

Chapter 4

Section 4.04

The Nursing Retention Fund

1.0 Executive Summary

The Nursing Retention Fund (Fund) operated between 2005 and 2016. Its purpose was to retain nursing positions in Ontario public hospitals where a service change in a hospital, such as a reduction in programs or services or the closure of a unit, resulted in nurses being laid off. The Fund intended to accomplish this purpose by disbursing money to eligible hospitals for nurses' education and training, and nurses' salaries and benefits for up to six months while receiving this education and training.

The Fund was set up by the Province as a trust administered by a Management Committee (Committee) consisting of representatives from the Registered Nurses' Association of Ontario, the Registered Practical Nurses Association of Ontario and the Ontario Nurses' Association. The Province committed and transferred \$40 million to an irrevocable trust at the time the Fund was established on March 31, 2005. This trust allowed the Province to record the transfer as an expense in the year the transfer was made.

When the Fund ended in 2016, it disbursed its remaining funds to the Registered Nurses' Association of Ontario and the Registered Practical Nurses Association of Ontario according to their proportionate membership of nurses, as required by the terms of the Fund Agreement (Agreement)

between the Province and the Committee, and the Deed of Settlement, which governed the trust.

In our review of the Fund's operations, we noted the following:

- Although the Fund disbursed minimal funds to hospitals over its term—\$577,812, representing only 1.4% of the \$40 million committed—the Committee made its best efforts to promote awareness and keep the Fund in operation longer than its original term. The Committee administered the Fund in a satisfactory manner.
- However, certain factors limited hospital eligibility for funding, which resulted in such small disbursements:
 - Nurses had to be formally laid off and have a position to be bridged to in order for their hospitals to receive funding.
 - Skill-mix changes were not eligible for funding.
 - Some hospitals chose to adjust their numbers of nurses through other means, such as retirements and voluntary departures, which did not meet the requirement that nurses be issued layoff notices for the funds to be disbursed.
- The Fund incurred costs in its 10-year administration that included approximately \$4.4 million in trustee administration fees, professional fees and operating expenses.

Trustee administration fees represented approximately \$2.9 million of this total, or approximately 0.6% of the annual average balance of the Fund. We did not find any of these costs to be excessive.

- All fees were paid through investment income generated by the Fund.
- The intended use of the remaining fund balance is to provide funding for continued nursing education, which is in line with the original purpose of the Fund.

2.0 Background

2.1 What Was the Nursing Retention Fund?

The Nursing Retention Fund (Fund) was established by the Province on March 31, 2005. At the time, mass layoffs of nurses and other hospital workers were expected after the Province had ordered hospitals to balance their budgets. The Fund was developed to provide bridging for nurses in order to prevent permanent layoffs and thereby retain nurses. The nurse being bridged is a nurse who, following a layoff at his or her workplace, accepts an offer of enhanced retraining. The effect of this is to avoid being laid off permanently and then, consequently, be re-employed at the same hospital. The Fund would provide reimbursement to hospitals for the cost of education and/or training required to retain nurses, and salary continuance (wages/salary and benefits) for a period of up to six months while nurses attended education and/or training programs.

2.2 How Was the Fund Administered?

At the time the Fund was established, the Province transferred \$40 million to a third-party-managed trust. The Fund Agreement (Agreement) between the Province and the Management Committee

(Committee) set out the terms and conditions for the Committee to administer the Fund. The Committee comprised representatives from the Registered Nurses' Association of Ontario, the Registered Practical Nurses Association of Ontario and the Ontario Nurses' Association.

2.3 How Were the Fund's Assets Disbursed at Its Expiry?

The Fund was created as an irrevocable trust, which means that any unused funds would not be returned to the Province upon expiry of the Agreement. The Agreement required that upon expiration, any remaining unspent funds would be disbursed among the Registered Nurses' Association of Ontario and the Registered Practical Nurses Association of Ontario according to their proportionate membership of nurses.

The original agreement expired in 2010 and was subsequently extended to 2013 and then further extended to 2016, after which the funds were disbursed to the Registered Nurses' Association of Ontario and the Registered Practical Nurses Association of Ontario.

