EVIDENCE
Whitehorse, Yukon
Wednesday, June 19, 2013 — 10:00 a.m.

Ms. Hanson: I'm Elizabeth Hanson, and I'm the Chair of the Public Accounts Committee for the Yukon Legislative Assembly. I will now call to order this hearing of the Standing Committee on Public Accounts of the Yukon Legislative Assembly.

The Public Accounts Committee is established by Standing Order 45(3) of the *Standing Orders of the Yukon Legislative Assembly*. This Standing Order says that: "At the commencement of the first Session of each Legislature a Standing Committee on Public Accounts shall be appointed and the Public Accounts and all Reports of the Auditor General shall stand referred automatically and permanently to the said Committee as they become available."

On December 7, 2011, the Yukon Legislative Assembly adopted Motion No. 7, which established the membership of the Public Accounts Committee for the current Legislative Assembly. On November 27, 2012, the membership of the committee was amended when the Legislative Assembly adopted Motion No. 304, as amended.

In addition to appointing members to the committee, the initial motion, Motion No. 7, stipulated that the committee shall, "have the power to call for persons, papers and records and to sit during intersessional periods." So today, pursuant to Standing Order 45(3) and Motion No. 7, the committee will investigate the Auditor General of Canada's report, entitled "Report of the Auditor General of Canada to the Yukon Legislative Assembly-2013: Capital Projects — Yukon Hospital Corporation."

At the outset, I would like to thank the witnesses from the Yukon Hospital Corporation and the Department of Health and Social Services for appearing. I believe that Mr. Tuton, Chair of the Board of Trustees of the Yukon Hospital Corporation and Ms. Meade, Deputy Minister of the Department of Health and Social Services, will introduce the witnesses during the opening remarks. Also present are officials from the Office of the Auditor General of Canada. They are Ronnie Campbell, Assistant Auditor General; Eric Hellsten, Principal, Vancouver regional office; and Ruth Sullivan, Audit Project Leader.

I will now introduce the members of the Public Accounts Committee. As I mentioned at the outset, my name is Elizabeth Hanson. I chair this committee, and I am the Member of the Yukon Legislative Assembly for Whitehorse Centre.

To my right is Stacey Hassard, who is the committee's Vice-Chair and the Member for Pelly-Nisutlin. To Mr. Hassard's right is the Hon. Scott Kent, the Member for Riverdale North. To my left is Patti McLeod, the Member for Watson Lake. To Ms. McLeod's left is Jan Stick, the Member for Riverdale South. Behind me is the Hon. Currie Dixon, the Member for Copperbelt North, who is substituting for the Hon. Mike Nixon, the Member for Porter Creek South. To Mr. Dixon's right is Sandy Silver, the Member for Klondike. Acting as Clerk to the Public Accounts Committee today is Linda Kolody, who is also the Deputy Clerk of the Yukon Legislative Assembly.

The Public Accounts Committee is an all-party committee with a mandate to ensure economy, efficiency and effectiveness in public spending — in other words, accountability for the use of public funds. The purpose of this public hearing is to address issues of the implementation of policies — whether programs are being effectively and efficiently delivered — and not to question the policies of the Government of Yukon. In other words, our task is not to challenge government policy, but to examine its implementation. The results of our deliberations will be reported back to the Legislative Assembly.

To begin the proceedings, Mr. Campbell will give an opening statement summarizing the findings in the Auditor General's report. Mr. Tuton and Ms. Meade will then be invited to make an opening statement on behalf of the Yukon Hospital Corporation and the Department of Health and Social Services respectively. Committee members will then ask questions. As is the committee's practice, the members devise and compile the questions collectively; we then divide them up among the members. The questions each member will ask are not just their personal questions on a particular subject, but those of the entire committee.

At the end of the hearing, the committee will prepare a report of its proceedings and any recommendations it makes. This report will be tabled in the Legislative Assembly along with a transcript of the hearing. Before we start the hearing, I would ask that questions and answers be kept brief and to the point so that we may deal with as many issues as possible in the time allotted for this hearing. I would also ask that members, witnesses and advisors wait until they are recognized by the Chair before speaking. This will keep the discussion more orderly and allow those listening on the radio or over the Internet to know who is speaking. I'd like to now proceed with Mr. Campbell's opening statement.

Mr. Campbell: I am pleased to be here today before the Public Accounts Committee to discuss our report on the Yukon Hospital Corporation's capital projects. This report was tabled on February 26 in the Legislative Assembly.

With me today are members of the audit team, Eric Hellsten and Ruth Sullivan. In this audit, we looked at three capital projects: the new Watson Lake and Dawson City hospitals and the Crocus Ridge staff residence in Whitehorse. Together, these projects cost over $72 million. We examined whether the Yukon Hospital Corporation, in collaboration with the Department of Health and Social Services, adequately planned for building the hospitals. We also examined whether the Hospital Corporation adequately planned the building of the new Crocus Ridge staff residence. Finally, we examined whether the Hospital Corporation adequately managed the building of these three capital projects.

I would like to briefly go over the main findings of the report. First, we found that the corporation did not conduct a full assessment of the communities' health care needs in planning and designing the hospitals. Without such an assessment and without an analysis of the options that could meet the needs,

the corporation is unable to demonstrate that the hospitals have been designed to meet the communities' health care needs as cost effectively as possible.

In addition, the corporation did not determine the incremental operating costs for the hospitals until construction was well underway.

Higher operating costs for the two hospitals are expected to significantly increase the overall costs of providing health care in the two communities. Further, the corporation and the department face the ongoing challenge of acquiring and retaining staff for both hospitals. In all three projects, most contracts were competitively tendered and most change orders were appropriately justified and managed. The corporation also regularly monitored the projects, but the hospital projects will be delivered later than expected and will be over budget. The Crocus Ridge Residence also experienced construction delays and cost increases.

With regard to the hospital projects, we made a recommendation to the Hospital Corporation that, in collaboration with the Department of Health and Social Services, it should conduct a health care needs assessment in the communities of Watson Lake and Dawson City. Further, it should use the information gathered in that exercise to ensure that the services delivered in the hospitals are designed to meet the community's needs in the most cost-effective way possible.

We also made several recommendations to the Hospital Corporation for future capital projects.

Before beginning such projects, the corporation should: carry out a needs assessment, a risk assessment and an options analysis; collaborate with the Department of Health and Social Services; establish reasonable budget and completion dates, and ensure that both capital and incremental operating costs are known before proceeding. Both organizations agreed with the recommendations and have committed to implementing them. We understand they have provided the committee with an action plan in response to the recommendations. We encourage the committee to ask the Hospital Corporation and the department to provide members with an update on the implementation of this plan.

Madam Chair, this concludes my opening statement. My colleagues and I would be happy to answer any questions your committee may have.

Mr. Bilsky: Madam Chair, I would like to thank the Public Accounts Committee for inviting us to speak to you today regarding the Office of the Auditor General's performance audit on the corporation's capital projects.

I am Jason Bilsky, CEO of the Yukon Hospital Corporation. With me today is Craig Tuton, Chair of the Board of Trustees of the Yukon Hospital Corporation, as well as Kelly Steele, Chief Financial Officer, and Maureen Turner, Executive Director of Patient Experience.

The Yukon Hospital Corporation appreciates the work that OAG has done resulting in the report's findings and recommendations. The corporation believes the report from the Auditor General, Michael Ferguson, on the development and planning of the two community hospitals highlights, the need for the corporation and Yukon government to collaborate on continuously assessing and improving health care delivery in Yukon.

Our continuing focus is to support a seamless system that is patient- and client-centred with good access, safe, of high quality and efficient. That means working with the Department of Health and Social Services to ensure the programs and services that will be delivered within the hospital settings continue to meet the evolving needs, ensuring integration with a strong community system.

The corporation is in the final stages of construction of comprehensive health care facilities with significant flexibility in design to allow for different or future changing needs. Health care is dynamic and ever evolving and the corporation is committed to working in partnership with Health and Social Services to continually assess the needs to design and deliver the services required. Specific to the OAG's report, the corporation has addressed many of the issues and recommendations, which I will highlight further in a moment.

The corporation has been making significant progress to improve the acute care services to all Yukoners and has been working to ensure that the residents of both north and southeast Yukon receive safe, accessible and quality hospital services closer to home. As you can imagine, constructing and opening two new hospitals more than 500 kilometres away from Whitehorse is a tremendous amount of work and no small feat.

With strong support from the corporation, starting with the Board of Trustees and all levels of management, we are nearing construction completion and operational readiness in both locations. The corporation will be ready to open two new hospital facilities this year. Please allow me the opportunity to provide you with some information on the origins of the hospital, as well as the current status, which may address some points raised in the OAG's report. The Watson Lake community hospital was transferred to the corporation on April 1, 2010, in compliance with the Yukon *Hospital Act.* Since then acute care services have been provided in an aging facility. It was imperative that the facility be replaced; renovation was not a feasible option.

This project began in 2009 with the design phase and an original estimated completion date of spring of 2012. A construction budget was just over $22 million, which excluded the cost of equipment and capitalized interest costs. Construction is nearing completion, and we'll be opening the facility this summer. The total cost to complete the project is $27.9 million, which now includes equipment costs and capitalized interest, which was initially recognized would be added to the total spending. Also included are anticipated change costs, mostly related to using an unfinished, existing shell.

The Dawson City community hospital also began in the fall of 2009 with the design phase and an original estimated completion date of fall 2012, and a construction budget of $26.5 million, which excluded the cost of equipment and capitalized interest costs.

Construction is slightly behind in Dawson City, and we will be opening the facility this fall. The total costs complete is

$31.8 million, which now includes equipment costs and capitalized interest. It was fully anticipated that these costs would also be added to the total spending.

Additional costs related to unanticipated changes to comply with the City of Dawson heritage bylaw requirements also increased construction costs.

To be operationally ready, not only does construction need to be complete, we also require the right people working with the right equipment and technology, in accordance with the right policies and protocols. This is about providing safe and excellent patient care.

The moves into the new hospitals are well planned to ensure no lapse in patient care. The corporation is proud to say that both locations are fully staffed, awaiting opening, and we have secured adequate housing in both locations — with the help of the Yukon Housing Corporation — to meet our needs.

Physicians are an integral part of the health care team, and this includes taking on-call, ensuring the hospitals have physician coverage 24/7 as needed.

They are extremely pleased that we will be able to keep patients in the community and bring them back sooner. Dawson City has a dedicated team of physicians excited to occupy the new hospital and clinic facilities and committed to the corporation's physician privileging process as mandated by the Yukon *Hospital Act.*

The Watson Lake physician issue is currently being addressed through the Department of Health and Social Services, the corporation, the Yukon Medical Council and the Yukon Medical Association. All that said, many of the initial risks identified by the OAG related to the hospital projects in terms of staffing, housing and program have been mitigated to date or are in the process of being addressed. Moving forward, we will build on the needs assessment.

The corporation, in partnership with the Department of Health and Social Services, is committed to ongoing program review and evaluation to ensure services adapt to the changing health care environment and to offer ongoing appropriate and quality patient care while balancing sustainability of the health care system. As noted, flexibility and design of the facilities allow flexibility in service delivery.

A comprehensive needs assessment action plan has been developed in response to the report of the OAG, wherein the Auditor General raised concerns with respect to the needs assessment that underpins the Watson Lake and Dawson City facilities and the services provided to the catchment populations. The Department of Health and Social Services and the corporation have secured an independent consultant to conduct an updated and detailed facility functional program informed by an assessment of the population needs for health care services. This independent assessment will build on the original needs assessment, completed by the corporation, which originally focused on hospital services.

The OAG's report also contained helpful recommendations on documenting the appropriate contracting policy, as well as information analysis that supports decisions made to proceed with capital projects. In January 2012, the corporation implemented a new contracting policy and continues to work on improving process documentation for the awarding of contracts and capital project administration. This policy is built on the premise that the corporation strives to carry out contract activities in a fair, fiscally responsible, accountable, open and competitive manner. This policy ensures that the corporation has clearly defined methods of soliciting competitive bids from vendors and/or contractors. It provides a guideline for the procurement of all operations and maintenance and capital goods and services for the corporation.

Key elements of the policy include competitive versus non-competitive procurement criteria, procurement method definitions and options, and governance surrounding sole-source justification. The new policies are being used on current major capital projects as they near finalization.

The corporation is also implementing a project management gating process which will apply to varying degrees on projects, depending on their scope. Certain projects with broad health care impacts will be done in collaboration with Health and Social Services. The process includes guidelines for documentation and retention of information and analysis that supports decisions to proceed with capital projects.

In closing, trends are clear — Yukon is growing, the population is aging, and health care is increasing in complexity and is ever dynamic. The corporation is continuing to invest in people, systems and facilities to ensure we meet our mission of safe and excellent hospital care. This report from the OAG has given us valuable recommendations to make certain course corrections to better deliver on our mission. Thank you, Madam Chair.

Our team and I would be pleased to answer any questions the committee may have at the appropriate time.

Ms. Hanson: Thank you, Mr. Bilsky, and I think you'll find that during the course of the hearings we will touch on many of the matters that you have raised in your opening statements. I'd now like to turn to Paddy Meade, Deputy Minister of Health and Social Services, for opening comments.

Ms. Meade: Thank you very much. I'm very pleased to appear before the Public Accounts Committee today, and I thank the committee for the opportunity to speak to the 2013 Performance Audit conducted by the Auditor General of Canada on the capital projects for the Yukon Hospital Corporation. I would also at this time like to thank the Office of the Auditor General. We have a long history of working and dealing with audits and for this particular examination of the hospital's capital projects and process, as always, the Office of the Auditor General's close examinations provide direction and recommendations on how we as a system can further improve what we do and how we do it.

I have today with me Ms. Sherri Wright, who is the Assistant Deputy Minister for Health and Social Services and Ms. Birgitte Hunter, Assistant Deputy Minister of Corporate Services in the department.

When the Auditor General released his report earlier this year, there was one specific recommendation that addressed a joint issue for the hospital and the Department of Health and

Social Services. At that time, both parties accepted the recommendation because we clearly saw it would help us improve the way we do things. Then, as now, we see ourselves as very much partners, and this recommendation has provided us with a good, strong base for an increased collaborative working relationship, certainly between the Hospital Corporation's CEO Mr. Bilsky and I, as well as our executive teams, and further increase general collaboration as a whole.

All of us are dedicated to building a seamless system for patients, and I'm pleased to report, as noted by my colleague, the CEO of the Hospital Corporation, that we've already commenced the collaborative work on the health needs assessment within the two communities of Dawson and Watson, building on the original work. Going forward, we see ourselves further expanding our already existing collaborative relationship as we look to responding to broad community care needs in a fully-integrated manner.

I certainly am pleased to answer any questions regarding the recommendation to the best of my ability and, certainly, if you require additional information that I'm not able to provide today, we would prepare that and give it to you as quickly as possible. Thank you, Madam Chair.

Ms. Hanson: I would just like to step back for a second and outline the process for everybody. The hearing will go until noon today. We will take a break until 1:30 p.m., and then reconvene at 1:30 p.m., until we have finished with the series of questions we have prepared for this hearing.

That being said, I would like to commence with Mr. Kent. He will lead off today, and then we will be moving around the room.

Hon. Mr. Kent: I would like to take the opportunity to thank the individuals across the way for appearing before the Public Accounts Committee. Thank you for your work on a daily basis in assisting Yukoners with the wide variety of health care needs they have.

I am going to ask a number of questions. They deal primarily with paragraphs 3 through 28 of the Auditor General's report; however, before we begin questions related to the report, I think it would be useful if the witnesses could answer a few general questions about the relationship that exists between the Government of Yukon, the Department of Health and Social Services and the Yukon Hospital Corporation.

Paragraphs 3 through 8 of the Auditor General's report described mandates and responsibilities for health care involving the Minister of Health and Social Services, the Department of Health and Social Services and the Yukon Hospital Corporation. So my first question is for the record: Could the witnesses explain the unique responsibilities of the corporation and the department? The second part of that question: Where do their responsibilities overlap, and what was the relationship with regard to the building of these capital projects?

Mr. Bilsky: The Yukon Hospital Corporation was established by the Yukon *Hospital Act* and, according to the act, the objectives of the corporation were to supply hospital and medical care services in the Yukon Territory. From a patient perspective, where we overlap is that patients see a continuum of care across their needs from birth to death, so where we overlap are the touch points between what I would call hospital services, in-patient and outpatient, and services provided by Health and Social Services. We see ourselves as partners in providing that continuum of care.

