

Private versus Public Management of Hospitals

In

British Columbia

December, 1982

By

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British Columbia Ministry of Health

Policy, Planning & Legislation

PRIVATE VS. PUBLIC MANAGEMENT OF HOSPITAL

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December, 1982

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Origin and Objectives of Study

The present study on Private Management of extended care units is a part of the larger question of private involvement in health care in B.C. As pointed out by Paul Pallan in his memorandum of October 14, 1982 on this topic, the Ministry of Health has had an unwritten policy of restricting private involvement in health services, unless it was not possible for a publicly based organization to provide such services. Such public control and operation of health services evolved with publicly funded hospital insurance plans and medical care systems.

The present state of decreased government revenues from the province's resource base has forced the government to take a long hard look at its operations, particularly its social service Ministries. Means to increase efficiency and reduce the cost of providing health services to the public of British Columbia need to be implemented.

The objective of the present study is to devise terms of reference to determine logically if private management of certain health units can achieve appreciable cost reduction yet still maintain adequate quality of care services. If the results of the study are favourable to private management, then a decision could be made to turn a number of extended care hospitals over for private management. The study will compare existing administrative models (private vs. public) to determine those aspects of private management which might be conducive to hospital efficiency.

On the basis of discussions with Hospital Programs personnel it appears that, at present, extended care units are the most likely candidates for private management. Following the drafting of the terms of reference, a decision can be made as to which hospital units should be turned over to private management for a trial period of about two years.

At the end of the two year trial period, cost and quality comparisons should indicate if private management has resulted in an appreciable

gain in efficiency and reduction of cost. Such cost and quality comparisons would be made with the operations of similar extended care units under public management over the test period.

Method and Scope

Why might private management achieve lower expenditures per occupied bed yet still maintain an adequate quality of services? A prevalent belief is that voluntary hospitals (non-profit) do not economize on their use of funds because they are not required to do so. As long as the hospital is operating within its budget, no incentive exists for a hospital's administration to rationalize its use of inputs and thereby achieve an operating surplus. Furthermore, it might be the case that quality of care, given a hospital's revenue per occupied bed, is lower than it could be with a more appropriate use of the hospital's inputs.

Recent studies in the U.S.A. indicate that non-profit hospitals managed under contract to profit corporations have a significantly different mode of operation. A study by Biggs, Kralewski, and Brown entitled "A Comparison of Contract Managed and Traditionally Managed Hospitals" reveals the following facts regarding contract vs. traditionally managed non-profit hospitals.

- I. Contract-managed hospitals had higher mean total patient-day costs than traditionally managed hospitals but their average length of stay was somewhat shorter and total costs per patient stay were therefore less than in traditionally managed hospitals.

2. Contract managed hospitals did not appear to be superior to traditionally managed hospitals in reducing costs although contract managed hospitals tend to have a somewhat lower employee-to-bed ratio, a slightly lower payroll-to-expense ratio and a shorter length of stay when compared with traditionally managed hospitals.

Contract management is usually provided for by a multi-hospital, for-profit corporation which assumes total day-to-day management responsibilities for the contracting hospital. The management company selects an administrator who is supported by staff specialists from the management company functioning as consultants. All hospital personnel remain employees of the contracting institution with the exception of the administrator and, occasionally, the comptroller, if applicable. The hospital board of trustees retains all policy-making authority after it enters into a management contract with a multi-hospital management corporation.

This study proposes that the management of perhaps two extended care units be turned over to private management. Appendix B contains a draft of a possible contract between the Ministry of Health/Hospital Board and a private management team. Along with standard clauses of such an agreement are special stipulations listed under Services of Schedule A of the contract. These stipulations are included to ensure that adequate levels of health care are provided.

Stipulations are also included to ensure that plant and equipment are maintained in good working order.

Privately managed hospitals are often accused of engaging in three undesirable practices:

1. Diluting quality of care in the face of cost pressures.
2. Spending less on the maintenance of plant and equipment, and

3. manipulating the case-mix of their patients, so as to handle cases requiring lower levels of care.

