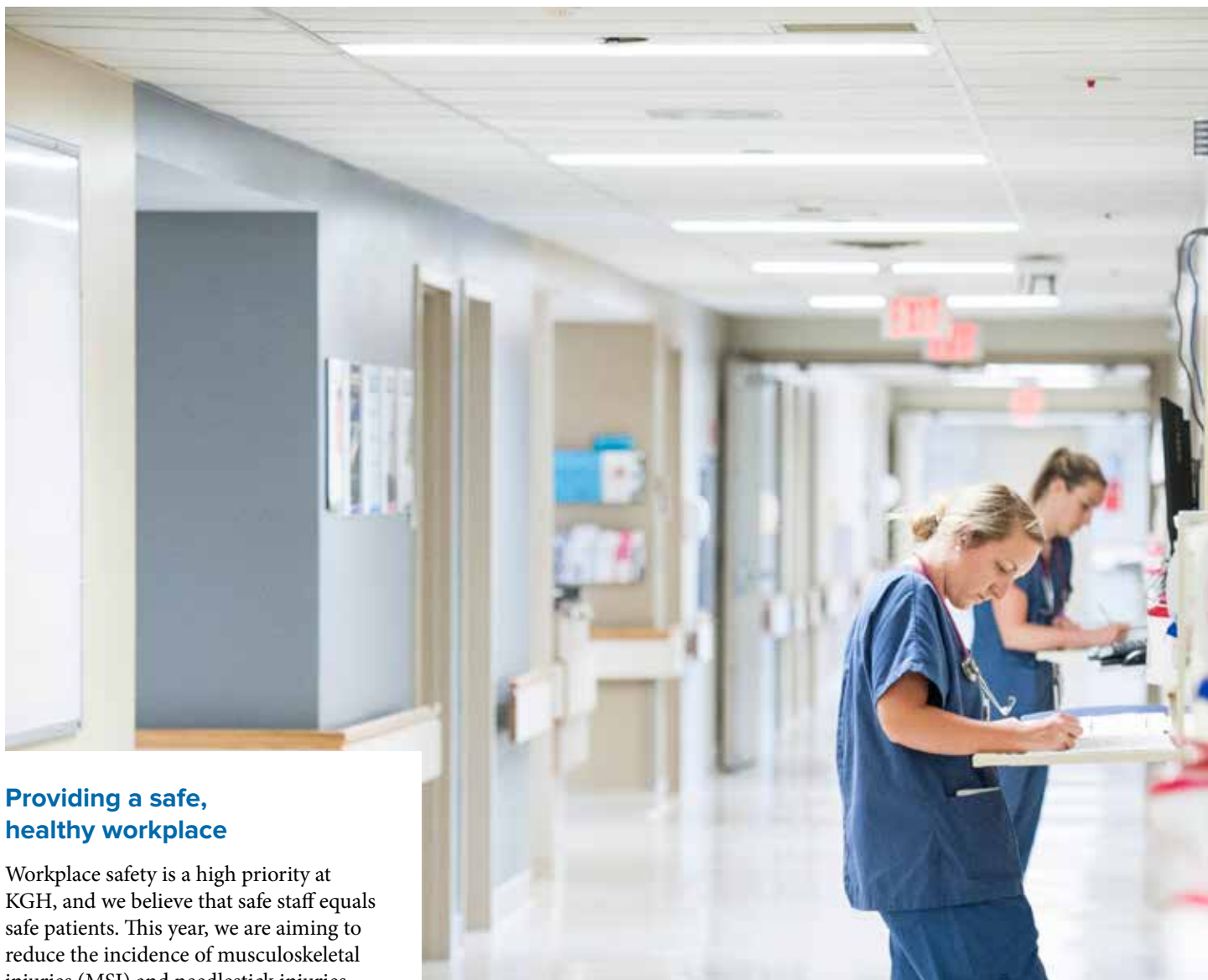


Enabling high performance

Improving staff engagement

A hospital is made up of much more than bricks, mortar and medical equipment. It takes people to deliver Outstanding Care, Always. That's why turning our hospital into a positive, dynamic and healthy workplace is a top priority. Last year, we conducted organization-wide employee, volunteer, and physician engagement surveys, which provided us with valuable information about where we can improve to support our peoples' ability to be engaged in the workplace. By the end of last year, every leader had shared the survey results with their teams and all teams had created action plans to strengthen and build engagement in their area of the organization.