Ms. Meade: Obviously, the minister has a broader oversight on the full health system and is responsible to government on the health care and social needs of Yukoners. Under the *Health Act*, the minister is also responsible and has responsibility, through Management Board, for the overall budget, part of which reflects the corporation's budget, but it is within the overall Health ministry. Reporting, however — the minister reports through to government and the Hospital Corporation reports through government. There is no matrix responsibility. This is a relationship partnership that we have and clearly our actions — the CEO and I have established that through regular monthly meetings ourselves, and now have joint executive meetings. When we have issues and things that we have a need where there is overlap — for example, in dealing with electronic health, we have a hospital system, physician system, but the overall responsibility to lead the coordination would be with the department, although there are individual entities. So, ours would be more of a "lead-and-negotiate", but it's not a governance model.

Hon. Mr. Kent: Just the second part of that question — if one of the witnesses could speak to it: What was the relationship, or how did the relationship materialize with regard to the building of these particular capital projects that the Office of the Auditor General focused on?

Ms. Hunter: Initially, there was a project team for the Watson Lake project, which had a project manager for the corporation and one for the department. They worked in collaboration on the various issues that related to the transfer as far as how employees transferred from one union to another union, how we dealt with the transfer of land and working with Highways and Public Works.

We dealt with each of the issues through those two project managers, and we had a management agreement that we funded and oversaw throughout the beginnings of the Watson Lake project.

Mr. Bilsky: Certainly from that point forward — Watson Lake transfer in 2009-10 and that project team — our mandate was to construct a new hospital, if you're talking about the capital construction, and being operationally ready. So the corporation's mandate was to build and construct hospitals and our design, functional planning and needs assessment was focused on hospital building, as well as accommodating certain health services within the building, as prescribed by Health and Social Services.

Hon. Mr. Kent: The preamble to the *Hospital Act* says that "the Whitehorse General Hospital … should be operated by a board independent of the Government." At the same time, the government and the Legislative Assembly are responsible for ensuring "the responsible use of the public property and funds, which must be supplied to enable hospitals to oper-

ate." This would include the funds provided to the corporation by the Assembly.

Section 10(1) of the *Hospital Act* says, "The Corporation is not an institution of the Government …", nor is it, "…an agent of the Government."

So my question for the corporation: Would you be able to explain from your perspective how you balance the independence from government with the accountability for the public money that you receive and the services that you provide?

Mr. Bilsky: The corporation, as you pointed out, is responsible — the minister is responsible for the corporation. The main expectation setting is through a letter of expectation, meaning the services we provide and the funding that is provided to fulfill our mandate within that full scope of health care within the Yukon. How we balance that is by ensuring that we meet that letter of expectation in a sustainable way, with both efficiency and effectiveness with safe and quality health care.

Hon. Mr. Kent: The next couple of questions are with respect to governance. The Hospital Corporation is governed by a board of trustees. Section 5 of the *Hospital Act* requires that the persons nominated and subsequently appointed to the board of trustees shall be from a wide variety of backgrounds. Now that the corporation will be responsible for hospitals in Watson Lake and Dawson City, are there any steps that are going to be undertaken to ensure that persons from those communities are nominated to sit on the board of trustees? Is any of that work underway?

Mr. Tuton: Thank you for the question. Obviously, the appointments to the board — the Hospital Corporation Board of Directors — are made by government. However, the Board of Trustees, some time ago, outlined some of the terms in our governance document that we're looking for in members and encouraged the government to look at the communities, especially around the areas of the two new hospitals. In fact, since that date, we now have a sitting member of the corporation both from Watson Lake and from Dawson City.

Hon. Mr. Kent: Besides the possibility of those nominations and, as you mentioned, the two individuals who do sit on the board currently from those communities, are any other measures being contemplated or taken to ensure that there is continued local input into how the hospitals in Watson Lake and Dawson City are run?

Mr. Tuton: I think that there is ongoing discussion in my reporting relationship with the minister, from time to time, when appointments become clear that they're expiring, encouraging that the minister continues in his efforts to ensure that we do have representation from those two communities.

In fact, we are going to be going this fall — from the board's perspective — into a review of our governance document. That's one of the areas that we continually get asked about when we have our public meetings in both Watson Lake and Dawson: How are we going to ensure that there is representation from those communities on the corporate board?

Hon. Mr. Kent: I'm going to turn now to a number of questions that relate directly to the Auditor General's report. Some questions will be for the witnesses and also perhaps a couple of questions directed to the Auditor General.

This is a direct quote from the Auditor General's report: "In September 2008, the Premier announced that the Government of Yukon was going to build a new hospital in Watson Lake. In April 2009, the Minister of Health and Social Services announced the start of a process to also build a new hospital in Dawson City."

Again, other than indicating that new hospitals were to be built, was any direction given by the government as to what kinds of facilities or the size of the facility that should be built?

Mr. Bilsky: Thank you for the question. I don't believe any direction was given as to the size, other than I believe direction was given that they would be hospital facilities, which was part of the transfer agreement of the Watson Lake hospital.

Hon. Mr. Kent: Just a follow-up to that: Would you be able to advise the committee as to how the direction was given? Was it given verbally or written or was it in a news release? Are you aware if it was part of a political commitment or part of a platform that one of the parties had?

Mr. Tuton: I believe, if memory serves me correctly, that the direction was given verbally. I don't believe there was any other direction.

Hon. Mr. Kent: In paragraphs 13 and 14 of the report, the Auditor General notes that the existing health care facilities in both Watson Lake and Dawson City were old — I believe Mr. Bilsky touched on this in his opening statement — and that upgrading of them would likely not be cost-effective.

So would both the department and corporation agree that the existing facilities needed to be replaced, as was determined at the time?

Mr. Bilsky: From the corporation's perspective, from the assessments that we had done, part of the statement of intent actually was that in Watson Lake it was determined that that building could not be renovated. It was in such a state that to bring it up to code and renovate it would be just not fiscally responsible. I can't speak about the health care facility in Dawson City, but I believe that was a similar assessment there.

Ms. Meade: Yes, the department had an ongoing process with the Department of Highways and Public Works. It had identified that the Dawson Health Centre had significant mechanical, electrical and structural upgrade requirements, and it wasn't energy efficient. Any upgrade to the current structure was going to be difficult and costly, so it actually was looked at and analyzed as to whether a rebuild was important.

Hon. Mr. Kent: I guess where our discussion will focus now is on what was needed to replace them, so I'll turn to paragraphs 19 through 21 in the report — which speak to the functional programs completion for the hospitals.

The Auditor General had indicated that the corporation engaged a hospital planning consulting firm to help it design the hospitals. The Auditor General also reports that corporation officials, together with the firm, indicated that they had consulted the communities to determine their health care needs as part of the planning for the hospitals.

The firm subsequently developed a functional program for each hospital. The report indicates, "functional programs are an important part of hospital planning..." However, the report concludes that the communities' health care needs were not fully assessed. So this is actually a question for the Auditor General's staff. For clarification, could the Auditor General's staff explain why they feel it was important to conduct a health care needs assessment as part of planning for the hospitals?

Mr. Campbell: Thank you for the question. Yes, we do believe — and we have stated in the report — that it is important to conduct such an assessment of health care needs of the community. The services in a hospital would be designed to meet those needs, so having a good understanding of those needs would allow one to develop services that would meet the needs. Once that was done, decision-makers could then assess options toward meeting those needs in the most cost-effective manner. So, yes, we think it is a fundamental component.

Hon. Mr. Kent: The Auditor General's report goes on to say: "Corporation officials told us that they took the request from government to build the hospitals as an indication that the facilities were required." It further notes that the corporation was not able to provide the Auditor General with any analysis of health care needs that it had conducted. For the corporation, can you explain to the committee why the corporation did not carry out a complete health care needs assessment in each community?

Mr. Bilsky: The planning and assessment that was done for both facilities was concentrated on hospital facilities — hospital need and hospital care — and agreed with the Auditor General's report that it didn't encompass all health care needs within the catchment areas that are cited there. Having said that, obviously the implementation plan that we're bringing forward now is going to build on the needs assessment we did from the hospital perspective and look at a broader spectrum of health care in the communities and continue to evolve within the parameters of the facilities that we build.

Hon. Mr. Kent: Similarly, in that part of the Auditor General's report: "We found that, in planning the hospitals, the Hospital Corporation met with health professionals, First Nations, seniors, politicians and residents in both Watson Lake and Dawson City."

"The corporation told us that it did not prepare reports from these meetings. We visited most of the groups to obtain their perspectives on the meetings… Most of them characterized the meetings as information sharing on the Corporation's part as to what the new hospitals would offer rather than information gathering."

I have a couple of questions — multiple questions here actually. Could the corporation inform the committee as to why those reports of those meetings weren't prepared and who was involved in conducting those meetings? I have a subsequent question for the Auditor General's staff as to who the Auditor General talked to as part of their review to come to that conclusion.

Mr. Bilsky: To provide a more fulsome answer to your question, I'm going to ask Maureen Turner, Executive Director of Patient Care to provide an answer.

Ms. Turner: The planning was composed of a group from both Health and Social Services and Yukon Hospital Corporation employees. We met with over 40 different groups or people, which did, as you've mentioned, include anywhere from First Nations to staff to stakeholders. Because the project was moving at a fairly quick speed, the meetings — maybe not formalized as consultations, but were more discussions about needs — were held and then the information was taken back. New information was incorporated into the design and then we would continue that way.

The other opportunity for people in the communities, particularly Watson Lake, was with the management team that we referred to earlier and that Birgitte Hunter mentioned. One of the members actually stayed in Watson Lake for three months, so there was ongoing opportunity for input from the community as well as the staff there, and the community members could come and speak to them.

Dawson City was done in a similar manner. It wasn't a transfer of employees; it was a new program. From there, we went and did a similar kind of consultation or meetings with the different groups. Again, about 40 different meetings were held.

Ms. Sullivan: We met with people in both Dawson City and Watson Lake, so we met with health professionals, including physicians, nurses and admin staff. We met with First Nations in both communities. We met with seniors groups and we met with the mayor of each community, as well as council in Watson Lake.

Hon. Mr. Kent: Just a follow-up then for the Auditor General: Did you — and I apologize if they are attached as an appendix to your report — prepare reports from those meetings that the committee could look at, or are they attached to the audit?

Mr. Campbell: Thank you for the question. Yes, we take notes of all of our meetings. These are part of our evidence files, which are not public documents, but they lead us to the conclusions that we've made, and those conclusions we stand behind.

Hon. Mr. Kent: You said they are not public documents, Mr. Campbell?

Mr. Campbell: That's correct.

Hon. Mr. Kent: Just moving on, in paragraph 27, the Auditor General says: "We found evidence that the Corporation and the Department collaborated on determining how services would be delivered, such as coordinating the shared delivery of a nutrition course, but not on determining the health care needs of the communities." The next three questions focus on that paragraph.

The first one: How did the corporation and the department agree to collaborate on how services would be delivered prior to determining the health care needs of the community?

Ms. Meade: I will attempt this one. I wasn't present, so I'm trying to capture the history. There were, as mentioned,

planning meetings set up. In looking at the needs, it was more around the needs of the actual physical structure and what needs to be there — the number of bids. The planning was on the functional planning. As has been said, because this was a hospital facility, the lead was the corporation in doing that.

So the services were at a broad, general level. There would be trauma and the clinic would be in there, but it wasn't into the full detail at that stage of what the actual integrated delivery and where the connections needed to be between an acute facility and the community. My colleague has said that the building was built with that flexibility, because we were also looking at what the needs would be as we went forward. We did agree that there wasn't a full needs assessment done, as the Auditor General has reported, and that's what we have just initiated.

Mr. Bilsky: I concur with my colleague's assessment. The functional planning was around hospital standards and protocols necessary, which create a minimum standard of care that is necessary.

Having said that, as a risk management tactic, we knew that it was built in such a flexible way — and keep in mind health care is ever dynamic and evolving — so even what was known three years ago is different from today. As we continue evolving in the future we have that ability to continue this and that is our intent.

Hon. Mr. Kent: Was there a point at which the corporation or the department or both considered conducting that needs assessment but decided not to during the development of this? I understand, of course, that neither Ms. Meade nor Mr. Bilsky was in their current position at that time.

Ms. Meade: I don't think they were even using the language around that; they were looking at the planning. Part of that, quite frankly, is a capacity issue in the Yukon — the understanding of what would be required in this kind of a go-forward and again. The Auditor General has pointed that out to us and we're looking at building that capacity. So I don't think it was a matter of would we or wouldn't we do a needs assessment. I think in good faith that's what the folks at the time thought they were doing without the understanding of best practice and what is current. Even in needs assessment, this has evolved, and I think the Auditor General would agree with me, even in the last short time frame. So we now have advantage of that best practice in Canada and the ability to go forward on that.

Hon. Mr. Kent: Can either the corporation or the department tell the Committee what kind of information is maintained on health services provided in the communities and perhaps a little bit more on how the information is gathered?

I know we touched on that in our previous hearing last October as well, but perhaps could we have an update with respect to the services provided in the communities and how that information is gathered?

Ms. Meade: I'm going to start and I'm going to ask the Acting Deputy minister of Health and Social Services. First of all, we have a limited ability to draw data here — that's just a capacity issue — and also some of the national data doesn't drill down to Yukon because it becomes so small it becomes too much to an identifier either by community or personnel. However, we do collect data on health status and we have just recently had our medical officer of health issue his report. This one was focused on youth, but we look at key determinates around addictions, mental health issues, tobacco use, issues around lifestyle that all drive health care and then specifics.

We have started our needs assessment. The first piece of that is to drill down on more detail of the data that we do have — a lot of that we provide through CIHI, the Canadian Institute of Health Information. Maybe Sherri, if you could just add a bit on the kind of data that we do look at in general. One commitment on this is that the use of this data is something that the minister has asked me to look at as far as starting to address outcomes not outputs, and this will be a couple of years' process to develop the kind of data that we need and how we're going to drill down to get to that. Sherri, could you just give some example, please?

Ms. Wright: We have data on physician-patient encounters, so physicians who either bill the health care insurance plan for their services or are on contract to provide services. We have encounter information about what services they are providing in the communities. We have medical travel data, so medevac data as well as standard routine medical travel information. We have nurse-encounter information where we have health centres operating, or in the case of the formal Watson Lake Cottage Hospital, as it is often referred to, we have historical data around nursing encounters with patients there. We also have a great deal of demographic information that we draw from our health care registration system: age, sex, place where people live, their communities and that kind of thing.

Ms. Meade: I would just add that one of the advantages of having health and social services together is that we also look at the social side of the data, so we do have information from issues around status and those who require welfare. So there is an economic understanding that does tie into health status. We look at some of the data around economics and employment rates, and we do deal with education on some initiatives, so we are accessing information around schooling — both readiness for school and attendance and others. All of those give you an idea around the general health status of a community. We have addictions and mental health information specific within the department as well as child welfare.

Hon. Mr. Kent: I have one final question before I turn the floor over to other colleagues. Again, it relates to paragraph 28. The Auditor General stated that at the time, "The Yukon Hospital Corporation faced a number of challenges in managing several large capital projects at the same time." It goes on further to state that, "While the hospitals have been designed to provide services that the communities may benefit from, the Corporation missed an opportunity to determine the services most needed by the communities so that they could then design and build facilities that would meet those needs in the most cost-effective manner."

Once the corporation was tasked with building the buildings — and I know you've touched on this in a couple of your other answers — could you just explain why it didn't take ad-

vantage of the opportunity the Auditor General speaks of, and perhaps for the record you can also inform the committee — I know that you put together an implementation plan as well — about the next steps as further health care facilities are built. What do you plan to do as far as correcting that missed opportunity?

Mr. Bilsky: That was a multi-faceted question. Could I get you to repeat it? There were several pieces to it.

Hon. Mr. Kent: So, once the corporation was tasked with building the hospitals, why did it not take advantage of the opportunity the Auditor General speaks of — that is, to determine the services most needed by the communities so that the design of the facility could meet those needs in the most cost-effective manner?