The first two problems can be pared by stipulating, contractually, levels of certain inputs. Such stipulations can be based on the Hospital Staffing Policy Guide produced by the Hospital Consultation Division. This guide provides staffing policy for employee inputs and services such as meals, housekeeping and occupational therapy.

The document entitled "Standards for Licensed Private Hospitals Giving Nursing Care in British Columbia" also lists standards to be applied in inspections of private hospitals. The Hospital Act specifies that every licensed hospital shall be operated and managed in accordance with these standards.

The performance of the hospital would, of course, still be monitored by the Ministry of Health via the usual monthly, annual and other reports.

An examination of audited annual reports for three extended care units, namely Menno Hospital, Queen's Park Hospital, and Juan de Fuca Hospitals reveals considerable discrepancy in their operating and cost statistics.

For example, operating expenses vary from \$24.2 thousand per bed for Menno Hospital to \$28.76 thousand per bed for Juan de Fuca Hospitals, a discrepancy of \$4.56 thousand to per bed. Curiously no economies of scale appear evident. If Juan de Fuca Hospitals could be operated as efficiently as Menno, the potential cost savings would be in excess of \$2.2 million annually.

From the government's point of view the reduction in provincial payments would amount to \$2,700 per year per bed or \$1.357 million dollars annually for Juan de Fuca Hospitals alone.

The amount and type of care required for residents of extended care hospitals depend on the diagnosis of the patient's medical doctor and/or nurse assessor from Long Term Care. To ensure the private management team does not manipulate the case-mix of their patients in order to handle cases requiring lower levels of care, the role of the nurse assessor should probably be strengthened.

A hospital's case-mix could be examined at the end of the budgetary year. The actual cost per case in each hospital could be compared with the cost per case that would be expected for that hospital because of its case-mix. Adjustments to the hospital's budget could be made on such a basis.

In summary, this study proposes that two extended care units be turned over to private management. The idea is that the private management team will achieve significant cost economies yet still maintain an acceptably high level of care services.

Comments on Method

The contract between the Ministry of Health and the private management team plus review of the hospital's operating procedures should be sufficient to ensure quality care at reduced cost to the government. Certain tendencies of investor owned hospitals should still be guarded against, particularly in the context of extended care units.

A recent study by Lewin, Devzon and Margulies has found that the investor owned acute care hospitals had shorter lengths of stay for comparable cases than non-profit acute care hospitals. These findings are similar to the previous study referred to above. How such a tendency would carry over to extended care units is not immediately evident. A significant proportion of separations from extended care units is through deaths. It is certainly not the intention to achieve economies in this fashion. What must be examined is the diagnostic case-mix admittance together with the average length of stay and number of deaths per year as a per

cent of separations.

The studies cited above also revealed that investor-owned hospitals had slightly higher costs per day than those of the not-for-profit hospitals. Most of this cost difference was due to higher costs for administrative and certain ancillary services among the investor owned hospitals. These higher daily costs were covered by higher revenues per day and per stay.

Of principal concern to the Ministry of Health is the provincial payment to the hospital. Appendix B reveals that this amounted to approximately \$21.5 thousand dollars per occupied bed in extended care units (taking the average of the hospitals examined). Perhaps one way to accommodate the tendency of higher revenues per bed of private management is to permit extra charges to residents for ancillary services, entertainment, special meals, etc. Alternatively extra payments could be made to those hospitals who are believed to be associated with quality care. For example, private management teams who are more successful in rehabilitating patients could be paid more on an occupied bed basis. Better rehabilitative efforts could be detected on the basis of diagnosis at admittance and separations other than death to an acute care facility or to a private home.

Exactly how a private management team would achieve cost savings is not exactly clear. From Appendix B we see that the average hourly wage/salary is approximately 34¢ higher in Juan de Fuca Hospitals than Menno Hospital. Gross salaries and wages are \$2.16 thousand higher per bed. Supplies and expenses are \$2,184 thousand higher per bed. These two areas seem likely candidates for considerable pruning, given the state of provincial revenues.

