



Achieving financial sustainability in Canadian Healthcare

How to attain long-term fiscal stability

Hospitals continue to face large, growing structural deficits due to the increasing impact of emerging cost pressures.

Cost pressures have intensified

In addition to traditional cost pressures (e.g. growing/aging population, diverse patient needs, increased prevalence of chronic diseases, rising healthcare delivery costs), pandemic-related events have exacerbated fiscal challenges:



Health workforce shortage

Escalating costs of overtime, absenteeism, and expensive recruitment and retention efforts.



Digital and technological adoption

Required investments in new systems and innovations (e.g. genetic sequencing) to support new models of care.



Surgical backlog

Growing surgical backlogs have increased wait times, leading to higher case acuity and increased resource utilization.



Capital constraints

Greater reliance on debt financing for site modernization, alongside increased operational costs from shifts to subscription-based models.



Aging infrastructure

Old facilities require more maintenance, consume more energy, and need frequent updates to meet modern standards.



Alternative revenue sources

Reduced margins from ancillary businesses (e.g. retail, research, parking, etc.) due to behavioural changes.



Increasing sub-specializations

Increased coordination costs due to proliferation of sub-specialties to treat complex conditions.



Social Determinants of Health (SDH)

Increased healthcare access issues and costs due to SDH (e.g. income, education, housing) and an aging population.

What is a structural deficit? A situation where a hospital's recurring expenses required to cover efficient operations consistently exceed its revenue, indicating a fundamental imbalance between ongoing costs and incoming funds.

What can you do?







While health authorities seek to implement remedies at the system level (e.g. funding, policy amendments, etc.), hospitals need to do their part to secure long-term financial sustainability by:

- ✓ **Thinking differently:** Shifting reliance from traditional ways of working to innovative models of care, leveraging technology (e.g. Artificial Intelligence, Machine Learning) to realize sustainable savings.
- ✓ **Focusing on execution:** Rapidly mobilizing the required changes in short-order – have a bias to action.
- ✓ **Leveraging partnerships:** Understanding your ecosystem and working with both traditional and non-traditional partners

Enhance efficiency without compromising the excellence of care.

6 levers to achieve financial sustainability

When looking to unlock savings our team recommends an approach focused on six levers.

Key goals	Hospital / Local solutions
 <p>Clinical operations <i>Drive efficient and effective care delivery</i></p>	<ul style="list-style-type: none"> • LOS/Flow optimization: Care pathway redesign, discharge planning, OR productivity • Program-level CPWC: Resource utilization, capacity management
 <p>Back-office and service optimization <i>Optimize back-office services across hospital sites</i></p>	<ul style="list-style-type: none"> • Centralization / shared service optimization • Outsourcing non-core services
 <p>Workforce <i>Better forecast healthcare staffing needs</i></p>	<ul style="list-style-type: none"> • Leveraging alternative roles and team-based models • Scope of practice optimization • Scheduling optimization
 <p>Automation and digital adoption <i>Streamline manual processes and boost digital usage</i></p>	<ul style="list-style-type: none"> • Application consolidation, legacy system replacement, cloud adoption, workflow automation • Data standardization and analytics integration
 <p>Capital <i>Effectively budget and finance the increasing costs of property, plant, and equipment</i></p>	<ul style="list-style-type: none"> • Debt and financing strategy optimization • Monetization of assets • Alternative/supplementary revenue sources
 <p>Integration of care <i>Reduce system costs, maintain clinical outcomes, and ensure complete integration of all data and information</i></p>	<ul style="list-style-type: none"> • Repatriation of services to lower cost providers • Development of partnerships across care continuum • Leveraging public-private partnerships

How our team can help

<p>Advanced data-driven diagnostics</p>	<ul style="list-style-type: none"> ▪ Identify local and systemic pressures to understand structural deficits' root causes ▪ Assess population health service needs and their funding implications ▪ Work with stakeholders to understand data quality, anomalies, and financial results interpretation
<p>Practical application</p>	<ul style="list-style-type: none"> ▪ Realize and re-invest immediate savings and plan for future needs with viable short and long-term gains ▪ Identify tried-and-true innovations to implement and scale based on your unique circumstances ▪ Facilitate change management from leadership to your frontline to ensure successful adoption
<p>Sustainable by design</p>	<ul style="list-style-type: none"> ▪ Utilize innovations like predictive analytics and AI for sustained financial performance ▪ Design and implement governance structures and incentives to foster accountability and transparency ▪ Build internal capacity and capability for long-term financial improvement

A trusted partner with the talent and experience your business needs

- ✓ Senior leaders with clinical, business, and large-scale improvement experience
- ✓ Advanced financial and clinical analytical tools and capabilities that have been developed and validated with over 50 hospitals
- ✓ Experience conducting over 100 operational reviews in hospitals of all sizes across Canada

Contact us







Gordon Burrill
 Partner, National Health & Life Sciences
 T: 416 777 3061 | E: gburrill@kpmg.ca



Govind Adaikappan
 Director, Healthcare Solutions
 T: 416 777 3232 | E: gadaikappan@kpmg.ca