3.0 What We Looked At

Our objective during our review of the Nursing Retention Fund (Fund) was to establish whether the Fund was appropriately administered and to identify the reason for limited funding being paid from the Fund to the hospitals over the Fund's term.

We met with the Ministry of Health and Long-Term Care (Ministry). We also interviewed senior officials of the Registered Nurses' Association of Ontario, the Registered Practical Nurses Association of Ontario and the Ontario Nurses' Association.

We reviewed all agreements, meeting minutes of the Management Committee (Committee), correspondence between the Committee and the Province, marketing materials and details of disbursements to hospitals.

4.0 Key Observations

4.1 Limited Eligibility of Hospitals for Funding

Funding requested by and provided to hospitals by the Fund was exceptionally low, at \$577,812, representing a mere 1.4% of the \$40 million committed for this purpose. (Figure 1 shows a detailed breakdown of the Fund since its inception.) This low funding level can be explained by the conditions surrounding the hospitals' eligibility to receive the funds, including the hospitals' own personnel policies.

Funding eligibility was established by the Committee in conjunction with the Ministry and formalized in the Agreement. It included, among several other criteria, the following three:

- Only nursing positions that received a layoff notice would be eligible for funding.
- Reimbursement to hospitals must be for the cost of education and/or training of a nurse who will then go into the position to which he or she is being bridged as a result of the layoff.
- Positions subject to skill-mix changes would not be eligible for funding.

In reducing staffing costs, if hospitals chose measures such as retirements and voluntary departures, this would not result in a formal layoff notice. In the absence of layoff notices, hospitals were not eligible for funding. Also, if layoff notices were issued, it was not mandated that hospitals apply to the Fund.

When a nurse is bridged as a result of a layoff, it means that the hospital will have a position for them once their training is complete. If the hospital chooses not to have a position for the nurse after the layoff, they would not be eligible to apply for the Fund.

A skill-mix change occurs when a hospital changes the classification of a nursing position, so that a nurse is replaced by a nurse from a different nursing category or by another health-care provider (such as a personal support worker) who has a dif-

ferent set of skills, competencies, knowledge and experience. Hospitals perform a skill-mix change in order to meet patient needs and/or to save costs. Since nursing salaries are influenced by skill level, knowledge, competence and experience, hospitals may have a financial incentive to replace higher-paid nursing positions with lower-paid nursing positions, or with other lower-paid health-care providers. If hospitals chose a skill-mix change, they were not eligible for funding.

Hospitals did not apply to the Fund as originally expected. The Committee commented to us that its members believed that hospitals facing budget pressures would have no choice but to start laying off staff and would then become eligible to utilize the Fund. However, it further noted that some hospitals did not have a nursing position available for the laid-off nurse to bridge to once training was completed; therefore, those hospitals were not eligible to apply to the Fund. Also, the Committee was surprised that some hospitals were able to reduce the number of their nurses through retirements and voluntary departures instead of layoffs.

4.2 Administration of Fund by Management Committee

The Committee met regularly to discuss the Fund's progress, review all submitted applications by hospitals, and report on funding activities to-date. In addition, the Committee undertook marketing activities to promote the Fund in an effort to ensure awareness among hospitals. This included creating and maintaining a website, advertising in relevant hospital and nursing newsletters and publications, sending letters to Chief Nursing Officers at hospitals (or equivalent role if not present in each hospital), and having displays and other promotion at health-care expos.

As noted previously, the Fund provided only limited funding. The Committee facilitated the two Fund extensions in 2010 and 2013, in agreement with the Province, to encourage future disbursements.

Figure 1: Funding of the Nursing Retention Fund, 2005–2016

Prepared by the Office of the Auditor General of Ontario based on audited financial statements of the Nursing Retention Fund