A case could be made that Menno Hospital's operating expenses are too low. However, total nursing hours per bed for Menno exceed those of Queen's Park and are comparable to Juan de Fuca Hospitals. Time units

allocated to rehabilitation and to physical medicine per bed for Menno far exceed those of Queen's Park and Juan de Fuca.

Curiously, plant operation and maintenance expenditures are significantly greater for Juan de Fuca than either Menno or Queen's Park. This is surprising since at least two of Juan de Fuca's extended care units were built fairly recently.

An examination of these three hospitals reveals considerable discrepancy in their modes of operation. A more thorough and intensive investigation might reveal why these differences exist. At the present level of analysis, it must be concluded that considerable cost economies could be achieved through the cost pressure incentives of private management.

Conclusions

The objective of this study was to review previous studies and current indicators to determine logically if private management of certain extended care units can achieve appreciable cost reductions. The answer was that yes, private management would possibly result in significant cost reductions at reasonable levels of care. Appendix B contains a draft of a contract between the Ministry of Health and a potential private management team.

The above conclusion was arrived at by:

- a) Examining the hospital administration literature to see if comparable studies would shed any light on the matter.
- b) Examining the audited annual reports of three extended care hospitals over a two year period, and

- c) comparing the anticipated behaviour of privately managed hospitals derived from existing administrative models with the time profile of b).

The main factor in favour of private management is greater cost pressure which results in greater economic efficiency of the hospitals' operations. By economic efficiency we mean purchasing or hiring labour, materials, and supplies in such proportions to achieve quality of care at the lowest possible cost at such a level of care.

Considerable discrepancy appeared readily apparent in the operating statistics of three extended care hospitals. Similar operating statistics could be computed for all extended care units under Long Term Care. Those hospitals that are found to be the most inefficient could be turned over for private management for perhaps two years at a time.

The usual reports plus evaluations by Long Term Care staff during the term of the private management team should reveal if quality care was delivered at a lower cost.

The contract of Appendix B with its special service stipulations will restrain the tendencies of private management sufficiently to ensure that quality is not diluted. Long Term Care staff would, of course, monitor the hospitals' performance to ensure these contractual obligations were met by the private management team.

APPENDIX ACost and Input Data 1981/82

	<u>by Hospital</u>		
	<u>Menno Hospital</u>	<u>Queen's Park Hospital</u>	<u>Juan de Fuca Hospitals</u>
<u>Rated Beds</u>	75	300	490
<u>Occupancy</u>	100%	98.5%	98%
<u>Average Length of Stay</u>	645	537	?
<u>Separations Per Year Average Occupancy</u>	.47	.55	.52
<u>Operating Expenses Rated Beds</u>	\$ 24.2 Thousand	26.7 Thousand	28.76 Thousand
<u>Provincial Payments Rated Beds</u>	\$ 20.7 Thousand	21.56 Thousand	23.47 Thousand
<u>Total Nursing Hours Rated Beds</u>	1,301	1,063	1,360
<u>Rated Beds Grad Nurses</u>	8.43	6.07	7.05
<u>Rehabilitation and Physical Medicine Rated Beds</u>	633.5	118.5	98.6

<u>Dietetics</u>	<u>Menno Hospital</u>	<u>Queen's Park Hospital</u>	<u>Juan de Fuca Hospitals</u>
Dietetics (hours) Rated Beds	203.7	275	194
Dietetics (Supplies) Rated Beds	\$ 1,010	\$ 1,377	\$ 1,126
Plan Operations and Maintenance Rated Beds	\$ 1,137	\$ 1,101	\$ 1,436.3
Gross Salaries and Wages Rated Beds	\$ 18,796	\$ 18,747	\$ 20,956
Supplies and Other Expenses Rated Beds	2,675	4,391	4,859
Average Hourly Salary/Wage	\$ 9.7	\$ 10.0	\$ 10.04
Laundry (\$) Rated Beds	\$ 952	\$ 1,211	\$ 1,047
Deaths Per Year Separations	.83	.386	.424

