BC HEALTH CARE RISK MANAGEMENT SOCIETY

ANNUAL REPORT 2002 / 03

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ORGANIZATION OVERVIEW:

Introduction:

In 1986, the private insurance market experienced a "liability crisis." At that point, hospitals were facing premium increases of up to ten-fold for their liability / medical malpractice insurance as well as reductions in limits and coverage available. In many cases, insurance coverage was simply no longer available for hospitals. In response to this crisis, a risk management program (the Program) was established for hospitals that included the development of a risk transfer mechanism or self-insurance vehicle (the Hospital Protection Program or HPP). The BC Health Care Risk Management Society (BCHCRMS or the Society) was created to establish a membership base and to administer the Program. Regionalization in the mid to late 90s resulted in an expansion of the Program as member health care organizations became responsible for public health, mental health and continuing care. In 1998, as a response to this integration of health care, the HPP (which, originally, had been primarily directed at acute care hospitals and other approved long term care facilities) became the Health Care Protection Program (HCPP).

In 2002, the Board of the BCHCRMS seriously began considering its future. In their July 12, 2002 letter to all HCPP member contacts and other stakeholders, Society President, Dr. Ernie Higgs and Executive Director, Ms. Janice Markin, noted that

> *"…the Board of the BCHCRMS has, over the past several months, been considering its future. Reorganization within the health sector has prompted many organizations to consider the same and rumours of mergers with various organizations abound. The purpose of this letter is to provide you with the results of this organizational review and to assure you of the continued existence of the Health Care Protection Program … After discussions with the Ministries of Health Services and Planning as well as with the Health Leadership Council, at its June 28, 2002 Board meeting, the Board of Directors of BCHCRMS authorized the formal wind-down of the Society. HCPP will continue as a program and, for all intents and purposes, will remain unchanged from our members' perspective."*

At the end of November 2002, the operations and staff of the Society were formally transferred to the Risk Management Branch of the Ministry of Finance and, as at March 31, 2003 the Society effectively wound up its operations. On April 2, 2003, pursuant to *Societies Act* requirements, the BC Health Care Risk Management Society was struck from the Register of Companies.

The following Annual Report Fiscal 2002 /2003 is in response to the requirements of the *Budget Transparency and Accountability Act* (BTAA) based on guidelines for those organizations that are winding up or whose functions are being transferred to another government organization or ministry.

Mission:

The Society's mandate:

> *To provide Risk Management Services (including liability coverage) for hospitals, Regional Health Boards ("RHBs"), Cluster Boards, Community Health Councils ("CHCs"), Community Health Service Societies ("CHSSs") and other designated health care agencies within British Columbia.*

In general terms, Risk Management Services can be defined as including the administration of the Health Care Protection Program (HCPP) as well as the provision of direct or indirect risk management advisory services to members.

Enabling Legislation:

The Society was established under the Societies Act, directed by a co-operative venture by 15 Directors representative of the BC health care industry as well as the provincial government. The Society was operationally funded by the Ministry of Health Services.

Description of Products and Services:

Core functions of the Society as outlined in the Service Plan 2002 – 2005:

> **Administration of the Health Care Protection Program (HCPP) or other similar risk, insurance or loss funding programs which may arise:**
>
> The Society, in conjunction with the Risk Management Branch of the Ministry of Finance, participates in the administration, interpretation and application of HCPP. The coverage agreements, which provide the basis for the Program, include the Health Care Comprehensive Liability Agreement, the Health Care Crime Agreement and the Health Care Property Agreement (collectively the Coverage Agreements) and describe the terms, conditions and limitations of protection afforded to members of the Society. The Society provides members with direct advisory services relating to questions or situations which arise relative to coverage under the Program.
>
> **Risk Management Advisory Service:**
>
> The purpose of the Society's Risk Management Advisory Service is to assist in the identification, analysis, evaluation and management of risks. Advisory services are provided in a broad range of areas – as the direction of health organizations change as a result of the integration of health care and other initiatives, the Society's advisory services must also be adjusted and fine-tuned in order to draw on or bring in appropriate experience and expertise. The service has four components:

Centralized Consultation:

The Society provides guidance, advice and information regarding issues, problems or situations arising in the operations of the member health organization which constitute perceived or actual risk exposures.

