

CORPORATE POLICY, STANDARDS and PROCEDURE

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<u>POLICY TITLE</u> CASH ADVANCES TO NOT-FOR-PROFIT HEALTH SERVICE PROVIDERS		<u>NUMBER</u> TBA
<u>AUTHORIZATION</u> Chief Financial Officer	<u>DATE APPROVED</u> January 2004	<u>CURRENT VERSION DATE</u> March 2017

DATE(S) REVISED / REVIEWED SUMMARY

Version	Date	Comments / Changes
1.0	January 2004	Initial Policy Released
2.0	January 2013	Policy was revised.
3.0	March 2017	Policy was revised to reflect that advances greater than \$1,000,000 must be approved by Fraser Health's President and Chief Executive Officer and reported to the Board's Finance and Audit Committee at their next meeting and that advances greater than \$5,000,000 will require the approval of the Board of the Fraser Health Authority.

1. Purpose/Statement

Fraser Health contracts with many Health Service Providers (HSPs) for the delivery of healthcare services with the expectation that the HSPs provide the contracted level of service at the annual contract price in a sound financial manner. In certain circumstances, Fraser Health may consider providing an HSP a short-term cash advance. This policy governs when a cash advance can be given and the conditions that the HSP must meet in order to be eligible.

2. Scope

This policy applies to all of Fraser Health.

3. Application

In order for an HSP to be eligible for a cash advance, Fraser Health must deem that the HSP is critical to meeting the service requirements of the residents of the Fraser Health region. The HSP must then meet all of the following conditions:

- The HSP is a not-for-profit operator.

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- The HSP is suffering a serious working capital shortfall that jeopardizes its ability to meet its contracted service or its financial responsibilities.
- The HSP demonstrates that it is unable to secure any other short-term financing.
- The HSP provides a sound and detailed financial and workload operational plan to Fraser Health that demonstrates the financial viability of the HSP both in the short and long term and includes the repayment of any cash advances or debt.
- At Fraser Health's option, the HSP must undertake an operational review with the terms of reference set by Fraser Health.

4. Principles

Fraser Health will only consider a cash advance to an HSP if all of the conditions set out in Section 3 of this policy are met. If the conditions are met, Fraser Health, at its sole discretion, will establish the terms of the cash advance.

Repayment of the advance must commence within two (2) months of the advance being made with full repayment occurring within twenty-four (24) months of the advance being made.

Fraser Health will reduce the HSP's bi-weekly funding payments to facilitate repayment of the advance. The HSP will account for the advance as a liability while Fraser Health will account for it as an advance receivable.

Security will be required for any advance and interest will be charged based on the B.C. Government's long term borrowing rate. Security and interest may be waived for advances that are less than \$1,000,000 in aggregate.

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5. Responsibilities

Advance requests by an HSP must be made to Fraser Health's Executive Director, Financial Planning and Business Support. The Executive Director, Financial Planning and Business Support will review the situation including the need, operational plan submission, the amount and repayment terms. Once the Executive Director, Financial Planning and Business Support is satisfied that all conditions are fully met, they will present the case to Fraser Health's Chief Financial Officer who will either approve or deny the request.

Advances to an HSP that amount to greater than \$1,000,000 in aggregate must be approved by Fraser Health's President and Chief Executive Officer and reported to the Board's Finance and Audit Committee at their next meeting. Advances to an HSP that amounts to greater than \$5,000,000 in aggregate will require the approval of the Board of the Fraser Health Authority.

A listing of all advances given in the last twelve (12) months as well as the current status of all advances outstanding will be provided to Fraser Health's Board Finance and Audit Committee annually.