Cost and Input Data 1980/81

	<u>by Hospital</u>		
	<u>Menno Hospital</u>	<u>Queen's Park Hospital</u>	<u>Juan de Fuca Hospitals</u>
Average Length of Stay	564	412	
<u>Separations</u> Average Occupancy	.49	.53	
<u>Operating Expenses</u> Rated Beds	\$ 21,120	\$ 24,129	\$ 24,022
<u>Provincial Payments</u> Rated Beds	\$ 18,125	\$ 19,724	\$ 19,894
<u>Total Nursing Hours</u> Rated Beds	1,282	1,028	1,286
<u>Rated Beds</u> Grad Nurses	6.47	6.0	
<u>Rehabilitation and Physical Medicine</u> Rated Beds	728	?	?
<u>Dietetics (Hours)</u> Rated Beds	207	291	180

	Menno Hospital	Queen's Park Hospital	Juan de Fuca Hospital
<u>Dietetics (Supplies)</u> Rated Beds	872	1,300	975
<u>Plant Operations and Maintenance</u> Rated Beds	\$ 852	\$ 818	\$ 1,108
<u>Gross Salaries & Wages</u> Rated Beds	\$ 16,829	\$ 17,282	\$ 17,793
<u>Supplies and Other Expenses</u> Rated Beds	2,197	4,715	4,027
Average Hourly Salary/Wage	\$ 8.84	\$ 9.32	\$ 9.06
<u>Laundry (\$)</u> Rated Beds	\$ 835	\$ 954	\$ 847
<u>Deaths Per Year Separations</u>	.59	.34	.49

APPENDIX B

Contents:

1. Budget and Administrative Policy
2. Agreement Between the "Province" and Private Management Team



BUDGET AND ADMINISTRATIVE POLICY

REVISED	CHAPTER PAGE
	15.2—1
ISSUE DATE	EFFECTIVE DATE
1-Dec-81	1-Dec-81

CHAPTER 15. SERVICES	
SECTION 2. SERVICE CONTRACTS	
AUTHORITY Treasury Board	RESPONSIBLE AGENCY Treasury Board Staff
<p>15.2 SERVICE CONTRACTS</p> <p>In order to establish uniform and responsible service contracting practices and to document the various authority limits, the following policy and procedures apply.</p> <p>15.2.1 Policy</p> <p>Prior Treasury Board approval must be obtained for service contracts exceeding \$30,000. Ministries, in accordance with their own documented signing authorities, may approve service contracts up to a maximum value of \$50,000, provided that:</p> <ul style="list-style-type: none"> • funds are available in the Estimates, • the contract does not involve work related to functions assigned to a central agency within the government, such as accommodation services, organization studies, data processing services, printing and duplication, • the contract does not include legal services (see section 15.4), • the contract is not a renewal or extension of a prior or existing contract which causes the total cost of the contract to exceed \$25,000, and • a written contract or formal letter of agreement is completed before the services are utilized. <p>Where prior Treasury Board approval has been obtained for a contract in excess of \$30,000, ministries may approve a maximum upward variance of 10 per cent, provided the variance is justified, and funds are available in Standard Objects of Expenditure 20 or 40. Overruns in excess of 10 per cent are not allowable.</p> <p>Service contracts must not be used to establish an employer-employee relationship. For a distinction between an employee and a service contractor, refer to Office of the Comptroller General Audit Circular 61/79, dated December 12, 1979.</p> <p>Ministries should negotiate fixed-price contracts, wherever possible, rather than variable price or fee contracts.</p> <p>Before letting a service contract to the private sector, ministries must first consider the availability and level of expertise of internal government resources.</p> <p>The terms of reference for a service contract must be clear and concise. Variable price contracts must be avoided wherever possible. Cost estimates must be realistic and contract extensions as a result of inaccurate estimates must be avoided. Penalty clauses should be included, where feasible, to protect the rights of the Crown and contracts must contain the beginning and completion dates for the provision of services.</p> <p>A copy of a service contract must be submitted to the Office of the Comptroller General, before any payment under the contract is due.</p> <p>Ministries must submit a monthly Summary Report on Service Contracts (see section 15.2.5) to the Deputy Secretary of Treasury Board which includes all service contracts up to \$25,000 that have been approved.</p>	