Risk Management Education:

The Society organizes resources for the provision of basic and custom educational programming to member agencies on risk management topics, principles and practices. The services are organized to match expertise to specific audiences, care settings and desired topics.

Communications:

The Society produces routine and "as needed"" publications and other media related to the management of the Program, as well as communications relevant to risk, coverage, claims and operational issues faced by our members.

Loss Control Inspection Services:

The Society currently contracts with Marsh Canada Inc. to provide loss control inspection services for all facilities.

Location of Operations:

The Health Care Protection Program operates out of a central office in Victoria maintaining regular contact with its members via publications, electronic means, telephone and fax and also through various meetings and education sessions established across the province.

August 2003

Message from Dr. Ernie Higgs
Chair, Health Care Protection Program Advisory Committee
Former President, BC Health Care Risk Management Society

The year 2002 brought significant changes to the structure and organization of the Health Care Protection Program (HCPP). In June of 2002 the Board of the BC Health Care Risk Management Society authorized the formal wind-down of the Society and, under its direction, the Society was voluntarily dissolved.

HCPP continues to be an operational program. In November of 2002, staff and operations were transferred to the Risk Management Branch, housed within the Ministry of Finance. To take the place of the Board, a senior Advisory Committee was established made up initially of the former BCHCRMS Board members. A Risk Management Committee was also established in order to provide a provincial forum for the sharing of health care risk management policies, practices and issues amongst its members.

A significant amount of time and energy was focused on the transition of the program and its governance structure during 2002 / 03. The Advisory Committee is slowly evolving in terms of its membership, reflecting the health authorities work toward adjusting their own internal structures. The Risk Management Committee has been a considerable success story, with four meetings held to date across the province, a full day's education session run in Prince George and a future session planned for Kelowna in the fall.

The Board of the BCHCRMS recognized that as HCPP membership has grown in volume and as the nature of the services provided by the members expands, HCPP must continue to evolve in order to meet the challenges. An opportunity for growth and restructuring was recognized that will ensure the continuation of the Health Care Protection Program while, at the same time, provide an opportunity for the expansion of resources. We believe this restructuring will improve the Program's ability to achieve one of its primary objectives – to be the leader in the provision of health care risk management services and, ultimately, to assist members in reducing their exposure to risk.

Dr. Ernie Higgs
Chair, HCPP Advisory Committee
Former President, BCHCRMS

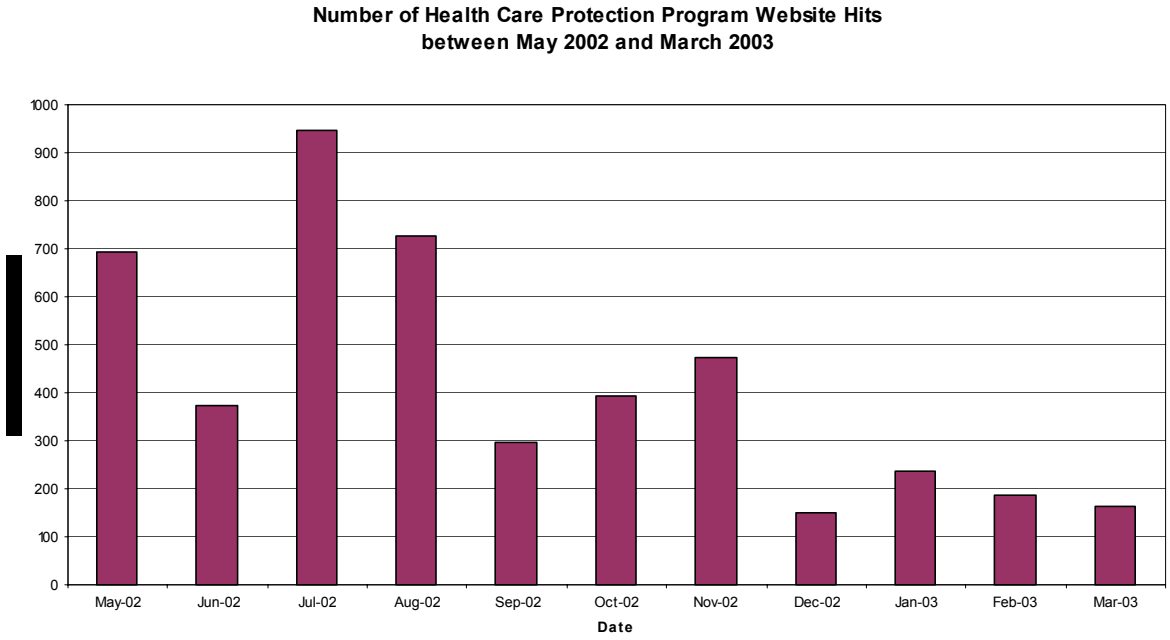
The Year in Review:

In 2002, the Society undertook its most significant initiative to date, which was to begin the process of integrating the operational aspects of the Health Care Protection Program into the Risk Management Branch. This endeavour involved substantial discussion and efforts concerning staffing transfers and human resource-related matters, the roll-over of computer systems, the migration of service request data to HEAT® (call logging system) from a stand-alone access data base, the coordination of an office move and merge of administrative procedures, as well as the development and implementation of new committee structures. Throughout this process, it was imperative that client service levels were maintained and that the transition be as smooth and as seamless to the HCPP members as possible.

The Society's Service Plan for 2002 –2005 focused on the objective of increasing internal reliance and capability of members. Following are the identified strategies as well as discussion regarding the implementation:

Provide members with easier access to pertinent educational information by making information available through an enhanced website.

- The BCHCRMS website was officially launched in May of 2002. Baseline useage for fiscal year 02/03 has been established as follows:



- Nine new articles were added during 2002.

- A member satisfaction survey will be conducted at the end of fiscal 03/04. Survey presently under development.

- Priority topic list developed based on review of all existing BCHCRMS publications.

Increasing effectiveness of education sessions provided by the Society by targeting education sessions to high level authority within an organization (gear to "training the trainers").

The original BCHCRMS Loss Control Committee's last meeting took place in June of 2002. The HCPP Risk Management Committee was established in December of 2002 with the following purpose set out in the terms of reference:

- Provide input into the planning and management of the loss control services of the HCPP;
- Promote the delivery of education, communication and consultation /advisory services of HCPP; and
- Provide a forum for discussion and promote awareness of health care risk management issues.

The Risk Management Committee establishes linkages with senior risk management personnel within the six health authorities. The focus of meetings during 2002 - 03 has been to establish relationships and roles. The first planning session relative to educational strategies will take place in September 2003.

Risk Management Committee meetings have been structured to provide cross-province opportunities – each health authority hosts a meeting with a full day's education session available the day prior for Risk Management Committee members as well as local participants. Topics are established based on educational needs within the health authority as identified by HCPP staff as well as risk management staff within the health authority.

Assisting members in developing organization-wide risk management programs by promoting education involving Enterprise-wide Risk Management (ERM).

An ERM education session for the HCPP Advisory Committee and the HCPP Risk Management Committee was held at the joint June 2003 meeting. A framework for educational rollout will be developed in the fall of 2003 in anticipation of a directive from the Ministry of Health Services / Planning to include the ERM model as part of the governance structure for health authorities in fiscal year 2004/05.

FINANCIAL REPORT:

Management Discussion & Analysis:

The Province provided an indemnity for all HCPP covered member entities through funding of an actuarially-established liability pool. In 2001 /02 and previous years, this funding was provided by the Ministry of Health Services (MoHS) to the Society who, in turn, was invoiced for the equivalent amount by the Province's Insurance and Risk Management Account (IRMA). In 2002/03 with the acknowledged wind-down of the Society, funding did not flow through BCHCRMS accounts and the MoHS paid IRMA directly for both the liability funding and the loss inspection / pooled property fund. This change resulted in the Society's revenue decreasing from $15,640,678 in 2002 to $671,340 in 2003.

Society administrative costs were significantly reduced during fiscal 2002/03 as operations and staff were transferred in November of 2002. Staff officially moved offices at the beginning of December and the Society's lease was allowed to run out at the end of March 2003.

A surplus of $86,772 was incurred and, as part of an Assignment and Assumption Agreement between the Society and the Province dated March 31, 2003, all Society assets and liabilities were transferred to the Province.