This year we have put in place a corporate engagement plan with quarterly engagement tactics to address the priorities identified in our engagement surveys. The four areas of focus identified in our employee engagement survey results included trust, recognition, education and career development and health and wellness. In Q2 we expanded our Peer Partner program and enhanced communication of the health and wellness supports available at KGH. We also conducted touchpoint surveys with a cross section of employees to see how they are feeling about engagement in their areas of the organization as a gauge on our progress. At the same time, managers and directors will be working with their teams to make sure their areas' Engagement Action Plans are being implemented and refined as needed and that performance reviews and agreements continue to be completed.



Providing a safe, healthy workplace

Workplace safety is a high priority at KGH, and we believe that safe staff equals safe patients. This year, we are aiming to reduce the incidence of musculoskeletal injuries (MSI) and needlestick injuries through the implementation of hazard recognition and control. As the most prevalent type of injury in the healthcare sector and at KGH, MSIs can result in lost time from work and possible permanent impairment for staff. In Q2, we had 25 MSI injury claims, well above our target of 6 and an increase by four incidents from last quarter. We have made revisions to MSI patient training in our online patient handling courses, have begun weekly reporting of MSI incidents and developed a quarterly dashboard including MSI metrics. While much good work is underway to reduce MSIs we will not reach our target of 24 claims or less by year end.

In Q2, we also had an increase of needlestick injuries with 16 incidents, against our target of 12. To help reduce needlestick injuries, we have finalized Needle Safety Training which will be rolled out in Q3 and are continuing to work on converting insulin needles to insulin pens. Insulin pen devices offer a number of safety features, including patient-specific dose formulation, convenient dose measurement, accurate dose delivery, and shielded safety needles. As a result of this conversion and the implementation of Needle Safety training, we expect to see a reduction in needlestick injuries in the next quarter.

Preparing for phase 2 redevelopment and improving hospital cleanliness

Safe, modern facilities are essential for leading-edge acute care, research and teaching hospitals. In Phase One of our hospital redevelopment project, we added 170,000 square feet of new space and renovated an additional 143 square feet at KGH. This year we're focused on receiving approval for our Phase 2 hospital redevelopment project. Last year, we were asked by the Ministry of Health and Long-Term Care (MOHLTC) to submit a city-wide Surgical Plan that encompassed both KGH and Hotel Dieu Hospital (HDH). We completed this in partnership with HDH and submitted it to the MOHLTC for review. We have received notification that the South East LHIN supports the plan and are now awaiting approval from the MOHLTC to move ahead. We expect to hear the outcome of the Ministry review before the end of fiscal year. In the meantime, we have arranged a visit for municipal and provincial government officials to do a site visit in Q3 so they can see first-hand what our requirements are and ask any questions they may have about our submission.

This year, we are also stepping up our cleaning audit performance, which has significantly improved over the past four years. Every month, we audit our own cleaning performance and two times per year, we undergo cleaning audits by an external auditor. In Q2 we underwent a staffing redesign and created two teams each tasked with a specific cleaning focus on patient discharge and daily cleaning functions. Our cleaning audits are done by a third party on a semi-annual basis and we will receive updated results in Q3. However, our own internal audits show an 86 per cent compliance with cleaning standards. Our internal audits use the same tools and metrics as our third party inspector.