I guess the second part perhaps relates to your implementation plan and what plans you have going forward. I've read through that, but I would appreciate it if you could put some of that on the record.

Ms. Hanson: If I may, we will have more detailed questions with respect to the actual plan at a later part of this hearing as well. So, perhaps to keep this going forward, we might want to focus on the questions.

Mr. Bilsky: Absolutely. I have to state that the services most needed — or the assessment of the services most needed — when we start talking about hospital facilities — it's basically a transfer of hospital services from Watson Lake to a facility. So those haven't changed. There have been some improved services but, essentially, we operate a hospital there.

Dawson City was mirrored after the Watson Lake hospital from a hospital services perspective, so that's a change from a clinic to full hospital services.

The design of the building was to ensure that it could meet those standards that we had. Implementation going forward — some of the corrections we made would have been around collaborating more with Health and Social Services to ensure that broader Yukon health care needs are assessed, not just from a hospital perspective, as well as some of the procurement policies and procedures we have — making sure that we've created the appropriate documentation to support decisions and going forward also that we use different decision points to ensure that we've done that analysis.

Mr. Hassard: Thank you, Madam Chair, and thank you all for joining us here today. My questions will be based on paragraphs 30 through 41 of the Auditor General's report.

In paragraph 30, the Auditor General says: "We found that the Corporation had not evaluated options on how to meet residents' health care needs most cost-effectively. Such options could have included, for example, continuing to operate the Watson Lake Hospital as a cottage hospital or operating it as a hospital with increased acute services; another example would be continuing to operate the Dawson City Hospital with an expanded role for nurses or operating it as a physician-based model of care. However, we found no evidence that the Corporation had analyzed such options. We also found that the Corporation did not analyze existing health care information that it could have used in evaluating options. For example, although the Corporation has claimed that having more comprehensive care in the communities will benefit residents by resulting in less medical travel to Whitehorse and outside the territory, it did not analyze the amount of medical travel that had taken place in the communities previously, the reasons the travel occurred, or how it anticipates that the services to be provided in the new hospitals would reduce that travel."

So my question then would be: Are there any reasons why the corporation chose not to analyze health care information that would point to what the needs in the communities have been and may be projected to be?

Mr. Bilsky: My comment would be that — and it's probably contrary to exactly what the Auditor General is saying — there were some assessments made — as an example, expanded-scope nursing. As far as expanded-scope nursing and utilization within an acute care facility, we had looked across Canada and had not found that expanded-scope nursing was used widely within an acute care facility and that for us to open a hospital we would go with a general duty nurse, physician-supervised, and that was the safest way we could open a hospital.

So that's an example, I think, of the assessment we have made in those circumstances.

Mr. Hassard: So did the corporation ever consider options other than building hospitals, like using other models of care or a different number of in-patient and emergency beds?

Mr. Bilsky: Once it was determined that we had a mandate to build the hospital, we looked at the size of the facilities and patterned what we were doing with Watson Lake — the size and the statistics we had there — and how best to service that area from an acute care facility and also use that as a pattern for Dawson City — meaning similar-sized communities, similar-sized statistics and making sure that we had a facility that would be flexible enough to meet our needs in the future.

Mr. Hassard: In paragraph 31, the Auditor General says: "We also found that the Corporation did not analyze the ongoing financial resources needed to operate the hospitals before starting to build them."

Projecting operation and maintenance costs is a standard way of determining the total cost of a facility over its life cycle. So why, then, did the corporation not undertake that kind of analysis and provide it to the department before starting to build the hospitals, as the department would have to fund any additional costs?

Mr. Bilsky: The determination was to replace two aging facilities and the determination was to replace them with acute care hospital facilities — one was a replacement of a hospital facility and the other being an upgrade in service to an acute care facility. That was done, I believe, in 2009. So that was the first decision to replace hospitals.

In 2010, as we were finding everything that was necessary to operate the hospital, we delivered operating budgets that were very close to what we have today as far as what we were expecting those hospitals to continue to operate under.

Mr. Hassard: The next couple of questions are in regard to paragraphs 33 and 34 of the report that describe the hospitals in Watson Lake and Dawson City as being very similar in terms of the number of beds available and the services they will offer. So, without a health care needs assessment, how was it decided what services would be provided at each hospital, and in what manner? Was there a sense that each community was entitled to the same type of facility even if their needs were not known, because they could be completely different?

Mr. Bilsky: I'll start to answer that question. I'm going to ask my colleague Maureen Turner to complete the answer. To answer the last part of the question, I don't recollect or I don't believe there was a sense that each community was entitled to the exact same facility. I do know that they are similar sized communities and I do know that as far as utilization of the Watson Lake hospital, we were going to construct something that was similar in nature as far as its capacity in Watson Lake. That was also used to determine what would be appropriate for Dawson City, but it wasn't, to my knowledge, a sense that they were entitled to a similar type of facility. It was based on what we think utilization and standards of care were within the two communities.

Ms. Turner: Yes, just to add to that, as mentioned, they were both similar sizes in terms of communities. Watson Lake hospital was already established and with the programmers who came, RPG was able to sit down and meet with staff and community members to look at what was in existence in terms of the hospital programming — as well as with hospital standards when you're designing, because there are national standards of what you would expect to put into hospitals regardless of the size and infrastructure required — and determine what would be needed in Watson. The same planners were also involved with the Dawson programming and consequently had the advantage of looking at what the small communities in the Yukon were expecting.

It wasn't a matter of entitlement, but it did answer the question of what would be expected in a hospital in communities this size with very similar needs.

Mr. Hassard: So, from that, I believe that these hospitals are relatively the same size — the one in Watson Lake and the one in Dawson City. I'm assuming that. If that's not correct, you can correct me on that.

How do they compare in size to the original facilities, and what extra services would be provided in the new facilities as opposed to the existing?

Mr. Bilsky: Again, I'll begin this answer, and I'll ask my colleague, Maureen Turner, to complete the answer.

The Watson Lake facility has very similar services to the ones comprised today, meaning six in-patient beds and six outpatient beds, trauma centre and some ambulatory care facilities, as well as some public health space that's allowed for. In addition, it will include clinic space, which doesn't currently exist in Watson Lake, as well as retail pharmacy space, which is unrelated to the hospital services, which will also be included in that building. It increases the size of the current building by about 40 percent.

Dawson City is a new building. If you want to compare — it is an apples to oranges comparison, because you are talking about a facility that may be 500 square metres going to 3200 square metres. So, percentage-wise, that is about 600 percent. Having said that, it is going to take in six in-patient beds, six outpatient beds, ambulatory care, public health facilities clinic, as well as an office for EMS and administrative space. So it's a substantial increase to the size of the building. Maybe I can ask Maureen Turner to comment a little bit more eloquently on the services that will be provided.

Ms. Turner: Just to be a little more specific, we do have numbers in terms of the two buildings. Watson Lake is currently functioning in a building that is 1711 square metres. The new building will be 2600 square metres, so that is significantly different and improved in terms of space. Dawson City currently, in the health centre, is very small — only 526 square metres. We are now putting similar and all of the hospital services into a new building that's going to be 3200 square metres. So there is a bit of a difference between the two buildings, based on some of the design and infrastructure needed.

As far as services go at the Watson Lake hospital, when we transferred over, we kept all the existing services. As Mr. Bilsky mentioned, we've improved a few of the things. We've added a few programs, such as lab X-ray, which wasn't there before, and the First Nation health program, which was also not in the existing hospital. In the new building, we'll be able to offer even further services based on the ability to do that within a building that has space for things such as therapies and stuff like that.

The programs in Dawson City — of course, it is going from a health centre which offers acute care, stabilization and public health, but what we are building is an acute care hospital, so we end up with all of the programs, as mentioned — in-patient and outpatient ones with the services, such as lab X-ray, and the ability to keep the patients overnight in in-patient beds. New equipment will be going into the new one in Dawson, so that in itself will also help with the new diagnostic ability.

Mr. Hassard: In paragraph 37 the Auditor General recommended, "The Yukon Hospital Corporation, in collaboration with the Department of Health and Social Services, should conduct a health care needs assessment in the communities of Watson Lake and Dawson City. The information gathered in this exercise should then be used to ensure that the services delivered in the hospitals are designed to meet the communities' needs in the most cost-effective way possible."

The corporation agreed and responded that, "A more comprehensive needs assessment would improve the ability to ensure the appropriate decisions regarding effective programs for the new hospitals."

It also felt, "The design of both hospitals allows for future changes in use and programming."

The corporation also noted that it "… will collaborate with stakeholders to review current and future programming and

provide opportunities for community input", and is "committed to ongoing program assessments."

The Department of Health and Social Services agreed and responded that as a part of regular meetings, it "… will collaborate on assessing the health care needs of the communities of Watson Lake and Dawson City, where both the Department and the Corporation provide services."

My question then is to the Auditor General's staff: Why does the Auditor General believe it is important to conduct a health care needs assessment in the communities even though construction of the hospitals is nearing completion?

Mr. Campbell: Thank you for the question. We believe that such an assessment is important, given the fact that it wasn't done before the hospitals were designed and built. It's really important that the Hospital Corporation get the best out of the facility they've constructed. As Mr. Bilsky mentioned, they believe they have flexibilities within how they've designed it. On an ongoing basis, it's really important to make sure they get the best out of the building that they built moving forward.

Mr. Silver: Is it usual for a health care facility to be built prior to determining the model of care that will be used for that facility?

Mr. Campbell: Thank you for that question also. We haven't done the type of research that would provide a specific answer to that in terms of what normal is in terms of building hospitals. We don't audit the building of new hospitals on a daily basis. What I would say though is that, in making decisions that involve spending of public funds — regardless of whether it's a hospital or anything else — we believe that there are key questions that need to be asked and answered before decisions are made to spend public funds. I think that included in such questions would be questions around the functionality of what you're building and also anything that could have implications on that cost of what you're building.

I think that, in all probability, within a hospital, the functionality and the cost that would be driven from that would include, among other things, how you are actually going to operate the building.

Mr. Hassard: My next line of questioning is based around the action plan. On May 31, the corporation and the department provided the Public Accounts Committee with its action plan on the recommendations. It was noted that an independent consultant was secured to conduct an updated and detailed facility functional program informed by a high-quality assessment of the needs for health care services. The action plan notes that the independent assessment will build upon the original needs assessment completed by the corporation. As there was no such assessment, is the corporation then referring to the functional plan?

Ms. Meade: If you don't mind, Madam Chair, I'll answer this question.

We recognize that a needs assessment in the formal sense wasn't conducted, but there was data collected and we have the luxury of since looking at data within the department. So we are going to build, instead of starting from scratch, on what we already have, because we've been looking at information — as well as not doing a full consultation, but doing targeted consultation, because we already have built and we have information on what they have.

The consultants are looking at all of the CIHI data that our department has and then moving to what the corporation has. We have already worked with the corporation around the people who had meetings and who the people were who had been at public forums and who are the key stakeholders. That is the plan going forward. Right now, the first part is to analyze the existing data — what was done and what we actually can get greater access to — again, through CIHI.

The other issue is that health care does evolve and what goes into an existing hospital, whether that hospital is 100 years old or 50 years old, is continuing to evolve. So there is a needs assessment, but this is also a process that we would do on an ongoing basis to evaluate programs. This needs assessment will go beyond the walls of the hospital because health care does, so it will also inform the department around how we can integrate both health and social services and what we need to with our linkages to the acute facility. So, over time, what is delivered changes, both by medicine — many things that used to be in tertiary hospitals could now be done in acute, and what had to be in main facilities could now be done on an outpatient basis. There is a great move in health care to community and community delivery with the use of primary care providers. We are building from a state and time of what was done. A needs assessment — yes, it wasn't done correctly. We agreed with the Auditor General.

But we did have some information to build on, so that's where the consultant is beginning, but there will be, inclusive of that in our plan — identifying that stakeholder engagement and ensuring that we are informing. This is building as well on what the department has to do on a go-forward basis, anyway, to start to set the benchmark. So there will be lessons learned from the Watson Lake and Dawson City broad community assessment. This is also going to drive our look at — of course, incorporation with the Hospital Corporation — where we need to go with options for future delivery and how we need to be, but it will be ongoing.

Even if you operate a facility, you evaluate at a year and two years what's coming in the door, even if you had a full needs assessment. So this is doing a full needs assessment, building on what we have and also starting us on the evaluation and setting the stage beyond Watson Lake and Dawson City. So I think we have agreed it's a very good opportunity for us to look at health care in the future for the Yukon.

Mr. Hassard: The description of the operational phase of the project also notes that this phase will augment earlier data and document collection. Can you please advise us what this is referring to?

Ms. Meade: There was some data collected and used by the corporation. I think they've spoken to that — that the department looked at it.

This is a further drilling down — again, using best practice for a needs assessment. So some of the data we do have, which we probably didn't look at, was already mentioned.

We have access to medical data. Did we really drill down to say what is actually going to be the impact or could be the impact? We have data on our community and long-term care side that looks at respite, et cetera. So there are other things — if we're going to do this, as the Auditor General said, in a more holistic way — that we will now use that goes beyond what you would look at if you were building simply an acute centre. I think we've agreed to look at this as — you know, patients don't stay in walls. They move back and forth, and we're trying to be much more holistic in our look at this.

Mr. Hassard: The action plan also notes that the anticipated timeline for completion of the project is September 2013. Can the corporation provide the committee with the report on the assessment when it's completed?

Ms. Meade: It's a joint report, and it would go to both the minister and the board, and then we know that this would be a public document, but it would be the Minister of Health and Social Services who will bring it forward.

Ms. Hanson: I'll be doing the next series of questions. I do have one follow-up on Mr. Hassard's questions with respect to the action plan.

In the context of the earlier reference to data and the collection of information, and picking up on your comment, Ms. Meade, that patients don't fit in neat silos — when the Auditor General did the audit on Health and Social Services — and we had a hearing here in October — there were consistent issues raised with respect to sharing of information, particularly health-related information between the hospital, Health and Social Services — and then you compound that with the federal jurisdiction with aboriginal patients who are under the auspices of the federal government in terms of provision of services, can you tell us how the process that is outlined in the action plan is addressing that — the multi-faceted nature when we're talking about patient-centred care in the design of this action plan?

Ms. Meade: Information sharing is usually limited to where you're doing patient disclosures. So, a lot of this information — we can mask the patient disclosure for us to look at it; we don't need to show patient disclosures. That makes it easier to share. Quite frankly, on this kind of research, you just enter into an agreement, as long as you're not sharing patient health information between the corporation and us. The Auditor General's reference though is something that in the department we're working on under our e-health strategy and certainly coming forward with our health information act in some of those issues.

It's a parallel process, but for this project we have the ability to mask anything that would limit our sharing. As far as First Nation information, because they are served here, it's a billing issue to the federal government and we have access around patients. You find that information, as Ms. Wright said, through patient encounters, whether that's with nursing stations or through — we don't have to pull up patient identifiers, but we can also mask them, so we will be able to get around that for this process.

Ms. Hanson: Just one final one, with respect to that. It talks about developing a therapies model to best serve the Watson and Dawson catchment areas and being committed to ongoing program assessments. If we look at, in particular, how to determine what ongoing services, or new services, and the needs that are required, if the information is not shared, or is being shared — with respect to, for example, diabetes, dialysis — is that built into this to ensure that those kinds of data will be available for decision makers?

Ms. Meade: It won't be available for decision makers as far as publicly disclosing because then I'm looking at small populations and I'm starting to give patient information even if I ask — for the purpose of this, it would be roll-ups to say here is the priority — so prevalence of mental health and addictions, level of mental health. Are we talking about depression? Are we talking about some more schizophrenia and other behavioural issues? What's the level of addictions? Are there issues around complex chronic disease? Those are the types of things, but they will be rolled out.

As far as a report, my anticipation of the report would be that this will come out saying, "Here are your priorities." There will always be prevalence about anything in a community. What are the priorities and what do we have to design on them? The analysis then for the operation will be what's the best and most efficient way to deliver that and what is the current best practice, which continues to evolve — whether this requires different providers and, in our case, how much can we use around maximizing the specialist pools and other types of things and can they use telehealth?

All of that will come in and it may come in over time as we build the capacity and look at this, so there will be information around what you can build. Even on driving the clinic side, we have fairly traditional clinics, but discussions have already been — I'll just give an example; I'm not saying the communities have this, but if it was around addictions and mental health, have we really, as a department, integrated well enough and made clean, seamless referrals between primary care physicians through addictions and mental health support? We can always improve on that. That's why the needs assessment will bleed in and out of the walls of an acute facility.