Calendar Year	Amount						Ending Balance (\$)
	Opening Balance (\$)	Investment Income (\$)	Income Taxes (\$)	Trustee Fees (\$)	Professional Fees (\$)	Operating Fees (\$)	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
2005	40,000,000	817,057		192,153	2,120		40,622,784
2006	40,622,784	1,553,313	282,350	239,011	6,647		41,648,089
2007	41,648,089	1,771,484	1,104,724	241,008	7,362		42,066,479
2008	42,066,479	1,561,507	856,740	243,874	6,974		42,520,398
2009	42,520,398	420,196	402,720	218,246	10,730		41,885,272
2010	41,885,272	243,577	(404,511)	213,474	7,226	475,000	41,803,045
2011	41,803,045	500,008	(84,590)	259,814	8,934	260,000	41,848,323
2012	41,848,323	471,644	49,517	255,628	8,144	468,274	41,485,873
2013	41,485,873	465,172	(27,267)	257,450	9,085	200,000	41,455,309
2014	41,455,309	471,862	(43,631)	276,993	9,825		41,683,984
2015	41,683,984	342,709	31,635	253,729	10,177	70,000	41,661,152
2016	41,661,152	54,886		200,000 ¹			41,516,038
Total²		8,673,415	2,167,687	2,651,380	87,224	1,473,274³	577,812

1. A total of \$200,000 was held back as at March 31, 2016 to pay all remaining fees as at the date of dissolution of the Trust.

2. Totals are not inclusive of general holdback of \$200,000.

3. Operating fees include items such as marketing activities, website design and maintenance, liability insurance, and staffing and advisory services as required.

These efforts demonstrate that the Fund was appropriately administered by the Committee.

4.3 Financial Activities of the Fund

The Fund incurred costs in its 10-year administration that included approximately \$4.4 million in trustee administration fees, professional fees and operating expenses. Trustee administration fees represented approximately \$2.9 million of this total, or approximately 0.6% of the annual average balance of the Fund. We did not find any of these costs to be excessive.

All fees were paid through investment income generated by the Fund. At the time of the Fund's expiration, a total of \$8.7 million of investment income had been earned since 2005, resulting in the Fund's net growth of \$1.5 million after all income taxes, administrative costs and disbursements to hospitals were paid.

As per **Figure 1**, the original funding was \$40 million in 2005. Upon the Fund's expiry in 2016, the remaining fund balance available for disbursement was \$41.5 million.

4.4 Final Fund Disbursement

When the Fund expired on March 31, 2016, the \$41.5 million total of remaining assets in the Fund was disbursed as specified in the Agreement.

The Agreement specified that any remaining funds were to be allocated to the Registered Nurses' Association of Ontario and to the Registered Practical Nurses Association of Ontario based on their proportionate membership (76% and 24%, respectively). These two associations, in conjunction with the Ontario Nurses' Association, agreed to contribute a combined total of \$12 million from the remaining funds to form the Nurse Health Program. This program is a collaborative effort between the Registered Nurses' Association of Ontario, the Registered Practical Nurses Association of Ontario, the Ontario Nurses' Association and the College of

Nurses of Ontario. **Figure 2** shows how these funds were allocated.

The Nurse Health Program is intended to provide education and outreach focused on prevention and increased awareness of the mental health and substance abuse issues experienced by some nurses. Furthermore, it will facilitate the creation of supportive workplaces for affected nurses who return to nursing practice.

In collaboration with Ontario Nurses' Association, the Registered Nurses' Association of Ontario has created a segregated endowment fund called the Ontario Nursing Practice, Education and Research Endowment. Its purpose is to fund nursing education and research related to innovation in nursing practice, and to improve nursing programs in the Province.

The Registered Practical Nurses Association of Ontario has announced that it will use its portion of the funds to implement the Registered Practical Nurses Innovation Fund. Its purpose is to support the retention and continuing professional development of Registered Practical Nurses in Ontario. Initial plans are to distribute the funds over approximately 14 years to provide Registered Practical Nurses with access to targeted educational programs, and with non-tuition-related support for attending educational programs. Such support could help these nurses with travel costs, time away from work and other expenses.

The intended use of the remaining fund balance is in line with the original purpose of the Fund, as outlined in the Deed of Settlement, by allowing for funding for continued nursing education.

Figure 2: Allocations from Final Nursing Retention Fund Disbursement

Prepared by the Office of the Auditor General of Ontario

Allocated to	\$ million
Nurse Health Program	12.0
Registered Nurses' Association of Ontario	22.4
Registered Practical Nurses Association of Ontario	7.1
Total	41.5