B.C. HEALTH CARE RISK MANAGEMENT SOCIETY

Financial Statements
For the Year Ended March 31, 2003

Norgaard Neale Camden

Norgaard Neale Camden
Chartered Accountants

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AUDITORS' REPORT

To the Members of
B.C. Health Care Risk Management Society

We have audited the balance sheet of B.C. Health Care Risk Management Society as at March 31, 2003, and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2003 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Norgaard Neale Camden Ltd.

CHARTERED ACCOUNTANTS

Victoria, B.C.
June 5, 2003

* *Incorporated professional*

B.C. Health Care Risk Management Society

Balance Sheet
As at March 31, 2003

	2003 $	2002 $
ASSETS		
Cash	352,756	331,867
Accounts Receivable	216	1,080
Prepaid Expenses	-	28,400
Capital Assets (note 3)	40,686	13,060
Due from Province of British Columbia (Ministry of Health Services)	-	5,937,431
	393,658	6,311,838
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Liabilities	5,586	73,107
Due to Province of British Columbia (Ministry of Finance)	-	5,937,431
Net Assets Invested in Capital Assets	40,686	13,060
Unrestricted Net Assets	347,386	288,240
	393,658	6,311,838

SIGNED ON BEHALF OF THE BOARD:

Director

Director

Norgaard Neale Camden

B.C. Health Care Risk Management Society

Statement of Operations
For the Year Ended March 31, 2003

	2003 $	2002 $
Revenue		
Grants - Province of British Columbia (Ministry of Health Services)	671,340	15,640,678
Interest	2,105	4,416
	673,445	15,645,094
Expenses		
Administration - legal retainer	20,739	204,573
Audit	3,254	3,140
Conferences	5,596	6,455
Contract personnel	12,243	650
Contracted administration - Province of British Columbia (Ministry of Finance)	-	157,500
Depreciation	10,539	7,994
Indemnification costs - Province of British Columbia (Ministry of Finance) (note 4)	-	12,110,000
Insurance costs	25,248	25,175
Legal fees	26,647	21,083
Loss inspection/property pooled fund - Province of British Columbia (Ministry of Finance) (note 4)	-	2,367,019
Office	55,505	72,032
Salaries and benefits	409,633	602,776
Travel	17,269	34,000
	586,673	15,612,397
Excess of Revenue over Expenses	86,772	32,697

Norgaard Neale Camden

B.C. Health Care Risk Management Society

Statement of Changes in Net Assets
For the Year Ended March 31, 2003

	Invested in Capital Assets $	Unrestricted $	2003 Total $	2002 Total $
Balance - Beginning of Year	13,060	288,240	301,300	268,603
Capital asset purchases	38,165	(38,165)	-	-
Excess of revenue over expenses	(10,539)	97,311	86,772	32,697
Balance - End of Year	40,686	347,386	388,072	301,300

Norgaard Neale Camden

B.C. Health Care Risk Management Society

Statement of Cash Flows
For the Year Ended March 31, 2003

	2003 $	2002 $
Cash Provided from (Used for)		
Operating Activities		
Excess of revenue over expenses	86,772	32,697
Item not affecting cash:		
Depreciation	10,539	7,994
	97,311	40,691
Changes in non-cash working capital balances related to operations -		
Accounts receivable	864	(227)
Due from (to) Province of British Columbia (Ministry of Health Services)	5,937,431	(257,431)
Due to (from) Province of British Columbia (Ministry of Finance)	(5,937,431)	257,431
Accounts payable and accrued liabilities	(67,521)	9,635
Prepaid expenses	28,400	(2,577)
	59,054	47,522
Investing Activity		
Purchase of capital assets	(38,165)	(3,110)
Increase in Cash	20,889	44,412
Cash - Beginning of Year	331,867	287,455
Cash - End of Year (note 6)	352,756	331,867

Norgaard Neale Camden

B.C. Health Care Risk Management Society

Notes to Financial Statements
For the Year Ended March 31, 2003

1. Purpose of the Organization

The B.C. Health Care Risk Management Society ("Society") is a non-profit organization and was incorporated under the Society Act on October 21, 1986. The purpose of the Society is to provide risk management services for all Health Authorities and other select health care entities. These risk management services include the administration of the Health Care Protection Program ("HCPP") and other risk, insurance or loss funding programs which may arise, the provision of direct or indirect risk management advisory or inspection services including consultation, education, loss control, and communication support for its member Health Authorities, health care agencies and providers. The Society also administers the property and crime coverage programs of HCPP.