Ms. Hanson: Mr. Hassard is, in fact, not finished yet.

Mr. Hassard: I just had two more questions regarding the risks of building the hospitals, and one is for the Auditor General's staff and one is for the corporation.

In paragraph 41, the Auditor General reports that "The Corporation and the Department could not provide us with documented risk analysis to show that they had identified and assessed risks before beginning to build the hospitals. Instead, they identified and assessed risks and developed mitigation strategies for them at the same time as the Corporation was beginning to build the hospitals."

My first question would be to the Auditor General's staff: Why do you believe that it was important to identify and assess risks prior to beginning the building of the hospitals?

Mr. Hellsten: Thank you for the question. Yes, we believe that it is important to identify and assess risks prior to beginning projects. A risk assessment would make it clear from the outset what the major challenges were for the hospital projects. By assessing these risks, this would also lead to developing mitigation strategies to address the risks. These strategies would then lead to potential changes to the project's scope and timing of the projects, as well as costs of the projects and, in addition, potential changes as to how the hospitals would operate.

Mr. Hassard: My last question, then, would be to the corporation: Why did you not identify, assess and develop mitigation strategies for these risks at an earlier time?

Mr. Bilsky: The timing of the risk assessment — the risk assessment for us was an ongoing process. For certain, there is risk involved both in the operation of the hospital, as well as construction. From a construction perspective, we definitely put in place management strategies from a risk perspective — things such as internal design and engineering expertise, tender and RFP process, third-party verification of progress and specifications, bonding company backing of the general contractor, site rep oversight, project management expertise, statutory declaration processes and, unfortunately, legal counsel. Those are all meant to mitigate risk from a project perspective.

From an operational perspective, it really comes back to identifying what those risks were, and we did that concurrently with building the hospital, albeit not in a consolidated form at the front end of the project. Some of the risks that were identified — staffing, housing, physician recruitment. Hopefully, to build on the comments I made in my opening statement, we have mitigated most of those risks but, admittedly, we did not fully assess the risks at the front end of the project.

Ms. Hanson: Paragraph 42 says that the corporation officials considered three risks associated with building the hospitals: program delivery, staffing and funding. So I have a series of questions that will address those areas.

In paragraph 43, the Auditor General reports "…the Corporation has taken steps to address the risk of not being able to deliver good-quality programs by working to have the hospitals accredited. The Corporation completed an accreditation primer for the Watson Lake Hospital in May 2012…"

"Completing an accreditation primer is a good first step in addressing the risk of not being able to deliver quality programs. However, if other risks, such as staffing, are not adequately managed, they could negatively affect the Corporation's ability to have the hospitals become fully accredited."

My first question: Could the corporation describe what accreditation involves and why it is important for a hospital to be accredited? As an addendum to that, could you tell us who participated in that process? Was it a vertical or horizontal sort of slice of the organization?

Mr. Bilsky: The process for accreditation is quite involved. It's through Accreditation Canada and it's the most effective way for us who provide health care services to regulate and consistently examine and improve the quality of our service, considered to be best practices and standards of practice and also learning opportunities for where we can improve. The actual process itself is a three- to a four-year cycle and it involves the organization preparing for it, meaning there are certain areas of the organization —which is all-encompassing in the organization actually, but the different pieces of it, ensuring that we understand and are employing best practices. Then there is a survey period for external parties to come in and assess our compliance with those best practices. At that point, it is determined whether we've met any type of accreditation standard.

With Watson Lake, the primer — and I'm sorry I don't have the exact date of the primer — actually it was in 2012 that Watson Lake went through a primer to prepare for that and then we will go through another assessment period here in early 2014 — I believe it's in May — which will include Watson Lake fully and Whitehorse General Hospital fully, but not Dawson City yet because we won't be fully operational by that time and at that point they will go through not just a primer, but a full accreditation survey.

With respect to your question about who's involved, I was not involved in the last one, but based on documents I've reviewed and understanding our preparation, the entire organization is involved right from the Board of Trustees through to front-line people who actually touch patients in almost every capacity. It's a large undertaking, but worthwhile.

Ms. Hanson: You had mentioned, and I just want to confirm with you, whether or not the corporation has undertaken an accreditation primer for the Dawson City hospital. Could you just confirm again what is the next step with respect to Watson Lake?

Mr. Bilsky: The next step for Watson Lake —

Ms. Hanson: Well, the first was with Dawson City and the timing — you mentioned what has to happen before it could occur there — and, secondly, the next step with respect to Watson Lake.

Mr. Bilsky: Just to clarify, you are speaking about accreditation — correct?

I'll ask Maureen Turner, Executive Director of Patient Care, to speak about Dawson City and its readiness for accreditation. Watson Lake itself is fully participatory right now as Yukon Hospital Corporation's umbrella from an accreditation perspective. So it will be participating in all the preparation, all the surveys — meaning both what I would call paper survey as well as when the surveyors are on-site. There will be a team of surveyors who visit Watson Lake, assess their protocol procedure and operations from an accreditation standards perspective.

Dawson City, as far as operational readiness — as I said, I'll ask Maureen Turner to speak to what the next step is for Dawson City.

Ms. Turner: Yes, so with Accreditation Canada, when they do surveys for corporations, they will look at the different sites, but it would be the corporation as a whole that would be accredited. As mentioned, Watson Lake is now up and going, and Whitehorse General Hospital certainly has been accredited since the 1950s.

Dawson won't be ready and they don't expect to do accreditation on any brand new hospitals within that first year of operations. They exempt us basically, providing us the ability to really get our programs up and running and fully operating. We may be ready then, because it is a three — it will be eventually a four-year cycle. We probably would be ready for a full accreditation certainly by the next round, which we expect would be in 2018.

Ms. Hanson: So my next question: Does the corporation believe that the hospitals will become fully accredited and, if so, could you confirm for us how long that process might take?

Mr. Bilsky: It is our expectation that the Yukon Hospital Corporation, including the sites of Watson Lake and Whitehorse, will be fully accredited after this survey period, and Whitehorse hospital is fully accredited today.

Just to clarify regarding Dawson City — although it won't be included either in a primer or a full survey, we do make sure that policy protocol procedure that we employ across the Yukon Hospital Corporation is consistent in all locations. Although it may not be surveyed, it's our intent to ensure that there is consistency across.

Ms. Hanson: So would an inability to receive accreditation adversely affect the corporation's ability to recruit medical or any other staff?

Mr. Bilsky: It could have an adverse effect. As I stated, I'm expecting accreditation.

Ms. Hanson: In paragraph 44, the report notes that "…the Corporation and the Department have made efforts to manage the staffing risk. For example, the Corporation worked to successfully become one of Canada's top 100 employers in an effort to attract new employees by increasing its profile as an employer and showing the benefits of working for the Corporation. To manage the staffing risk associated with the transfer of employees from the Department to the Corporation for the existing Watson Lake Hospital, the two organizations established a committee with the Public Service Commission to provide direction and resolve issues that arose from the transfer. The committee succeeded in overseeing the transfer of the majority of the hospital employees from the Department to the Corporation."

In paragraph 46, the report notes that, despite these efforts, "under the model of care at the new Watson Lake hospital, the corporation estimates that the equivalent of three full-time physicians will be required." The Auditor General found that recruiting and retaining physicians for Watson Lake has been an ongoing challenge. "Further, although the new Watson Lake hospital is designed to accommodate a private medical clinic, an agreement has not yet been reached between the clinic and the corporation." Paragraph 47 notes, "As with the Watson Lake hospital, the corporation estimates the equivalent of three full-time physicians will be required for the new Dawson City hospital." At the time the report was written, "The equivalent of three full-time physicians has not yet been hired for either community."

In the corporation's appearance before Committee of the Whole last month, the chair of the corporation noted that prior to assuming management of the Watson Lake hospital, there were no physician privileging processes, which have now been enabled for the management of the corporation under the *Hospital Act*. However, the chair noted that Watson Lake has and continues to have challenges in sharing consistent and appropriate physician staffing levels. At the time of the transfer of the Watson Lake hospital to the corporation, there was a special licensing protocol in place that enabled IMGs — international medical graduates — to practise under special circumstances. This was revoked, although it has recently been revisited by the Government of Yukon. It was also noted that the Watson Lake physician issue was being addressed through Health and Social Services, the Hospital Corporation, the Yukon Medical Association and the Yukon Medical Council.

The chair of the corporation also noted that it was in the process of negotiating leases for clinical spaces, but had not concluded those negotiations. Could the corporation and department provide the committee with an update on the physician staffing situation in Watson Lake?

Ms. Meade: The issue is there is a long-time physician who has been there and was what we would call the "present resident present physician" — lead physician. That physician has been there for years and years and the community is very familiar with him and some of his colleagues. The practice that was done for internationally trained medical graduates is not an issue that we just suddenly cancelled. The issue is the practice — the way it was being done — is no longer allowed in Canada because of the mobility agreements and how we're doing that.

One physician there, who is also not always resident present, does have the ability, under our agreement with the Alberta College of Physicians and Surgeons, to supervise IMGs, so we have a process that we have initiated.

The issue is not the use of IMGs; the issue is do we have three-physician coverage. That's currently being worked out. It is contractual, so I'm a little bit limited, but I will give you the best I can. There are two issues — when we talk about the original clinic, that clinic that the community would know as the "full clinic" is really just the business name for one physician and they also have the retail pharmacy. We are now looking at how that clinic or a physician can ensure that we have a full resident present, meaning that they are there in the community except for annual leave, holidays and training. You can then use a matter of locums or other full-time, or an IMG. The issue being they must all have hospital privileges under the Yukon Hospital Corporation medical advisory committee, and that's not unique to the Yukon. That's how it would be done in any jurisdiction.

We have full coverage because there was annual leave and some concern by one of the physicians whether they wanted to be there very much or not. We've used a locum pool, a rotational pool from physicians here and ones that we have used in the past, but most of them are actually from Whitehorse. That kind of coverage is also not unique to here. That's done in most

rural areas, and physicians actually like that kind of continuity. The issue is ensuring we have one lead physician who is managing the transitions.

I am quite confident that that discussion will be resolved quite soon around the contractual — and it's with the department because of how the billing and the medical agreements sit with the department. We just ensure that the requirements of the Hospital Corporation are met around privileging and the number of physicians, which we agree with — which would be the equivalent of three — who manage both the clinic/community side, as well as the acute side.

Ms. Hanson: Could I get an update on the status of negotiations for the leases of clinical spaces in the hospital, and are these at risk because of the just outlined staffing situation with physicians?

Ms. Meade: They're quite tied up into the discussions, but the issue is lease or sublease — however that would be done. It would be done with whatever medical unit would be coming into the facility. The issue is there is a lease generally between the department and the corporation for the facility to operate, and right now it's just a matter of how the clinical and community side will be done. Again, we don't want to limit ourselves to just having a traditional medical primary care clinic. We want to be able to have the interface with some of the other social supports. That's part of the discussion and the leasing.

Ms. Hanson: Was the design/build of a private medical clinic with a view to a specific physician — like this existing private clinic already in Watson Lake? Was it necessary to build a private clinic within the hospital?

Ms. Meade: The corporation may want to speak to this but, actually, when you look at best practice lately, especially for rural remote, having a full community health facility is actually part of the best practice of doing the integration. I don't think it's a matter of a private clinic; it's trying to get a more robust primary care part of the overall facility. That linkage with the acute side and the use of physicians to cover both communities — physicians and nurses, by the way. Both community and acute is very standard and actually quite efficient and effective and, quite frankly, also helps us with attracting and retention. There is a group of physicians and nurses who like to ensure that they're not just doing primary care — that they have acute and trauma as well. That's not limited to Watson Lake or Dawson City. We know many of our Whitehorse physicians are attracted to that model.

Mr. Bilsky: I concur wholeheartedly with my colleague's comments and just to put it very simply, co-locating those health services within one building just makes a lot of sense when we speak to doctors who could be on-call at any point in time — on call 24/7 — and patients who have flowed through the facility. It just makes a lot of sense if they're co-located.

Ms. Hanson: Has there been an increase in the total number of staff required for each hospital? How many staff were at each facility previously? How many positions is the corporation expecting to fill going forward?

Are these permanent positions or contract — as in contract nurses?

Mr. Bilsky: I'm going to ask Maureen Turner to give you the exact numbers, but I'll lead in with some of the answers there.

There are a couple of people who needed to be added in Watson Lake because, keep in mind, Watson Lake was already an operating facility. The people have more to do with the size of the building. I'm talking about the hospital staff at the moment, not anything outside of the hospital. Keep in mind, these buildings are about 60-percent hospital and 40-percent other. In Watson Lake we had to add approximately two FTEs to that one to operate a larger facility. Otherwise, all of the clinical and support services were there.

Dawson is a new facility for us, and I'll get Maureen to speak to the addition. Having said that, it's intended that all the positions we speak about here — they are intended to be permanent residents within the communities. Having said that, to fill certain holes at certain points in time, we may have some temporary people move in and out, but it's intended to be permanent.

Ms. Turner: Yes, Watson Lake, as mentioned, is an existing hospital. With the new building, there is actually an increase in some of the support areas, such as housekeeping and a maintenance engineer for the new building, who would be on-site. These are folks who are all living in the community, so not a lot of increase there.

The Dawson City hospital, being completely new, will have roughly between 20 and 25 employees working in there and at least half, if not more, will be local employees. Those are primarily the support services that we will be looking at, but we have new positions we would be bringing in based on their expertise. So particular positions, such as the administrator, the RNs, LPNs, lab X-ray — those types of specialized positions would probably be hired from Outside. We are in the process of hiring them, and we virtually have all of the positions filled without being able to offer an actual job because of the date — we need to be able to have an opening date. We have everything lined up for our staffing, so we're confident we will be fully staffed and, as I mentioned, over half will probably be from Dawson. The others will then move to Dawson and will be there. We're not planning on moving people back and forth.

Ms. Hanson: These positions — are they contract or permanent full-time equivalent positions?

Ms. Turner: These would be permanent positions.

Ms. Hanson: In paragraph 48, the report addresses an issue specific to the Dawson City hospital related to the model of care for the hospital. According to the report: "The model of care in the Health Centre includes nurses with extended or expanded roles (for example, they can diagnose some illnesses). The model of care for the new hospital does not include this type of nurse; rather, it includes general duty nurses only."

The concern expressed in the report is, "If the expanded-role nurses are not willing to work as general duty nurses, the Corporation could have difficulty recruiting a sufficient

number of nurses for the new hospital, which could delay its opening."

In his appearance before the Committee of the Whole, the chair of the corporation noted that at the time of planning for the Dawson City Hospital, research indicated there were no Canadian hospitals using a model where nurses with expanded scope were primary care givers. The nurse practitioner legislation was passed in December 2012, allowing the corporation to consider including nurse practitioners in a collaborative care model in the future. Evolving to a new model is a consideration the corporation is looking into, and the chair mentioned that it would be discussed at a Board of Trustees' meeting in May. The chair of the corporation also advised Committee of the Whole that staff hiring for Dawson is in a variety of stages of recruitment and placement, which I think Ms. Turner has referred to, and that he was confident that the corporation would have a full complement of staff to open the hospital for operation.

Would the corporation and department provide the committee with an update on the physician and nursing staffing and how many doctors have actually been hired and how many nurses and how many remain? Can you confirm that again?

Ms. Turner: Physician-wise, the hospital doesn't hire the doctors, but we do provide privileging. In terms of Watson Lake and Dawson City, there are four dedicated —

Ms. Hanson: Sorry to interrupt — that was Dawson City?

Ms. Turner: Yes, in Dawson City, there are four dedicated physicians plus several regular locums that go through there. From the corporation's perspective, our vested interest is that we will be able to provide on-call physician services 24/7. We are quite confident we have that. In terms of the hiring and so on, that would be best spoken to by Health and Social Services. The nursing staff — we actually have an excess in fact, to be honest, that have applied. We have had interviews for them, so we are very comfortable with our nursing staffing. We will be able to open the doors very comfortably with our numbers.

Ms. Hanson: With respect to the model of care, with the use of locums and doctors not resident in the communities, how do you address the issue of continuity of care?

