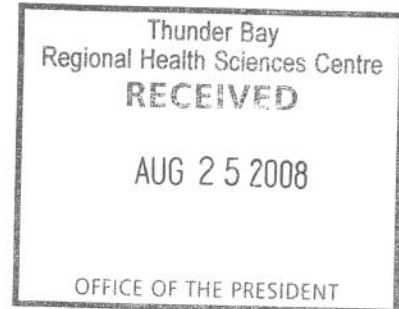


August 20, 2008

Ms. Ingrid Parkes
Board Chair
Thunder Bay Regional Health Sciences Centre
980 Oliver Road
Thunder Bay, ON P7B 6V4



Dear Ms. Parkes:

Compliance Directive

The North West Local Health Integration Network (the "LHIN") hereby directs Thunder Bay Regional Health Sciences Centre (the "Hospital") to comply with the Direction issued to the Hospital on April 4, 2008 (the "Direction"), sign both copies of the enclosed Hospital Service Accountability Agreement ("H-SAA") and return them to the attention of the LHIN by September 3, 2008. The LHIN will sign both copies upon receipt and return one copy to the Hospital, to your attention.

The LHIN has considered the representations made by the Hospital during the meeting(s) with the Hospital on April 16, April 24, May 22, and July 3, 2008. During these meetings, the Hospital repeated its position that it is unable to enter into a Hospital Service Accountability Agreement ("H-SAA") that requires the Hospital to provide services within its annual funding allocation. The Hospital cited the following reasons for not being able to balance:

- inflationary costs are greater than the increased base funding allocation provided by the LHIN over the 2008-10 planning period;
- hospitalist model is still not recognized through required base funding;
- inflation adjustment on academic funding for 2006/07 has not materialized; and
- ALC pressures

All hospitals in the province must enter into an H-SAA with their Local Health Integration Network for the fiscal period beginning April 1, 2008. The common terms of all the H-SAAs require a hospital to provide services within its annual base funding allocation, except in very limited circumstances.

The Hospital has been advised of its base funding allocation. The allocation methodology is similar to that of all other hospitals in the province. During meetings with the Hospital, the LHIN advised the Hospital that no more funding is available. Just like the Hospital, the LHIN must operate within the funding allocation that is provided by the Minister of Health and Long-Term Care.

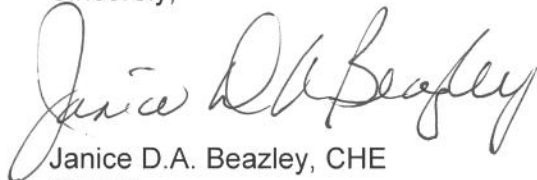
The LHIN acknowledges the Hospital's concerns and recognizes the challenges faced by the Hospital. However as has been explained to the Hospital, the pressures cited are not unique to the Hospital nor can they be characterized as unexpected. They are pressures that a hospital should contemplate when planning. All hospitals are expected to manage these types of challenges within their global budgets. All hospitals are expected to work with other health service providers in their local systems to minimize the potential impacts of these pressures on both the Hospital and on the health system.

Despite many discussions, the Hospital has not modified its position or presented sufficient and reasonable evidence that the terms of the H-SAA proposed by the LHIN are unreasonable or unable to be achieved by the Hospital. Without compelling information, it is the LHIN's conclusion that the Hospital can provide services within its base funding allocation and that there is no impediment to the Hospital's execution of the H-SAA proposed by the LHIN.

This Compliance Directive is issued in the public interest pursuant to s.s. 22(1) and 25(1) of the *Commitment to the Future of Medicare Act*, 2004, S.O. 2004, c.5. Your immediate compliance with this Compliance Directive is therefore requested.

You are required to post this Compliance Directive on a publicly accessible bulletin board in your Hospital as well as on your website and you are required to distribute copies of this Compliance Directive to each member of the Board of Directors of the Hospital. Confirmation that you have done so should be provided to the LHIN by August 26, 2008.

Sincerely,



Janice D.A. Beazley, CHE
Chair/A

encl.

- c. Ron Saddington, President and Chief Executive Officer, Thunder Bay Regional Health Sciences Centre
Gwen DuBois-Wing, Chief Executive Officer, North West LHIN