Province of
British Columbia

BUDGET AND ADMINISTRATIVE POLICY

NEW REVISED	CHAP SEC PAGE 15.2-2
ISSUE DATE 1-Dec-81	EFFECTIVE DATE 1-Dec-81

CHAPTER 15. SERVICES	
SECTION 2. SERVICE CONTRACTS	
AUTHORITY Treasury Board	RESPONSIBLE AGENCY Treasury Board Staff
15.2.2	<p>Application</p> <p>This policy applies to all ministries.</p>
15.2.3	<p>Contract Format</p> <p>Ministries should, whenever feasible, use the standard service contract available from the Ministry of Attorney General. If the standard format is not used, the contract should be reviewed with the ministry's legal adviser before signing.</p> <p>Schedule A (Terms of Reference) to the standard format must clearly define expected accomplishments and outputs and should contain expected completion times.</p> <p>Schedule B (Fees and Expenses) must indicate the rates used for calculating contractor's fees. A maximum upper limit for total fees based on hourly, daily or monthly rates must be stated. A breakdown of allowable expenses (eg., living and travel, communications, secretarial support, possible sub-contracted services, etc.) must be indicated separately. Each item of expense or total expense must have a maximum limit and the basis for calculation, if other than at cost, must be clearly stated. The rates for expenses claimable under the service contract must not be greater than those allowed for the management classification of the British Columbia public service.</p> <p>Ministries must ensure that contracts are signed by person(s) who clearly have the authority to do so. (see section 15.2.1)</p>
15.2.4	<p>Definitions</p> <p>For purposes of this policy, the following definitions apply:</p> <ul style="list-style-type: none"> • extension—applies to a contract the term of which is extended by mutual agreement of the parties, • prior Treasury Board Approval—may be obtained through the pre-approval process at budget review time, or by Treasury Board submission, • renewal—applies to a new contract which deals substantially with the same subject matter as the original contract, involves the same contractor, and entails a period between contracts of not more than 3 months, • service contract—includes any contracts which are chargeable to Standard Objects of Expenditure 20 or 40 and includes contracts for consulting services. <p>For further details on contracting consultants, the information paper entitled "Guidelines for the Engagement of Consultants" is available from Treasury Board Staff.</p>

THIS AGREEMENT made the day of , 1982

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF
BRITISH COLUMBIA represented by the Minister of []
(herein called the "Province")

OF THE FIRST PART

AND:

[], a body corporate, incorporated under the laws
of the Province of British Columbia (Certificate
of Incorporation No. []) and having a place of
business at [], in the City of [], in the Province
aforesaid

de feand

(herein called the "Contractor")

OF THE SECOND PART

WITNESSETH that the parties hereto agree as follows:

APPOINTMENT

1. The Province retains the Contractor to provide the services (herein called the "Services") described in Schedule "A" attached hereto and forming a part hereof.

TERM

2. The Contractor will provide the Services in accordance with the provisions of this Agreement during the period (herein called the "Term") commencing on [], 1982 and ending on [], 198[].

PAYMENT

3. The Province will pay to the Contractor, in full payment and reimbursement for providing the Services and for expenses incurred in connection therewith, the fees and expenses in the amounts, in the manner and at the times set out in Schedule "B" attached hereto and forming a part hereof and the Contractor will accept such fees and expenses as full payment and reimbursement as aforesaid.

RECORDS

4. In connection with the provision of the Services the Contractor will:
 - (a) establish and maintain time records;
 - (b) establish and maintain books of account of all expenses incurred; and
 - (c) maintain invoices, receipts and vouchers for the expenses referred to in subparagraph (b) of this paragraph;

and the Minister of (herein called the "Minister") will have free access at all reasonable times to such records, books of account, invoices, receipts and vouchers for the purposes of copying or auditing (or both) the same.