Ms. Meade: Actually, well in Dawson, we have two resident physicians and we also have rotating locum physicians, usually from the same pool — not always the same — who are all on contract.

The locums are used more in the summer when there's a difference in population there. They're all on contract and there is physician responsibility, as far as transition. That happens whenever you have shift change or movement of patients in large primary care or, in fact, if you use locums. Part of that is overseen by medical supervision by physicians and certainly the medical advisory committee in the hospital and medical director model, but also through the physician's responsibility and how they practise.

So the interface around whether you always see the same physician — it's quite normal that you don't. You see rotating, but your report and your records have to be documented and the accountability is on the physician whom you are seeing at the time — as far as they're responsible for the follow-up on all labs, diagnostics, referrals — so anything beyond when you leave the office specific to that visit is the responsibility of the attending physician. Part of the issue when we're dealing with the contracts is ensuring that we've designated and that's clearly understood when we use locums.

So, quite frankly, Dawson has operated that way and depending on whether we have all resident physicians, you still have locum use, because they're on for annual leave and training. So you always have that.

Ms. Hanson: I'd like to go back to the issue of nurse practitioners and the scope of research that the corporation and, I guess, the department may have done. The consultation with respect to the use of nurse practitioners in the Yukon goes back to 2004 and certainly there are journals of medicine and nursing that speak about the practice of using nurse practitioners in hospital settings — 1997, 2003 — going on for many years.

Would the corporation please outline the status of its consideration of nurse practitioners as it was discussed from your May meeting?

Mr. Bilsky: I believe, as you have already cited, legislation was amended in 2009 and then regulation was enacted in 2012, so those are very recent developments as far as we're concerned.

At the initial planning stages, we did a broad survey across Canada to look for nurse practitioners or expanded scope, which are not the same thing, but the use of any types of collaborative care in the acute care setting, and could not find a reasonable model. It was our decision at that point in time to look for general duty nurses or look to open with general duty nurses and physician-supervised models. Right now we're in a phased approach of working within the hospital setting to allow nurse practitioners to work toward their full scope.

Initial phases are just allowing them to look at outpatient services that are provided by the hospital under the deferred authority of certain medical practitioners, and it'll be phased over time so that they can work to full scope. That's the difference between allowing them to work the full scope and incorporating them into any type of hospital setting. To be able to do that will take a significant amount of planning and design and protocol work, as well as bylaw changes with oversight from medical staff to be able to do so, and that'll take a period of time.

Ms. Hanson: Thank you, Mr. Bilsky, so you are building on research and what's going on in other locations like Royal Alexandra intensive care unit and other places in Canada?

Mr. Bilsky: An example would be Canadian Nurses Association published interprofessional collaborative teams exploring models of care. I believe that was done just in June 2012, so we're looking at elements like that, but again, collaborative models of care are fairly broad and diverse in nature, so we have to make sure that we do what's best for the Yukon and provide safe and excellent hospital care.

Ms. Hanson: I believe Ms. Stick has a question.

Ms. Stick: Thank you, Madam Chair, and I thank the witnesses for being here and staff from the Auditor General's office. This goes back — this is an addendum to the Chair's questions with regard to hiring of physicians for Dawson, and you indicated that there are two resident physicians plus the locums.

Looking at contracts and the public documents — are all the physicians in Dawson paid by contract versus the billing contract? I would note that already, to date, we have over $2 million in contracts for Dawson City.

Ms. Meade: The physicians are all on contract, including the locums. Locum contracts are different from the resident and there are different things that they also bill for that we have had them do. That will continue to be assessed, but they are all on contract.

Ms. Stick: Do you anticipate more contracts coming up within this fiscal year?

Ms. Meade: The current coverage is within the contract scope that we have. I don't know how the needs assessment will dictate the number of hours and what we need. I think we have to leave that open. I also think, given the nature of the business, contracts come up because of coverage if something happens. So there may be more contracts.

Ms. Hanson: With respect to housing, in paragraph 49 the Auditor General mentions a housing shortage that exists in both Watson Lake and Dawson City. I heard a reference to this earlier from the CEO of the corporation.

While the situation in Dawson City should, according to the report, be solved by the time the hospital opens, the situation in Watson Lake was not as good. According to the report, the corporation was faced with a shortage of three housing units in Watson Lake. An insufficient number of units to accommodate new staff could limit new program and service delivery once the new facilities are open. The corporation advised the Committee of the Whole that it had 12 houses in Dawson City and is looking for three more units in Watson Lake. What is the state of the housing situation — not generally, but with respect to the Hospital Corporation — in Watson Lake and Dawson City with regard to hospital staff? How many more units are needed in each community and will they be ready when the hospitals are ready or when staff is hired?

Mr. Bilsky: I will begin that answer and ask Maureen Turner to elaborate a little further with exact numbers. It is my understanding that in Dawson City we have secured adequate housing. It is awaiting and utilized for different purposes right now, but it is awaiting the opening of the hospital. As far as that risk is concerned, I believe it has been mitigated. In Watson Lake, I believe again that we have some local hires there, and I believe that we have adequate housing in place in Watson Lake.

It is always an ongoing concern to ensure that we have adequate housing, that's for sure, but I believe we have adequate housing in both locations. I will ask Maureen to confirm.

Ms. Turner: I can't add to that, because we are solid in both communities at this point and we don't anticipate any housing difficulties when we open.

Ms. Stick: I noted that in Dawson, the department is renting two private homes for over $53,000 for physicians. I was curious as to whether these houses that are being rented from private individuals are for the permanent doctors or if they are for locums who are coming back and forth to the community.

Ms. Meade: They are actually for both. They are mainly for the contracted primary resident doctors, but they are also used by the locums as we increase in the summer months.

Ms. Hanson: Perhaps what we can do, because Ms. McLeod will be the next member of the committee to pose questions for the witnesses and, mindful of the time — it's 11:50 a.m. right now — if we could reconvene at 1:30 p.m., we will be able to go smoothly through the remaining four members of the committee, if that will serve everybody well.

We'll see you at 1:30 p.m.

Recess

Ms. Hanson: It being 1:30 p.m., I will now call this hearing of the Public Accounts Committee back to order, and I'll ask Ms. McLeod to proceed with questions, please.

Ms. McLeod: I'm going to ask some questions regarding funding. With regard to funding, the Auditor General notes in paragraph 51 that financing to build the hospitals did not go through the standard process involving the contribution agreement with the government and the Legislative Assembly's appropriation process: "Instead, the Minister of Health and Social Services authorized the Corporation to borrow the money from a large Canadian chartered bank that had been the successful bidder on a proposal for the loan."

At the time the report was written, the Auditor General reported, "The Corporation could not provide us with any explanation regarding why the loans were secured through banks rather than from the Government of Yukon."

Would the corporation and the department explain to us how this decision was arrived at and who was involved in making the decision and, further to that, whether or not a business case should exist for such a decision as that?

Mr. Bilsky: The decision to finance through a chartered bank was beyond the scope of the corporation's parameters. Once we were given direction to finance, then we went through a competitive process to acquire financing to fund the construction of the hospitals.

Ms. McLeod: So, to hear you, then it was not the corporation's decision?

Mr. Bilsky: That's correct.

Ms. Meade: I will ask Ms. Hunter to respond, if that's okay.

Ms. Hunter: I'm not aware of how the initial decision was made on what the choice was on the financing mode. However, once it was decided, we worked with the corporation

on putting it together with the chartered bank and with Management Board.

Ms. McLeod: Was there a business case made to go in that direction? Perhaps the department would have that information.

Ms. Meade: I am again going to ask Ms. Hunter, as she was there, but there were Management Board submissions once we went forward with this model.

Ms. Hunter: The original management agreement — we explored of taking over initially the Watson Lake hospital project. After that time, there was a Management Board decision that went forward with the financing. I wasn't with the department at the time so I'm not aware of where the decision was made for the actual funding arrangement, but once it was in place, we went through the normal Management Board process of getting the approvals for the funding.

Ms. Hanson: Just as a supplementary then: Was the corporation authorized or directed to borrow the money from a large Canadian chartered bank?

Mr. Bilsky: Initially it would have been a direction to go down that path. There would have been authorization once we secured the options that we were going to go through from a chartered bank.

Ms. McLeod: Paragraph 53 of the report notes, "… the Corporation entered into loan agreements of approximately $67 million to finance the projects during construction", which were later "increased to $72.4 million. The loan agreements were based on prime interest rates, which fluctuated between 2.5% and 3% for the period of the loans."

In paragraph 54, it states: "The Corporation also entered into interest rate swaps with the bank. The swaps total approximately $55 million" and "provide certainty by fixing the interest rates and protecting the Corporation from potential increases in interest rates. However, there is also a risk that, should interest rates be lower than was anticipated when the Corporation entered into the agreement, it will pay more interest than it would have paid without the swaps."

The audit found that the swap interest rates to date have fluctuated between 4.53 percent and 5.23 percent. The Auditor General is concerned that the corporation entered into these swaps without documented analysis and the advice of an independent financial expert to help it make a fully informed decision for which all the risks and costs were assessed at the outset. So why did the corporation decide to enter into an interest rate swap without documented analysis and independent financial advice?

Mr. Bilsky: Just to clarify slightly — there is a comparison of some rates there. I don't want anything to be misleading. The initial rates that were compared — there are construction financing loans, which are demand term loans — very short-term rates. The intent with the swaps was to ensure that we eliminated any interest rate volatility, not just about securing the lowest possible rates. It would be about that. At that time, that's what the projections were giving us. It was giving us the fact that we should secure the interest rates with these particular swaps because that was what was projected at that time.

Of course, after that fact, you're going to see interest rate volatility, which is what we were protected against. That was what was documented. The experts who we had involved were — we had a financial expert in-house, but we would also have CIBC that was working with us from a chartered bank perspective.

Ms. McLeod: So that kind of tells me how the decision was arrived at. So who was involved in making that decision to go down this swap route?

Mr. Bilsky: From the corporation's perspective, our in-house financial experts, namely led by our CFO, our Board of Trustees, led by the chair of the board, as well as an external chartered banking company.

Ms. McLeod: So, not being an expert in these matters myself, why was there such a large spread between the construction loans and the swap interest rates that were accepted?

Mr. Bilsky: To my knowledge, it's because the construction loans are short-term demand loans. Once construction is complete, it would be intended to turn them into long-term amortized and over a longer period of time — 10 to 15 years — and those yield much higher — not much higher, but they yield higher interest rates depending on the yield curves. Again, as I said, the swaps were intended to eliminate interest rate volatility.

Ms. McLeod: As with the rationale for using external financing versus government funds, should this decision not have been supported by a business case that would have been accepted by the department or government, since they would have to finance the loans through the operating contribution that funds the corporation? Was the decision to pay down the loans by $27 million supported by a business case? If so, do you have a copy that you can provide the committee?

Mr. Bilsky: No, we don't have a copy of a business case. The decision to make that was outside the scope of the corporation. We were directed to pay down the long-term debt of the hospital.

Ms. Hanson: The question: As with the rationale for using external financing versus government funds, should this decision not have been supported by a business case that would have been accepted by the department or government, since government will have to finance the loans through the operating contribution that funds the corporation?

Mr. Bilsky: The decision to either finance and continue that financing or pay it down with surplus cash, I believe sits with Management Board and is outside the scope of the Yukon Hospital Corporation.

Ms. Hanson: Thank you, Mr. Bilsky. Just to be clear then, the decision for using external financing versus government funds rested not with the corporation, but outside of the corporation?

Mr. Bilsky: That's correct.

Mr. Silver: With the subsequent government commitment to pay off $27 million of these loans, who made that decision? Could a witness describe that process?

Mr. Tuton: We were just in a sidebar conversation. Could you repeat the question, please?

Mr. Silver: Absolutely. With the subsequent government commitment to pay off $27 million of the loans, who made that decision? Could the members describe that process?

Mr. Tuton: As Mr. Bilsky had earlier stated, that was outside of the mandate of the corporation. I believe that decision was made at Management Board.

Ms. Hunter: The decision to pay off the $27 million was a business case that was put before Management Board. We looked at different scenarios of paying it down and that was, in fact, due to the stronger financial position of the Yukon government. It's not unusual when you finance projects to look at them throughout the period of the loan or agreement, to look at different ways of paying down or financing in different methods. Because there was the health of the overall YG finances, we were in a position to put this money toward it at this time. We'll continue to review it over the life of the payments to see where fiscally it makes more sense to make lump-sum payments or continue in the traditional financing mode now.

The $27 million is going to allow us to reduce our overall interest costs over the life of the loan by about $12 million, and it equates to about just over one million dollars a year at the current amortization, knowing that it's a declining balance on the loan — on the interest on the servicing of the loan, but really it depends on the interest climate at the time that we look at it, so we will be reviewing it on an ongoing basis.

Ms. McLeod: We're going to move on to the operating costs per hospital. In paragraph 55, the Auditor General states: "… the corporation did not identify the incremental operating costs for the two new hospitals until December 2010, after the new hospitals had been designed and construction was under way. According to the Corporation's most recent estimates, the cost of operating the new facilities will increase significantly over that of the older facilities." Costs should have been available to decision-makers before the approval for the projects was given.

The annual operating costs — unaudited, of course — of $3.4 million for the Watson Lake hospital in 2009-10 are estimated to increase to about $9.2 million by 2013-14 for the new hospital.

Annual operating costs — unaudited — of $2.7 million for the Dawson Health Centre in 2011-12 are estimated to increase to about $9.3 million by 2013-14 for the Dawson City hospital. Of course, as with forecasts, the risk is that the cost may be higher.

Could the Auditor General tell us why it would have been important to identify the incremental operating costs before construction started?

Mr. Hellsten: We feel it's important to identify incremental operating costs before construction. Those approving the projects would want to know not only what the capital costs of the projects are, but also want to know how much it would cost to operate. If they're not comfortable with the ongoing operating costs of the projects, changes could then be made to the projects' scope and operations to better contain these costs.

Ms. McLeod: So, why was the corporation unable to identify incremental costs earlier — before approval to proceed with the project was given? Or was that, in fact, a discussion point?

Mr. Bilsky: As was stated this morning, we were given direction to build two facilities — one to replace an existing hospital, one to basically build a new hospital and replace a health centre.

Once that decision was made, it was our mandate to try to do that in the most cost-effective manner from a construction perspective. Concurrently with that, early in the process we did determine what the operating and maintenance budgets would be for these two projects. Keep in mind that a lot of what is being stated here is the difference in numbers. It has to do with loan servicing, and it also has to do with the increased size of the building overall. We are talking about a much larger facility. Those two things together make up probably 90 percent of the differences in the two budgets.

Ms. McLeod: Is the corporation or department concerned that having to devote more money to capital and operation and maintenance costs for the new hospitals would adversely affect the ability to offer other health programs and services?

Ms. Meade: I don't think that this is an issue in isolation of all of our competing costs in health care, quite frankly. Our mandate has to be to continue to look for efficiencies. I think there are efficiencies in moving to this new facility in many ways, because we already have demands with the aging population and changes. So it's that fine balance.

The increased cost here has to be married with actually increasing access, quality and sustainability, given the way that we can pool resources and manage. The bigger question is how we go forward here and continue to look at ways of managing efficiency and increasing access; again, how can we start to introduce greater technology, how can we use the large pool — both the department's and the corporation's resources in that community to provide increased access and increased services. It doesn't matter what part of the wall that is provided on, but can we actually start to get into integrated delivery. I think I should go on record now, as the Deputy Minister of Health and Social Services, and say that you don't save money in health care, but you certainly do try to manage the cost curve. I think this actually gives us some advantages, but it means we have to manage it and continue to evaluate as I referenced before — not just doing a needs assessment now but continue the valuation around our services. That is usually done on a two- or three-year cycle.

Mr. Bilsky: No additional comment, thank you.

Ms. McLeod: Subsequent to the audit, the government committed in the budget to paying off $27 million of the corporation debt incurred in constructing the recent capital projects. You have said that about $12 million will be saved over the lifetime of the loan in interest costs.

By how much is this pay-down expected to reduce the annual operating costs of each hospital and thereby the overall costs of the corporation?

Mr. Bilsky: Thanks for the question. The annual operating costs will be reducing on a consolidated basis by just over $1 million, which is about $500,000 to $600,000 per project.