KGH 2015 Outcome	2014/15 Improvement Priorities	2014/15 Targets	Status
Staff are engaged in all aspects of our quality, safety and service improvement initiatives	Address priorities identified in our employee, physician and volunteer engagement surveys	Quarterly engagement plan deliverables are met	Green
	Align organization and individual accountability	Increase completed performance reviews and agreements from 500 to 1500 (phase 1 of 2)	Red
All preventable harm to staff is eliminated	Reduce the incidence of musculoskeletal injuries and needlestick injuries through the implementation of hazard recognition and control	Musculoskeletal (MSI) injury claims are reduced from 30 to less than or equal to 24 per year	Red
		Needlestick injuries are reduced from 54 to less than or equal to 48 per year	Red
Phase 2 construction is underway and KGH is clean, green and carpet free	Advance phase 2 redevelopment and improve hospital cleanliness	Phase 2 redevelopment advances to stage two approval status	Yellow
		Cleaning audit performance improves from 81 to 85 per cent	Yellow
Rapid transmission of information improves care and operational efficiency	Focus organizational project resources on strategic technology projects	Regional health information system project is implemented on schedule	Green
Our operating budget is balanced and we are able to allocate \$20 million a year to capital expenditures	Increase our capital spend to \$20 million	KGH total margin is greater than zero	Green
		Our capital budget increases from \$17 to \$20 million	Green



Improving care through technology

Keeping pace with emerging technology is essential in the business of health care. Over the past four years, we have built our financial capacity to invest in technology that helps us to transform the patient, family and staff experience through a relentless focus on quality, safety and service. This year we are working with our partners to implement a regional health information system. This system will unify health information across all seven hospitals in the South East LHIN to improve communication, collaboration and enable seamless patient care. This quarter we finalized the technical requirements that hospitals in our region require of the system so that a formal Request for Proposals (RFP) from vendors can be developed. These requirements are being finalized and in Q3 we expect to have the RFP assembled and ready to be issued.

Sustaining financial health

We have made great strides to improve the financial health of our organization over the past four years by eliminating our operating deficit and generating the capacity to invest in the equipment, technology and infrastructure required to support Outstanding Care, Always. This year we are committed to maintaining our balanced operating budget.

Our operating margin measures total operating revenues in excess of total expenses. It is a measurement of management's efficiency and the hospital's ability to live within available financial resources. In Q2 our total margin was 3.08 per cent, which is slightly above the Ministry acceptable range of zero to three per cent. Higher than expected activity in the first six months of the year and pressures on clinical services funded through the Quality-Based Procedure (QBP) methodology put the hospital at risk for cost over runs. QBPs are a key feature of the Ministry of Health and Long-Term Care's health system funding reform and have been introduced in clinical areas that demonstrate significant opportunity to introduce evidence into clinical pathways, reduce practice variation, attain cost efficiencies, and begin to align quality with funding. When we exceed the volume of activity associated with our contracted QBPs, we are at risk of operating outside of our approved funding. At KGH our QBP funding is largely tied to urgent/emergency procedures. Though there is little ability for the hospital to control the volume of urgent/emergency activity, we continue to monitor and manage the financial impact of this issue to ensure that we maintain a balanced financial position as activity is not expected to drop in the second half of the year.

This year, we are also aiming to increase our capital budget to \$20 million to invest in the building infrastructure, technology and equipment that we need to deliver Outstanding Care, Always. As of Q2, our capital investment capacity increased to a total of \$19.7 million, which is up from \$17.5 million in Q1. This is a huge success for KGH and brings us within the corridor of achievement for this target at only halfway through the year. While we continue to search for operational efficiencies in the organization that we can apply to our capital budget, this particular increase from the Q2 position was supported by funding from the Ministry of Health and Long-Term Care Health Infrastructure Renewal Program, whose funds must be used to support the replacement and upgrade of building infrastructure.

We hope you enjoyed your read of *KGH This Quarter*. Don't forget to check out the *KGH Strategy Performance Report* on our website at www.kgh.on.ca, where you can see how each of our indicators has trended over the past five quarters and what actions are being taken to improve our performance. You can also join the conversation with KGH at www.kghconnect.ca. As always, your questions or comments are welcome. Stay tuned, KGH is on the move!