INDEPENDENT CONTRACTOR

5. The Contractor will be an independent contractor and not the servant, employee or agent of the Province or the Minister.
6. The Contractor will not in any manner whatsoever commit or purport to commit the Province or the Minister to the payment of any money to any person, firm or corporation.
7. The Minister may, from time to time, give such instructions to the Contractor as he considers necessary in connection with the provision of the Services but the Contractor will not be subject to the control of the Minister in respect of the manner in which such instructions are carried out.

REPORTS

8. The Contractor will upon the request, from time to time, of the Minister:
 - (a) fully inform the Minister of the work done and to be done by the Contractor in connection with the provision of the Services; and

(b) permit the Minister at all reasonable times to inspect, examine, review and copy any and all findings, data, specifications, drawings, working papers, reports, documents and material whether complete or otherwise (herein collectively called the "Material") that have been produced, received or acquired by, or provided by the Province to, the Contractor as a result of this Agreement.

OWNERSHIP

9. The Material produced, received or acquired by, or provided by the Province to, the Contractor as a result of this Agreement and any equipment, machinery or other property provided by the Province to the Contractor as a result of this Agreement will:
- (a) be the exclusive property of the Province; and
 - (b) forthwith be delivered by the Contractor to the Minister on the Minister giving written notice to the Contractor requesting delivery of the same, whether such notice is given before, upon or after the expiration or sooner termination of this Agreement.

10. The copyright in the Material will belong exclusively to the Province.

CONFIDENTIALITY

11. The Contractor will treat as confidential and will not, without the prior written consent of the Minister, publish, release or disclose or permit to be published, released or disclosed, either before or after the expiration or sooner termination of this Agreement, the Material or any information supplied to, obtained by, or which comes to the knowledge of the Contractor as a result of this Agreement except insofar as such publication, release or disclosure is necessary to enable the Contractor to fulfill his obligations under this Agreement.

ASSIGNMENT AND SUB-CONTRACTING

12. The Contractor will not without the prior written consent of the Minister:
 - (a) assign, either directly or indirectly, this Agreement or any right of the Contractor under this Agreement; or
 - (b) sub-contract any obligation of the Contractor under this Agreement.

13. No sub-contract entered into by the Contractor will relieve the Contractor from any of his obligations under this Agreement or impose any obligation or liability upon the Province to any such sub-contractor.

CONFLICT

14. The Contractor will not, during the Term, perform a service for or provide advice to any person, firm or corporation where the performance of the service or the provision of the advice may or does, in the reasonable opinion of the Minister, give rise to a conflict of interest between the obligations of the Contractor to the Province under this Agreement and the obligations of the Contractor to such other person, firm or corporation.

INDEMNITY

15. The Contractor will indemnify and save harmless the Province and the Minister from and against any and all losses, claims, damages, actions, causes of action, costs and expenses that the Province or the Minister (or both) may sustain, incur, suffer or be put to by reason of any act or omission of the Contractor or of any servant, employee, officer, director, shareholder or permitted sub-contractor of the Contractor.

TERMINATION

16. Notwithstanding any other provision of this Agreement if the Contractor fails to comply with any provision of this Agreement then, and in addition to any other remedy or remedies available to the Province, the Province may, at its option, terminate this Agreement by the Minister giving written notice of termination to the Contractor and if such option is exercised the Province will be under no further obligation to the Contractor except to pay to the Contractor such fees and expenses as the Contractor may be entitled to receive, pursuant to Schedule "B" attached hereto, for Services provided and expenses incurred to the date the said notice is given to the Contractor.

NON-WAIVER

17. No provision of this Agreement and no breach by the Contractor of any such provision will be deemed to have been waived unless such waiver is in writing signed by the Minister.
18. The written waiver by the Minister of any breach of any provision of this Agreement by the Contractor will not be deemed a waiver of such provision or of any

subsequent breach of the same or any other provision of this Agreement.

APPROPRIATION

19. Notwithstanding any other provision of this Agreement the payment of funds by the Province to the Contractor pursuant to this Agreement is subject to the Legislative Assembly of the Province of British Columbia having provided funds for such purpose for the fiscal year in which such funds are required.