Ms. Hunter: I was going to give you the same answer.

Ms. Hanson: Well, good. Thank you.

Ms. McLeod: Planning for the new staff residence, in paragraph 61, the report notes that the Auditor General found: "… the Corporation had been planning to replace the Mountainside Apartments since at least 2007, and had identified this need in its capital and business plans. It determined that replacement of the building was the best option because ongoing maintenance costs and extensive renovation work and capital costs would be required to bring the older facility up to current standards. We also found that the Corporation's business plan explained how a new residence would help the Corporation achieve its mandate to recruit and retain staff by providing the housing accommodations."

In paragraph 64 of the report, the Auditor General says, "Corporation officials provided a logical explanation of their decisions to replace the Mountainside Apartments, and their decisions seemed reasonable in light of the realities they faced. However, they were unable to provide us with sufficient documentation of their analysis and the decisions they made. For a project the size and cost of the Crocus Ridge Residence, we expected documentation to support the Corporation's decisions."

In paragraph 66 of the report, it is noted that, "The Hospital Corporation was unable to demonstrate that it had evaluated options for meeting the housing needs of its staff other than building the Crocus Ridge Residence."

Can the corporation explain why this kind of documentation was not compiled or kept?

Mr. Bilsky: The documentation that I'm aware of is a study done by M. J. Fraser Consulting which had gone through quite a detailed assessment of the previous building, the utilization rates of that building, the estimated construction costs and what would be required in the future, which led us to the conclusion that replacing that building and constructing 34 residential units and some health services offices would be the best option for us.

I think to help, hopefully, in retrospect, to prove that point, the occupancy of that building has been fairly much — I think 100-percent occupancy since the day it opened. It supports our recruitment and our retention of people, which we are proud to say is very low in HR worlds, and we keep vacancy rates at a level less than, I think, two percent overall. It's a very effective way to make sure that we have a fully staffed hospital.

Ms. McLeod: In paragraph 67, the Auditor General recommends, "The Yukon Hospital Corporation should document the analysis on its decisions for capital projects."

The corporation agreed with this recommendation and said in the future it "will ensure that it documents and retains information and analysis that support decisions to proceed with capital projects."

Could the Auditor General tell us why it's important to document analyses and decisions that are made for a project, such as the Crocus Ridge Residence?

Ms. Sullivan: The reason it's important is because capital projects, such as Crocus Ridge, are built using taxpayers' money. In this case, it was over $18 million.

The government and other public officials spending that money are subject to scrutiny. As such, they should create an audit trail that includes any analysis and decisions behind the spending. In other words, the public has a right to expect that those in charge of spending public funds will be accountable for that spending and that their decisions will be transparent.

Ms. McLeod: So, moving on to an action plan — the corporation notes that it's in the initial stages of implementing a project management gating process. This will apply to varying degrees, depending on the scope of the projects. Certain projects with broad health care impacts will be done in collaboration with the department. The process includes guidelines for documentation and retention of information and analysis that support decisions to proceed with capital projects.

First of all, can you explain to me what "project management gating process" is?

Mr. Bilsky: Gating process — it's a discipline or philosophy. What it's intended to do is create multiple stages of analysis before you commit to the final project — multiple points of decision. Certainly, the documentation that goes along with it institutes identifying critical assessment factors and the risk management that goes along with it.

That's just to ensure that, as we move through different stages of the projects, there are points in time when you can decide to move ahead or not move ahead based on the analysis and the needs assessment being done.

Ms. McLeod: Is the project management gating process a new policy or an addition to an existing corporate policy? And, I guess further than that, has it been approved by the Board of Trustees and is it in effect now?

Mr. Bilsky: The consolidated process is a new process for the Yukon Hospital Corporation. Elements of it existed in the past, but we're putting it together into one cohesive program, so that it addresses the OAG concerns. The process itself would not be subject to Board of Trustees' approval; however, there is a delegation of authorities and matrix that certain decision points would require the insertion of the Board of Trustees for governance perspective.

Ms. Hanson: Thank you, Mr. Bilsky. We'll now turn to Ms. Stick.

Ms. Stick: I'm going to be looking at paragraphs 69 to 81 of the Auditor General's report concerning the building of the three capital projects.

In paragraph 69, the Auditor General notes the challenge the corporation faced in completing four large capital projects, basically at the same time, with a relatively small senior management team. "Further," according to the Auditor General, "… when the Corporation began these capital projects, it had no formal project management or contracting policies or processes in place, and it had no project manager on staff." The

corporation proceeded with the construction projects without adequate personnel, policies or processes. My first question would be: Why did the corporation not close these gaps prior to beginning the construction of its facilities?

Mr. Bilsky: I tried to listen to what you were saying, and I think you were speaking about project management support and purchasing — basically purchasing, procurement, resources and policies. We did close the gaps at the inception stage of the project. We added a project management team, which included project management expertise, as well as support. We did follow — although had not implemented the policy — the purchasing and procurement policy that we do have today, meaning we followed it in concept and did not actually institute or formalize it until later in the construction process. Having said all that, we managed risk with the use of many external consultants — engineering, design and legal — to make sure that we had shored up any potential risk or harm.

Ms. Stick: Given the costs and the complexity of the projects, was there any thought given to doing these projects sequentially, rather than trying to complete all three at the same time?

Mr. Bilsky: To my knowledge, Crocus Ridge was completed very early in the process. Concurrently with that was the Thomson Centre and, yes, at the same time, we were in the beginning stages of two new hospitals. Once given the mandate to proceed with these, we did our best to resource them and manage risks from a construction perspective, so no thought was given to trying to sequentialize these projects.

Ms. Stick: You spoke earlier of following the policy for the awarding of contracts. Could the corporation explain how it was able, under the old policy that you were trying to follow, to award contracts and have the confidence that you were doing it fairly and efficiently?

Mr. Bilsky: Just a quick clarification on the question: Are you saying before we institute a policy?

Ms. Stick: Yes.

Mr. Bilsky: Okay, thank you. Prior to instituting the formal policy which, as I said, works on the premise that we want to be open, transparent and competitive in the way that we tender and award contracts, we had sourced several other purchasing policy contracts and put together in draft an amalgamation of these contracts. One of those would happen to be from the Yukon government, but not solely from the Yukon government. We weren't exactly following those policies. So in draft, we were following the criteria that now had formalized into a policy at that time. As I think was stated by the OAG in the report, from their perspective, our process for purchasing, procurement and tendering was — I'm not going to say "sound", but was okay.

Ms. Stick: That actually leads into the next part of my discussions. In paragraph 75, the Auditor General notes: "The Corporation's Board of Trustees authorized sole-sourcing for two contracts because they did not feel they could complete the projects on time if they followed a competitive process. While these decisions may have been reasonable at the time the contracts were awarded, better planning, including longer project timelines, may have helped to avoid this situation and allowed for a competitive process to occur. For the third sole-sourced contract, Corporation officials told us that they used this method to award the contract because they thought they knew the best contractor for the job. However, the Board of Trustees had not authorized sole-sourcing of this contract and therefore the contract should have been competitively awarded."

So the question: For the two contracts that the corporation sole-sourced because it felt it could not complete the projects on time if they had been competitively awarded, would the corporation provide the committee with the details on these contracts, the amount, the contactor, the statement of work, et cetera?

As these projects are now late, is it still the corporation's view that it was best to sole-source these two contracts?

Mr. Bilsky: To answer your last question first, in my opinion, it was still the correct decision to sole-source these contracts.

There are three in total, and one applies to the Crocus Ridge; one would apply to overall project management or having a project management consultant on board; and the other applies to X-ray machine equipment. To better understand the rationale for sole-sourcing these, it has to do with time limits. It has to do with standardization of equipment. It has to do with continuity of the projects, meaning people that were familiar with the projects. It made more sense to continue on with those projects. I'd have to step back from it and find out which exact contractor was not recommended by the board for sole-sourcing because I don't know the answer to that one off the top of my head.

Ms. Stick: I'll come back to that, but I was wondering if the details of those contracts — of the two contracts that the corporation sole-sourced — are available?

Mr. Bilsky: I'll try and give you some details at the moment and, if necessary, we can always follow up in writing, if more details are requested. The two that were approved and sole-sourced — one was the Crocus Ridge tenant fit-up. I believe the contractor was TSL Construction, which had continuity of the contract overall. I believe the amount was $2.3 million, so that's the bulk of the $3.2 million you cited earlier.

Again, it was the continuity of the project and timeliness of the project. We were at the very final stages, and these were some design and fit-up changes that were requested by the tenant.

The second one that was approved was the Carestream X-ray machine — again, authorized by the board. The amount was $186,000. That was because of standardization of equipment and time limits and continuity. I believe the one that you would say was not approved by the board was for a project manager at that time. That project manager was sourced from the government — a senior project manager with over 22 years of experience. I'm sorry; I don't have the exact amount of the contract for that one. I can follow up. The choice for that one was to close the gap very quickly; bring on project management experience, and do it from the perspective that this person was highly qualified and brought with him the ability to insti-

tute some policy and procedure regarding purchasing and procurement.

Ms. Stick: So for that third contract, and I assume it's the project manager one, would that individual — you said they were sourced from government. So was that person a government employee?

Mr. Bilsky: I believe he had recently retired from the government so he wasn't a government employee who had moved over; he had 22 years of experience with government purchasing, procurement and construction.

Ms. Stick: In paragraphs 76 and 77, the report states that two contracts were awarded using an invitational method, but the corporation did not follow all of the contracting regulations in awarding those. "Specifically, using an invitational method for contracts over $50,000 requires that an organization invite all contractors from an established source list to submit a bid or proposal; however, the Corporation does not have such a list. The Corporation should therefore have either followed the process to establish a source list or publicly advertised the contracts."

Further, "… one of the contract proposals did not include all the information required by the request for proposal. The Corporation should have rejected the proposal because of this. Instead, we found that the Corporation evaluated the proposal and subsequently awarded the contract to this vendor. For the other contract, the Corporation was unable to show us that using the invitational method had been approved by the Corporation's Board of Trustees (the appropriate authority)."

Would the corporation please provide further details on these two contracts?

Mr. Bilsky: The details of these two contracts that were awarded by invitation method: the first one was Caroline Webster, an equipment consultant. It had to do with medical and hospital equipment that was extremely specialized equipment. We consulted with several architects and hospital planners and did a broad search on the Internet and other places to try to find a qualified list. The search resulted in only three identified consultants who could do this type of work. Subsequent to that, an invitational RFP went to three consultants. One did not respond. One responded with an extremely high price. The final one that was chosen came in with what we considered to be the best price or reasonable price. Those are the details I can provide on the first contract.

The second one is Quantum Murray for asbestos removal, which had to do with the demolition to be able to prepare for Crocus Ridge. Time was a factor on this one. Again, it's a very specialized area. We received two quotes and we approached the board for approval on those, which was provided. No other bids came forward on that particular aspect of work and had to be done, I believe, prior to beginning construction. So it was a timeliness issue.

Ms. Stick: What does the corporation's current contracting policy dictate in circumstances such as this if it were to arise again? Are invitational bids provided for and does the corporation have source lists?

Mr. Bilsky: Very specifically, the procurement method has gradients of levels of dollars spending, both in O&M and in capital. To your point, anything between $10,000 and basically $100,000 would require three written quotes with justification and we are in the process of continuing to build our source list of what we would consider to be qualified, approved, consistent vendors whom we work with.

Ms. Stick: Could the corporation explain why it accepted the bid that did not provide all of the information required through the request for proposals?

Mr. Bilsky: I'm sorry, I don't have specific information on that particular — why we didn't send it back. I'm not certain that my colleagues behind me can answer that question either, but I'm going to ask Kelly Steele to see if she has any more information than I have. Otherwise, we'll have to get back to you on that particular question.

Ms. Steele: There were two bids that had come in for the equipment consultant. The price of the second bid was exorbitant. It was extremely, extremely high. So the bid that actually had the missing material — the price that came in was so much lower than the second bid. That was the reason for going with Caroline Webster.

Ms. Hanson: How would the corporation have been able to assess that, Ms. Steele, if it didn't have all the information that was required? If I come in and say that I can give you a lower bid, but I'm not necessarily telling you what I'm going to be giving you, how would you be able to assess if all the information required by the request for proposal was not provided to the corporation? On what basis would you assess that that was a valid proposal?

Ms. Steele: The details of what was missing in the bid, I don't believe was significant to the dollar amount and what this would have cost — what they were bidding for — the actual cost of the equipment and planning. But we can get that information for you.

Ms. Hanson: Thank you, Ms. Steele. I would appreciate it if we could get that follow-up documentation.

Ms. Stick: Yes, my last question. Could the corporation please explain why the invitational method had not been approved by the Board of Trustees for one of those contracts?

Mr. Bilsky: I don't think the Board of Trustees requested the invitational method be brought forward. I think an extensive search was done by the administration of the hospital to try and source as many contracts as we could for these particular projects and we brought those forward. Having done that method, all of these were brought forward and assessed prior to the board saying, "This must be an invitational bid." Keep in mind that at that point, we didn't have a policy to follow nor an invitational list to go to, so we were creating that invitational list at that point and trying to create the best value we could.

Ms. Hanson: Just as a follow-up before we move on, I just want to confirm — the findings were agreed to by both the corporation and the Auditor General. So in the finding it said: "…the Corporation was unable to show…" the Auditor General

"…that using the invitational method had been approved by the Corporation's Board of Trustees (the appropriate authority)."

So the question is this: Why had it not been approved by the Board of Trustees? Why would the corporation move ahead with a process that had not been approved by the Board of Trustees?

Mr. Bilsky: I don't have an answer as to why. At that point, it didn't exist, so it couldn't be approved by the Board of Trustees. It won't change the fact that, as management or administration of the hospital, we're going to mitigate as much risk or follow as much best practice as we possibly can, whether the Board of Trustees has actually approved a policy or not.

This meant that we would go out and source as much from a competitive perspective, or best-value perspective, as we possibly could. So we were following best practice whether it was an approved policy from the board or not, and we acknowledge that it did not exist at that time.

Ms. Hanson: Thank you, Mr. Bilsky. We will now move to Mr. Silver.

Mr. Silver: My first question is for the Auditor General.

In paragraph 79 of the Auditor General's recommendations: "Corporation staff involved in awarding contracts should document the Corporation's contracting processes."

Why does the Auditor General think that it's important to document contracting processes?

Ms. Sullivan: We think it's important because government and public organizations need to be able to demonstrate that they are carrying out contracting activities in a fair, fiscally responsible, open and competitive manner. Also, documenting the processes allows staff within the organizations to know what the rules are and to follow them consistently.

Mr. Silver: The corporation agreed with the recommendation and indicated that it had, "established a new contracting policy and continues to work on improving process documentation for awarding of contracts and capital project administration."

In its action plan provided to the committee, the corporation stated that its contracting and purchasing policy was implemented by the corporation in January 2012. This policy is to ensure that the corporation has clearly defined methods of soliciting competitive bids from vendors/contractors. "Key elements of the policy include: practices and procedures that support sound and consistent business decisions and encourage fair, fiscally responsible, non-discriminatory and transparent business transactions; competitive vs non-competitive procurement criteria; procurement method definitions and options; governance surrounding sole-source justification." The corporation "will track adherence and evaluate and revise the policy as required."

The new policy "is being used on the current major capital projects as the corporation moves into finalization."

My question: Could the corporation explain the new components of its contracting policy? In what ways is it similar or different from those of the Government of Yukon?

Mr. Bilsky: I'll begin answering that question. I'll ask Kelly to elaborate a bit more on the difference between the two policies. From an overarching perspective, the Yukon Hospital Corporation required a policy that would establish authority for us to do business and purchase goods and services. So it's not only about fair price and transparency — it's to support good business decisions that are fiscally responsible, non-discriminatory and transparent in nature. It also includes elements of occupational health and safety — so vendors or contractors working with us must ensure that they comply with our policies and procedures. We always want to make sure we're balancing costs versus benefit and supporting local business where it's possible and feasible and also considering environmental impacts, from that perspective.

So as I said before, this includes stratification of the levels of authority and what processes and procedures are being followed at different levels of spending and also outline some use of purchasing organizations and how we would use those purchasing organizations to ensure that we have best value. It also gets into elements of very community-specific contracting where it's necessary — as we already mentioned, different types of agreements that we might enter into, such as standing offer agreements or sole-sourcing and elements like that. So that's a brief tour of the contracting policy itself. We can certainly furnish you with more details if that's required.