2. Significant Accounting Policies

The Society follows the deferral method of accounting for contributions.

Basis of Accounting

The Society records transactions on an accrual basis. Under this basis, revenues are recorded in the period in which they become due and expenses are recorded when goods are received or services rendered.

Capital Assets and Depreciation

Capital assets are carried at cost less accumulated depreciation. Depreciation is charged against income using the straight line method in amounts sufficient to amortize the cost of capital assets over their estimated useful lives at the following annual rates:

Computers	33.3%
Furniture and equipment	20%

A half year of depreciation is taken in the year of acquisition.

Use of Estimates

Financial statements are based on representations that often require estimates to be made in anticipation of future transactions and events and include measurements that may, by their nature, be approximations.

Norgaard Neale Camden

B.C. Health Care Risk Management Society

Notes to Financial Statements
For the Year Ended March 31, 2003

3. Capital Assets

	2003			2002
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Computers	58,484	46,620	11,864	5,773
Furniture and equipment	51,212	22,390	28,822	7,287
	109,696	69,010	40,686	13,060

4. Indemnification Costs

The Society has arranged with the Province of British Columbia to provide all Health Authorities and other specifically indentifiable health care facilities with an indemnification for liability claims against the facility. The 2001/02 and previous years, these indemnification costs were paid by the Ministry of Health Services to the Society, who in turn paid a contribution to the Province's Insurance and Risk Management Account (IRMA). For 2002/03, the payment was made directly to the IRMA by the Ministry of Health Services.

The cost of $13,220,000 (2002 - $12,110,000) is intended to protect the Society's member entities against liability claims where the incident occurred during the fiscal year ended March 31, 2003. In addition, there was a transfer of funds of $2,367,019 (2002 - $2,367,019) from the Province of British Columbia to provide the pooled fund to pay the property losses of the member entities. For 2002/03, the revenues from the Province and the related expenditures are not reflected on the Society's Statement of Operations.

5. Financial Instruments

The Society's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying value of all financial instruments approximates readily determinable fair value. Unless otherwise noted, it is management's opinion that, under normal circumstances, the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments.

6. Supplemental Cash Flows Information

	2003	2002
	$	$
Cash from interest income	1,889	5,208

Norgaard Neale Camden

B.C. Health Care Risk Management Society

Notes to Financial Statements
For the Year Ended March 31, 2003

7. Comparative Figures

Certain comparative figures have been reclassified to be consistent with the presentation adopted in the current year.

8. Wind-up of Society

As of March 31, 2003, the Society effectively wound up its operations. Staff and program delivery have been transferred to the Risk Management Branch of the Province of British Columbia (Ministry of Finance). An Assignment and Assumption Agreement has been signed by the Society's Board of Directors, transferring assets and liabilities to the Province. On April 2, 2003, the Society was struck from the Register pursuant to Section 258 of the Company Act of British Columbia.

Norgaard Neale Camden

CORPORATE GOVERNANCE:

LIST OF FORMER MEMBERS OF THE EXECUTIVE COMMITTEE
BOARD OF DIRECTORS
BC HEALTH CARE RISK MANAGEMENT SOCIETY

Dr. Ernie Higgs, President
Corporate Medical Director
Vancouver Island Health Authority

Ms. Tamara Vrooman, Vice President
Deputy Minister
Strategic Initiatives and Corporate Services
Ministry of Health Services / Planning

Mr. Murray Jacobs, Treasurer
Budget Manager
Budget Coordination, Reporting & Accountability
Ministry of Health Services

Mr. Phil Grewar
Director
Risk Management Branch
Ministry of Finance

Ms. Lynn Griffith
Director, Systems & Capital
Fraser Health Authority

Secretary to the Board
Ms. Janice Markin
Former Executive Director
BC Health Care Risk Management Society