REFERENCES

20. Every reference to the Minister in this Agreement will include the Minister, the Deputy Minister of [] and any person designated by either of them to act for or on their respective behalf with respect to any provision or provisions of this Agreement.

NOTICES

21. Any notice, payment, or any or all of the Material that either party may be required or may desire to give or deliver to the other will be conclusively deemed validly given or delivered to and received by the addressee, if delivered personally on the date of such personal delivery or, if mailed, on the third business day after

the mailing of the same in British Columbia by prepaid post addressed, if to the Province or the Minister:

and, if to the Contractor:

22. Either party may, from time to time, advise the other by notice in writing of any change of address of the party giving such notice and from and after the giving of such notice the address therein specified will, for the purposes of paragraph 21, be conclusively deemed to be the address of the party giving such notice.

MISCELLANEOUS

23. This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia.

24. In this Agreement wherever the singular or masculine is used it will be construed as if the plural or feminine or neuter, as the case may be, had been used where the context or the parties hereto so require.

25. The headings appearing in this Agreement have been inserted for reference and as a matter of convenience and in no way define, limit or enlarge the scope of any provision of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement the day and year first above written.

SIGNED on behalf of Her Majesty)
the Queen in right of the)
Province of British Columbia)
by the Minister of [])
in the presence of:)

(Witness)

Minister of []

THE common seal of [])
was hereunto affixed in the)
presence of:)

(Title)

(C/S)

SCHEDULE "A"

Services

The contractor will:

1. Provide the Ministry of Health with the usual monthly, annual and other reports.
2. Maintain plant and equipment in good working condition.
3. Undertake to provide for residents the following:
 - a. Total annual nursing hours per bed to exceed _____ hours per bed.
 - b. Bed per F.T.E. graduate nurse not to exceed _____ beds.
 - c. Dietetic staff hours per rated bed to exceed _____ hours.
 - d. Dietetic supplies per rated bed to exceed _____ dollars.
 - e. Rehabilitative and physician medicine to exceed _____ units per bed.
4. Admissions to extended care unit will be screened by Long Term Care staff (Nurse Assessors).

SCHEDULE "B"

Fees and Expenses

1. Fees will be based on a daily rate of \$[] per day and will be payable to the Contractor for those days of the Term (and in a proportioned amount of the daily rate for part days) during which the Contractor is engaged in the fulfillment of his obligations under this Agreement, [] working hours being the equivalent of one day.

2. Notwithstanding paragraph 1 of this Schedule in no event will the fees payable to the Contractor in accordance with paragraph 1 of this Schedule exceed, in the aggregate, \$[].

3. The following expenses will be paid to the Contractor provided the same are supported, where applicable, by proper receipts and are, in the opinion of the Minister, necessarily incurred by the Contractor in the fulfillment of his obligations under this Agreement:
 - (a) travel expenses, to the extent the same are payable in accordance with policies of the Province related thereto, when away from [], B. C.;
 - (b) accommodation and meal expenses, to the extent the same are payable in accordance with policies of the Province related thereto, when away from [], B. C.; and

(c) long distance telephone, telegraph, telex, postage and other identifiable communication expenses, at cost.

4. Notwithstanding paragraph 3 of this Schedule in no event will the expenses payable to the Contractor in accordance with paragraph 3 of this Schedule exceed, in the aggregate, \$[].

5. The Contractor will submit to the Province monthly, on or after the [] day of each month and commencing no sooner than [], 19[] a written statement of account:

- (a) showing the calculation of all fees claimed for the month preceding the month in which the statement is submitted, with hours and dates; and
- (b) listing, in reasonable detail and with dates, all expenses claimed, if any, for the month preceding the month in which the statement is submitted and with receipts, where applicable, attached.

Within [] days of receipt by the Province of any aforesaid written statement of account the fees referred to in paragraph 1 of this Schedule and the expenses referred to in paragraph 3 of this Schedule that are shown thereon will be paid to the Contractor subject always to the respective maximum amounts set forth in paragraphs 2 and 4 of this Schedule.