To answer the question about the difference between our policy and the Hospital Corporation, which is independent of the Yukon government, I will ask Kelly Steele to possibly comment on that.

Ms. Steele: When we were developing this policy, we incorporated a number of different policies to make sure that we had best practices. We not only looked at the *Financial Administration Manual* and the procurement policies in there, we also looked at a number of different policies from other health care organizations and then developed a policy based on that. I think there are a lot of similarities, but as Mr. Bilsky mentioned, as we are separate from the government, our policy is unique to the hospital but does cover the same sole-sourcing criteria, standing offer criteria and criteria for operation and maintenance and capital procurement.

Mr. Silver: Would the corporation explain the competitive versus the non-competitive criteria?

Mr. Bilsky: Essentially, just from a value stratification perspective, to be very specific, anything under $5,000 does not require any kind of quote or competitive bid. Having said that, there are a number of criteria in which you would get into sole-sourcing. That includes everything from standardization of equipment; a certain type of product and service that is controlled where there is a limited market for it; controlled by certain vendors only or where there are warranty situations on certain pieces of equipment where that is required; prototypes — there is a plethora of things that would determine whether sole-sourcing is required or could be allowed.

Mr. Silver: Would the corporation also explain the governance around sole-source justification? What are the dollar limits for sole-sourcing? Is this lower than the threshold for

Government of Yukon which has many more contracts to administer?

Mr. Bilsky: As I said, any purchase over $5,000 is going to require some type of competitive bid, whether it's invitational or whether it's fully RFP. To go down the complete list of when sole-sourcing could be considered: it is to ensure existing compatibility with products; when there are exclusive rights or licences that need to be adhered to; when there's an absence of competitive competition for technical reasons — it can only be supplied by a particular supplier; situations where procurement of service and supply is controlled by one supplier that is a statutory monopoly; situations where it's performed on or about lease property by the person leasing it — it can only be done by them for various reasons; for work performed on property by a contractor according to provisions of warranty and guarantee; contract awarded by a design competition; procurement on a prototype or for goods and service to be developed in the course of a particular contract; purchases of goods under exceptionally advantageous circumstances, such as when you're acquiring it through a bankruptcy; and lastly, the timeliness aspect, where you're trying to meet a deadline or project and it's truly in jeopardy. Those are the main criteria for sole-sourcing to be considered.

Mr. Silver: I believe you already answered my next question, but it's worth asking for an official statement. Would the corporation please provide a copy of its contracting and purchasing policy?

Mr. Bilsky: Absolutely, we can provide a copy.

Mr. Silver: As the policy is well over a year old and the corporation is tracking adherence to the policy, would it please advise the committee as to how it is doing in terms of complying with the new policy? Has it evaluated the policy yet and/or contemplated any changes to that policy?

Mr. Bilsky: As far as how we are doing with the policy adherence and the effectiveness of the policy, I have to admit that we are doing it on an ad hoc basis, department by department, as far as compliance and adherence to the policy. I'll have to ask Ms. Steele to elaborate on that.

Ms. Steele: The policy has been rolled out to all of the departments in the hospital, and we are currently using it for all purchases. We also have been using the policy in regard to the equipment purchasing for the hospitals. So this policy came into effect, and we've been actively using it as we're purchasing equipment for Watson Lake and Dawson.

Mr. Silver: So I'm to understand that there isn't a report right now. If there are any types of reports that have happened since, is there any possible way of the committee getting a copy of that?

Ms. Steele: There isn't a report per se of compliance that I'm able to provide.

Mr. Silver: In paragraph 81, the report indicates that "24 of the 29 change orders examined were appropriately justified and managed. For the five non-compliant change orders, 3 could reasonably have been foreseen and therefore avoided with better planning, and 3 were not approved by the Board of Trustees. 1 change order was non-compliant for both reasons."

That's the messed-up math there. As the report notes, most change orders were appropriately justified and managed. Would the corporation please provide details on the three change orders — contract dollar amounts and also reasons for the change — that the report states could have reasonably been foreseen?

Mr. Bilsky: For the details of that question, I'll ask Ms. Steele to answer.

Ms. Steele: I don't have the dollar amounts here. Basically, there were three change orders. One was related to the tenant fit-up — this was the Crocus Ridge Residence. The original residence design and build was tendered and awarded appropriately, and that was awarded to TSL. The tenant fit-up was then, as well, given to TSL. There was a long delay getting the design work for the tenant fit-up, so we ended up having to do a change order and asked KMBR Architects to help them. This was why TSL was given the tenant fit-up. Due to timelines, TSL was given the tenant fit-up contract, without tender, and Crocus Ridge — one of the change orders didn't have Mr. Tuton's signature on it. That was the first change order.

The second one had to do with the Dawson City hospital design. The commissioning for Dawson City — we sole-sourced this to Stantec because they were trusted, and they were already on the job.

We didn't tender this one as we should have. Again, Mr. Tuton's signature was missing on the original documentation.

The third change order had to do with the Watson Lake hospital design, and Mr. Tuton's signature was missing on the original change order documentation.

Mr. Silver: This is my last question for now. Would the corporation provide details on the three change orders that were not approved by the Board of Trustees and explain why this approval was not obtained?

Mr. Bilsky: Again, that is Ms. Steele. I believe it is the same change orders, about which she just spoke.

Ms. Hanson: Ms. Steele, do you just want to confirm that?

Ms. Steele: Sorry, Madam Chair. Yes, they are the same change orders.

Ms. Hanson: Now we will move to Mr. Dixon.

Hon. Mr. Dixon: Paragraphs 82 and 83 of the report state that the projects were regularly monitored by the corporation, but despite this monitoring, the projects were not completed on time or within budget. Paragraphs 84 and 86 illustrate how all three capital projects are behind schedule and overbudget.

The Crocus Ridge Residence was supposed to open in December 2010. It opened four months later, in April 2011, at a total cost of $18.3 million, which was $1.3 million overbudget, or 7.6 percent.

The Watson Lake hospital was originally scheduled for completion in the spring of 2012 at an estimated cost of $22.2 million.

It was still incomplete at the time the report was issued and was scheduled to be substantially completed in February 2013 at an estimated cost of $24.6 million, which was $2.4 million,

or 11 percent overbudget. The chair of the corporation advised the Committee of the Whole that the estimated cost is now $27.9 million and that it is nearing completion. The Dawson City hospital was originally scheduled for completion in the fall of 2012 at an estimated cost of $26.5 million. It was also not completed at the time the report was issued and was scheduled to be substantially completed in March 2013 at an estimated cost of $29.7 million, which is $3.2 million, or 12.1 percent overbudget. The chair of the corporation advised the Committee of the Whole that the estimated cost is now $31.8 million and the facility will be opening this fall.

As discussed by the corporation at its appearance at Committee of the Whole last month, the general contractor on the hospital projects, Dowland Contracting, was in default because it was not paying its subtrade companies, I suppose. Why were these projects late and overbudget? Are there factors that were unique to each project, or did they share characteristics that caused them to be late and overbudget? As well, could we have an update, if there is one available, to the current status between Dowland and the subcontractors?

Mr. Bilsky: As far as the update on the two projects and the general contractor, which was Dowland Contracting Ltd., and the subtrades, we've been working diligently with Intact, which is the bonding company. They have essentially assumed the contract from Dowland, so they have put in place a construction manager, TSL, to continue the project moving on. We are not privy to all the subcontractors and their contracts and how much they have been paid or not paid.

Once we put Dowland into default, it was Intact insurance company's role to remedy the entire situation. From that point forward, they've been working diligently with subtrades trying to negotiate any element of their initial contract with Dowland. Dowland has basically been removed. Since that time, Dowland Contracting went into default on several other projects across Canada unrelated to ours, In May, they went into creditor protection, so basically in receivership, and a receiver has been appointed. That means they are trying to secure and perfect the creditors' situation in all situations. To try and ensure that we are doing everything we can, we continue to work with the receiver. We continue to work with Intact, and we actually make sure that we have taken every step from the legal council's perspective to protect the subtrades as best they can. They have made claims against labour materials and we're ensuring that we're cooperating and making any claims that we possibly can to keep the projects moving ahead.

The projects themselves are moving ahead. We just visited last week to both the projects and they're very close to substantial completion in each one. Watson Lake is in the stages of commissioning and cleaning. In Dawson, we have a few warranty issues. We need to take care of the building and then we'll be into stages of finishing and commissioning and cleaning.

So that's the status of where we're at with the construction and the previous general contractor. I'm proud to say that through a lot of hard work things are moving along.

As far as the budget question that we were asked, there are a couple of common elements to each project. It was known at the time that the equipment was excluded from the original construction budget and not part of the construction budget. In each case, those add up to about $2 million per project so there is a significant piece.

The other part that was not part of the original construction budget was financing costs. At that time, the total amount of the financing costs was in excess of, or very close to, approximately $1 million for the construction period for financing.

Other things are very specific to each site. In Watson Lake we had made the decision to use an existing shell construction building that was partially constructed, and for the sake of prudence and safety, it was determined that the under slab services needed to be replaced, so that was one particular major change that was made.

In Dawson City I can tell you that probably most of the change orders that were effected there had to do with a couple things. One was definitely complying with heritage bylaws and making sure that design specs and installation and everything else — so building a certain type of footprint and having a certain type of cladding and appearance and whatnot — complied with heritage bylaws, which was unanticipated at the beginning of the project.

What I will also state is that part of the agreement that we have with Intact is that they step into the shoes of Dowland from a general contracting perspective and, without getting into all the details of the contract, they are committed to providing us the building on a lien-free completed basis under the original terms of the contract, meaning the original price subject to any change orders that we may institute. That doesn't mean to say that there won't be delay claims and other undetermined and unanticipated impacts to the project, but at this point in time that's the agreement that we have with Intact.

Hon. Mr. Dixon: What are the current expected completion dates for each hospital, and how many months behind the original schedule are these?

Mr. Bilsky: Each of the hospitals, from the very initial expected completion dates — each is about a year behind. We're expecting to have a grand opening and then opening subsequent to that this summer in Watson Lake. So we expect to take patients into that hospital in August. Then, for Dawson City, as I said, it's behind about a year, from a construction perspective, and we expect that late in the fall or early winter we'll be able to take patients in.

Hon. Mr. Dixon: There appears to be a significant increase in cost in the hospital projects from the time the Auditor General finalized his report to the time that the corporation provided revised figures to the Committee of the Whole.

The cost of the Watson Lake hospital was originally $22.2 million and was estimated at $24.6 million, as noted in the report, and is now at $27.9 million. This represents over $3 million in additional costs in a matter of months and will put the project overbudget by more than 25 percent.

In the case of Dawson City, the costs have increased by just over $2 million in the same time frame, meaning that the

project will be overbudget by at least 20 percent. Can the corporation explain what has happened during this time on both projects? As with the slippage in the schedule, is the corporation confident that the costs of these hospital projects will not increase further? I know that some of this has been answered already, but I guess I'll ask it again.

Mr. Bilsky: I can categorize the increases into three areas: one is that we have a year delay in the projects, so that is going to cause us to have continued project management oversight construction delays. Design — all the consultants that are carrying the project have to carry it for a longer period of time.

The second one, which is again related to delays, would be capitalized interest. So that increases because of the extension of the projects.

The third one, I would say, is that we have additional, unforeseen equipment costs, most notably the addition of a nurse call system, and that's just due to the increased scope of what we are trying to implement there.

I believe the further part of your question, as I think I have already mentioned, is that we have a commitment from Intact insurance company to complete the buildings on a lien-free basis, according to the original contracts and subsequent change orders we might make.

Having said that, all parties involved here could come forward at any time with delay claims for a multitude of different liability reasons.

Hon. Mr. Dixon: Following all of that, is there anything the corporation can see that it will do differently in the future to better manage project schedules and costs?

Mr. Bilsky: Thank you for the question.

I think the Auditor General has put forth several recommendations that will help the corporation make some course corrections, such as institutionalizing the purchasing and procurement policy; probably ensuring that we have the appropriate project management team in place well in advance of beginning construction phase; and, of course, whenever we go into a situation that has broad health care impacts, we'll continue with a needs assessment and obviously continually assess.

I think, as I stated before, there were many risk management initiatives put in place to ensure that in a situation like where there is a default of the general contractor, we've taken almost every step that we possibly can to ensure that the corporation is not harmed, the taxpayer is not harmed and that subcontractors can continue to get paid.

Ms. Hanson: Thank you, Mr. Bilsky. I just have one follow-up from that question asked by Mr. Dixon.

With respect to the oversight role of the Hospital Corporation and the effective management of these capital projects, does the Hospital Corporation have any means of tying the compensation for the position of construction project manager, as senior management position, to performance outcomes?

Mr. Bilsky: Do we have it in place?

Ms. Hanson: Well, with the Hospital Corporation, you just mentioned the importance of doing the needs assessment and making sure that project management is well managed, particularly when you anticipate new projects. So with respect to the new role that the Hospital Corporation has to ensure that these capital management projects, when you have senior management positions that are responsible for those jobs — are the compensation packages tied to performance outcomes, i.e. do well — bonus; don't do well — not?

Mr. Bilsky: There is nothing in place for the senior project administration personnel that ties their compensation to the outcomes of the project. Ultimately, it is my responsibility to ensure that happens. Ultimately, the selection of those particular personnel is the outcome.

Hon. Mr. Dixon: In paragraph 87, the report notes that the corporation is developing a strategic facilities plan and master plan for the Whitehorse General Hospital. The corporation expects this plan will help to identify larger capital needs, including significant work on the Whitehorse campus.

In its appearance before Committee of the Whole, the corporation stated that the master plan estimates future work to 2035, costing over $300 million, but that it is not an all-or-nothing process. Can either the corporation or the department officials confirm that that master plan was tabled by the Minister of Health and Social Services in the Legislature earlier this year?

Ms. Meade: My apologies — I'm trying to remember if the minister tabled the master plan. I'm not clear, so I'll have to check and get back. I don't believe so, but I would have to check that.

Hon. Mr. Dixon: The question originally was this: Can the corporation provide us with a copy of the master plan, but if it is, in fact, the one that the minister tabled earlier, then we don't need that. So, once we can confirm that, we can determine if that's necessary.

Apart from the emergency room and/or the MRI project and the $1.5 million ambulance station replacement, are there any other projects that the corporation is considering in the short to medium term?

Mr. Bilsky: Other than internal capital projects, which are more equipment replacement, there are no other projects of that size or magnitude. One correction to that — my apologies for the interruption — we are planning on opening another 10 beds in the Thomson Centre and that's going through a review right now.

Ms. Hanson: This goes back to the planning for capital expenditures. In the Auditor General's report on Health and Social Services, the Auditor General commended the Hospital Corporation for its business case that had been developed with respect to the MRI. My question: Did that business case identify a need for capital expenditures to accommodate it, or was the business case solely about the need to acquire an MRI — the $2 million, the $4 million matching in total from the foundation? Was it a business case that looked at the whole of the implications of having this new technology, or was it simply the acquisition of the MRI?

Mr. Bilsky: The business case did identify that housing the units — not just the equipment and operations, but housing the unit — was an issue. There was a proposed location for that within the hospital confines. It was later deter-

mined that that was not a viable option, and that has now been included with the overall proposal for an emergency department and MRI construction.

Ms. Hanson: So that initial business case did not have a cost associated for the housing of it?

Mr. Bilsky: It did have a preliminary cost, but it clearly identified the risk — that that had not been fully explored and would be one further analysis that needed to be done.

Hon. Mr. Dixon: In paragraph 88, the Auditor General recommends: "Before beginning future capital projects, the Corporation should: carry out a needs assessment, a risk assessment, and an options analysis (including how the projects will be funded); collaborate with the Department of Health and Social Services to ensure that it is aware of any potential impacts on the Yukon health care system and on the funding of the Corporation by the department; establish reasonable budget and completion dates for its projects and ensure that they are adhered to; and ensure that both capital and incremental operating costs are known before proceeding." Does the Auditor General believe that this recommendation will be valuable for future projects?

Mr. Campbell: Thank you for the question. Yes, we do. This recommendation contains key questions that I believe should inform the decision-making process at the front, rather than be done after the fact. I'm pleased that the entities have accepted this recommendation. I think it's an important one, and it will hopefully lead to better planning, better analysis and better documentation of key decisions, therefore improving accountability and transparency for the use of public funds. So, yes, I think it's very important.

Hon. Mr. Dixon: The corporation agreed with the recommendation and added that it would develop — quote: "…appropriate needs assessment and business cases to make informed decisions. This includes critical decision points at which analysis and decision support information is available to determine whether to proceed with projects at various stages. The Corporation will strive to improve project management discipline, which includes the development of reasonable budgets and timelines for projects."

The corporation also said it will in future "…liaise with the Department of Health and Social Services to ensure that the Corporation is aware of any potential impacts on the Yukon health care system and on the funding of the Corporation by the Department."

How is this different from the relationship that has existed between the corporation and the department in the past?

Ms. Meade: Certainly I didn't live in the past relationship so I can only look forward, but I think the issue is not just about liaising with the department; it's actually learning from the needs assessment and the work we are going to do to start to take a bigger picture. Any capital build, any infrastructure in Health and Social Services, has to be tied to the whole system and so developing the future service model for the Yukon includes both what would be continually to be in acute and community and delivered in different ways. I think because we have established a series of regular CEO and deputy meetings, and now are starting to have joint executives, we will do this. We also have a joint committee now even just looking at the MRI options and any kind of go-forward on that project. I think the difference is we now have an established process. We'll have some learning to do because they are two different organizational cultures; however, I think the fact that I'm relatively new and so is the CEO and there has been a commitment by the minister and board that their relationship has already changed.

Mr. Bilsky: Thanks, Madam Chair. I have no additional comments.

Hon. Mr. Dixon: The corporation notes that it "understands the importance of a needs assessment and business case development when embarking on capital projects. The Corporation is in the initial stages of adopting a project management gating process to better plan, execute and deliver on capital projects. The overall planning and gating process includes information at different stages that is assessed and used as a decision point to move on to the next gate. The five phases of the gating process are as follows: opportunity evaluation phase — concept documented; feasibility phase — project definition and early planning; business case phase — detailed design, costing, budgeting and implementation planning; implementation phase — build, implement, track and document learnings; post-implementation phase — assessing learnings and adjust accordingly to optimize project outcomes."

"Core elements of this gating process include option analysis and risk assessment. The Corporation in collaboration with HSS is employing this planning methodology in the current proposal of Emergency Department/MRI project."

At what phase is the new emergency department and/or MRI project in the corporation's project management gating process?

Mr. Bilsky: So, according to what was just cited there, we are at the feasibility stage and we're about to look for approval to begin the schematic design phase, which would then say do we have a feasible project and then after that it would be looking for the next level of approval, which is actually getting into detailed functional planning and detailed design. At each point there would be decisions being made to proceed or not to proceed.

Hon. Mr. Dixon: In its appearance before the Committee of the Whole, the corporation noted that the cost of this project is estimated at about $60 million. It also noted that it would carry out detailed functional planning and design over the next year with the MRI to be in service in late 2014 and the new emergency department in 2017. Is there a breakdown of the cost estimate between the two projects as they are on such different timelines and has it been determined whether the projects will be financed by the government or by additional loans to the corporation?

Mr. Bilsky: I will answer the second part of the question first and then I'll defer to make sure that we get accurate numbers to either Ms. Hunter or Ms. Steele to give an accurate breakdown. The second part of the question is no, it has not been determined how these projects will be financed yet and

those would be decisions that are made, I believe, at the Management Board level.

Now as far as the first part of your question, which talks about the pieces of the costs that are being estimated, I can defer to these.

Ms. Steele: I'm just looking through my material here. I'm not sure if we actually have the MRI program broken out separately from the ED, so I might have to provide that to you at a later date.

Ms. Hanson: So we'll take that as an undertaking that you will provide the costing for the MRI and the emergency department's project management costs.

Ms. Hunter: I think it's important to note that we are in the preliminary stages, so any costing at this point is very high-level. Until we go through our Management Board process and have the projects broken up into pieces and timelines and have better costing analysis, I think it's premature to throw numbers out there.

We also have to remember that part of this process is that we can't really say we're going forward on anything until we have the authorities in place. Right now, we're building our business case; we're taking it forward and we anticipate that we'll get some answers in the fall, and then we'll potentially break the projects into pieces or take them forward as a whole. But I don't think we have the full analysis completed yet, and we don't have the authorities in place yet to make comments on actual costing. That's part of what the business case is going to do in the phases as we go through our approvals.

Ms. Hanson: Ms. Hunter, before Mr. Dixon asks his next question, I have a question. At what phase of the gating process is the — it's a complicated and long title for a project management process — Stantec strategic phase II plan — the big, long, blue one, that we've seen and that refers to a new off-campus siting of a new Whitehorse General Hospital proposal? At what phase is that with respect to this method that the Hospital Corporation and the Health and Social Services department are utilizing for planning these major capital projects?

Mr. Bilsky: There may be a misconception that that is a plan that's going to be executed from cradle to grave, meaning all of that. The master planning process, which was actually in two pieces — one was a strategic facilities plan, and the other was the master plan — were both precipitated by some early studies. Three of them, in fact, were done on taking a look at how we could improve the emergency department. Those were options that we all looked at. Then that became an assessment that was done jointly by Health and Social Services and Yukon Hospital Corporation, saying that before we move ahead with any option, we had better understand what the long-term vision potentially could be here.

That's what precipitated both the strategic facilities plan and the master plan. That body of work is complete and it is meant to be conceptual in nature. The reason that you would do something like that is to create a potential vision for the next steps that you may or may not take. It doesn't mean that we are proceeding with each and every piece of that. All it is saying to us is, "If you proceed down this path with this particular campus, here are some things that you should know about based on volumes and volumes of needs assessment, statistics, demographic changes, the existing facility and so on and so forth." As far as we're concerned, that body of work is complete when it comes to a master plan. That's how we are using that to inform our decisions on moving forward with the MRI and the emergency department.

I don't know if my colleague has anything to add to that.

Mr. Silver: I know that the chair touched on where we are in the five phases of getting processed back to the MRI. I think Ms. Hunter might have mentioned this as well, but I just have a question: Has the project been approved by the government yet? If it has been approved already, when did that happen? And if not, when will it happen?

Ms. Hunter: We're in the process of putting a planning document and a business case together that will look at all different phases of the MRI and the other parts of the project, the ED. At the moment we will go forward with that plan and the business cases attached to it and the preliminary costing to Management Board for further approvals to explore costing at a more refined level and to do more of the functional planning. At that point, we will be able to let you know what part of the projects are moving ahead and at what point or in what combination, but we don't have authorities yet to do it. We're still doing the initial analysis and putting the business cases together.

Hon. Mr. Dixon: To the Auditor General: Are you satisfied with the corporation and department's responses to your recommendations and do you think that they are missing anything?

Mr. Campbell: To answer your question: Yes, we are satisfied. We were satisfied with the responses that we received through the entities that we published in the report, and as I mentioned earlier, I think there are a couple of recommendations there that are particularly key. I was encouraged by comments by both Madam Meade and Mr. Bilsky today about the commitment to conduct that needs assessment on the existing facilities to make sure that we get the best bang for the buck there, so I really believe that's the way to go.

Of course, it's important to follow through and implement and so I would encourage your committee to seek updates on the progress of that as they go forward. But yes, we're satisfied. Thank you.

Ms. Hanson: I'm not sure if those were your concluding remarks, but before we do concluding remarks, I would ask committee members if there were any other questions that anyone had that they wanted to raise. I notice Ms. Stick has her hand up.

Ms. Stick: I just wanted to follow up on two points. The first one had to do with a statement made by Mr. Bilsky when we were talking about the increases in the O&M costs of the new hospitals. Correct me if I'm wrong, or if I'm right in quoting this — you stated that 90 percent of the new O&M costs relate to the size of the hospitals that were built. I'm just wondering if that is what you said, and if it is, can you explain

that to me please? Because it's not clear to me where those expenses are.

Mr. Bilsky: Not exclusively to the size of the hospital, I believe — again, I'm giving a ballpark estimate in saying 90 percent.

There are two major things that would cause the increase in the O&M. One is the significant increase in the size of the building, so as we already stated earlier, with the square metre size and so on. The operating and maintenance cost of those buildings is going to be substantially more than the previous buildings, but again we are amalgamating certain facilities. The second piece of that is loan servicing. The loan servicing of those two facilities was estimated, at inception, to be approximately $2.5 million per annum per building. That has come down now that some of the principals have been paid down, but when we're talking about the two estimates that you're speaking about, that would comprise the lion's share of the increase in the operating costs.

Ms. Stick: My second question had to do with when we were talking about housing for staff in Dawson City and that there had been a move to contract for some private residences. There was mention of 12 units throughout Dawson City. I just wanted to clarify if those 12 units came under Yukon Housing Corporation buildings? Are those more than what was previously provided in Dawson City?

Mr. Bilsky: To my knowledge, they are all provided by Yukon Housing Corporation. I would ask Ms. Turner to confirm that. I can't comment on how many houses were provided to the health clinic before, but maybe Ms. Turner can.

Ms. Turner: The 12 houses that are referred to are with Yukon Housing Corporation. We have an agreement with them to offer those, and those are for the hospital employees. The other reference you made to the other housing under contractor/private, I'll let Health and Social Services speak to that.

Ms. Stick: I just was wondering if that was an increase in previous housing numbers that were offered in Dawson City?

Ms. Turner: I probably again should let Health and Social Services answer, because we have not had any housing in Dawson previously. This is a new opportunity for us. I expect that would be the case because of the numbers of staff, but Health and Social Services would be in a better position what is there now.

Ms. Hunter: I believe in Watson Lake nine houses were transferred as part of the Watson Lake hospital. I'm not sure because Dawson is a different type of structure. It's not a takeover.

Ms. Meade: I'll speak to Dawson specifically, because I did mention earlier that we had two facilities that we used for both the resident in-place physicians and locum.

To the best of my knowledge we had a couple of nurses who were residents of the community and a couple of others we didn't provide housing for or, if we did, it was very short term for locum and cover off nurses. For us, there hasn't been an increase on that side. It's still the residence for the physicians.

Ms. Hanson: Any other committee members with any questions?

Mr. Silver: Earlier, Ms. Wright mentioned medevac data. Does the corporation believe that the programming for the two hospitals will decrease the medevacs from the communities?

Mr. Bilsky: The in-territory medevacs we see currently are approximately 50 per month — "in-territory" meaning that's from both locations, not each one is 50. We're not expecting nor did we intend for that number to go down. It's undetermined what the impact will be at this point. The intent of the health facility — and hospitals in particular — was to ensure that we had good quality patient care. This would mean that they can get home quicker and can stay longer in places where they're more comfortable and taken care of better and be closer to their families. That was the intent. Medevac wasn't part of the factor as far as building the hospitals.

Mr. Silver: Why was there an increase to the capital due to heritage guidelines? Better yet, why were these costs unanticipated? Were there not discussions with the Dawson City Heritage Advisory Committee prior to discussion to construction beginning?

Mr. Bilsky: I'll start that answer. I'm going to ask Ms. Turner to complete the answer. There were two major factors involved, I think. One was the footprint of the building. In that case, as you all know, you can't go below ground, which means that it's going to be a large, tall structure — so it must comply with heritage bylaws there.

Number two is the appearance of the building — namely, the siding of the building — and those were issues we had to deal with on an ongoing basis.

Ms. Turner: The only thing I could probably add would be that although there were extensive discussions with both heritage and the city regarding the up and coming building — in fact, Stantec had on-side — one of the people they put forward as part of their project was quite involved with heritage and was considered a national expert in the area. It was difficult to anticipate how it would translate into the actual building once it was actually designed. So to anticipate the costs up front was a bit of a challenge, though they did work closely with them as they went through all the different processes.

Mr. Silver: I just have two more questions here, based upon the answers we received today. As far as recruitment of the nurses in Dawson, I know there were changes in the start dates for their contracts based upon the project being pushed back. Has the corporation found any problems in this recruitment because the start dates have gone out until — I believe now, some of the start dates for the nurses are as late as November.

Mr. Bilsky: The best person to answer that question is Ms. Turner. She's intimately involved with the operational planning.

Ms. Turner: Thank you for the question. Yes, it absolutely is a challenge when you have a moving target, in terms of an opening date. However, we've been fortunate — because the corporation already has two other sites going, what we have

been able to do is do some creative staffing. We're recognizing that we'll have three sites. It's one corporation, so some of the staff has actually been working in Watson Lake or in our hospital in Whitehorse in the interim, so we have taken opportunities that way.

We have also had some staff who are in current positions, and they are not shuffling until the new one is open. So it is a bit of a balancing act. We talk regularly to all the staff we have lined up — weekly or at least that — so that they are well-apprised of the situation, and we are going forward with the best intentions of giving as much information as we can with the opening date.

Mr. Silver: Thank you very much for the answer. I just have one more question with regard to the current stock of housing that's available for the hospital. It was mentioned today that a few of those units are being re-used currently. I was just wondering who are in these housing units now, and how is it decided who gets to occupy them in the interim?

Ms. Turner: We have our 12 houses lined up to start for our staff but, in the meantime, recognizing that that is a significant pressure in Dawson, we have been working with the Yukon Housing Corporation. In partnership with them, they have been able to sublet three of them back to people they have on their list. We also have a partnership with Health and Social Services, because, again, they have had a need for that, so we have sublet to them. It has been in partnerships with those folks that we have been able to identify — we have been able to use the housing in the interim.

Ms. Hanson: If there are no other questions arising from the committee, I'll ask the Auditor General if they have any concluding remarks before I make mine.

Mr. Campbell: Yes, just very, very brief. Mr. Bilsky had made a comment in relation to inclusion of managing the building projects in which he referred to it as "okay". As auditors, we use a much more colourful term: "adequate". I just wanted to say that I agree with Mr. Bilsky's assessment.

I'll just spend a second on the conclusions. Our conclusions are binary — they are either adequate or not adequately managed; they are either adequately planned or not. Just to be clear: Once the projects were under construction, our opinion was that that was managed adequately. I just wanted to make that clear, that I agree with that comment.

In terms of the other major conclusion in terms of the planning, clearly our opinion was that that was not adequately managed for all of the reasons that you heard today in terms of lack of analysis and lack of documentation, which are absolutely vital components in terms of accountability for public funds. I just wanted to spend a second on that.

As I mentioned earlier, I was encouraged by comments in relation to what the entities' commitments are to the needs analysis. I think that's something that really needs to get done. I think Ms. Meade had actually gone further and said that it's more than just that; it's for the ongoing assessment of services that are required in the territory. So, that's important. We would hope that our recommendations will be helpful to both entities, particularly to the Hospital Corporation. As they move forward they've already implemented a contracting policy and we hope that, in time, those recommendations will have been helpful to them.

Just finally I'd like to thank you and your committee, Madam Chair, for your interest in our work and for giving us an opportunity to support the work of your committee here in the Yukon. Thank you.

Ms. Hanson: Thank you very much, Mr. Campbell.

Before I adjourn this hearing, I'd like to make a few remarks on behalf of the Standing Committee on Public Accounts. First of all, I'd like to thank all of the witnesses who appeared before the Public Accounts Committee today. I would also like to thank the officials from the Office of the Auditor General and the committee Clerk for their help.

As I said earlier today, the purpose of the Public Accounts Committee is to help ensure accountability for the use of public funds. I believe the committee made progress today toward accomplishing that task. The committee's report on these hearings will be tabled in the Legislative Assembly and we will invite those who appeared before the committee and other Yukoners to read the report and to communicate to the committee their reactions to it.

I would also like to add that today's hearing does not necessarily signal the end of the committee's consideration of the issues raised in the Auditor General's report. The committee may follow up with the corporation and the Department of Health and Social Services on the implementation of the commitments made in response to the recommendations of the Auditor General and of the committee itself. This could include a follow-up public hearing at some point in the future.

With that, I would again like to thank all those who participated in and helped to organize this hearing. In particular, on behalf of the Public Accounts Committee, I want to thank Linda Kolody, the Acting Clerk who has been carrying and wearing many hats over the last week or so — in particular this week. I very much thank you, Linda.

I now declare this hearing adjourned.

The committee adjourned at 3:12 p.m.