ANNUAL REPORT 2004 - 2005

FEDERAL HEALTHCARE PARTNERSHIP

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MESSAGE FROM THE FHP EXECUTIVE COMMITTEE CHAIR

July 31, 2005

I am pleased to present to the Treasury Board Secretariat (TBS) the 2004-2005 Annual Report of the Federal Healthcare Partnership (FHP).

During this reporting period, the FHP continued to pursue key projects identified in the FHP Business Plan 2004-2007, and became involved in several new areas of interest to the partner departments. Through the collective work of the partner departments, the FHP is continually forging alliances to pilot new ideas, bringing renewed opportunities, and strengthening existing programs. Indeed, this year has brought many opportunities for the Partnership, and ultimately the need to re-define its mandate and vision to be better aligned with today's healthcare pressures. I would like to commend the partners on their commitment to working together, and on their great contribution of time and effort required when working on interdepartmental, collaborative negotiations in the field of healthcare. Of special significance was the combined effort to respond to the November 2004 Report of the Auditor General of Canada to the House of Commons, Chapter 4 - Management of Federal Drug Benefit Programs.

The FHP is about working together for improved results through more informed decision-making and better public policies with a focus on client service delivery. It is my hope that FHP will continue to serve as a model for horizontal issues management and contribute to the advancement of the Management Accountability Framework Agenda of the Government of Canada.

On behalf of the Executive Committee, I would like to thank the FHP partner departments and the FHP Secretariat for their hard work and continued commitment to this Partnership.

Associate Deputy Minister
Veterans Affairs Canada
Chair, FHP Executive Committee

EXECUTIVE SUMMARY

The Federal Healthcare Partnership (FHP), formerly the Health Care Coordination Initiative (HCCI), was created in 1994 as a partnership of federal departments providing healthcare services to specific groups of Canadians with the goal of extending cost savings through the process of collective federal department purchasing of selective healthcare products/services.

The FHP has since evolved and with its six permanent partner departments, agencies and organizations, is now collaboratively examining the strategic impact of various issues on the provision of health services within the jurisdiction of all of the partners. The FHP has two main goals: to achieve economies of scale while enhancing the provision of care, and to provide strategic issues leadership.

There is a high potential for cost savings achieved through economies of scale given that annual federal healthcare expenditures amount to over $3.1 billion per year for a client base of over 1 million Canadians. Included in these purchases are items ranging from over-the-counter medications to high cost diagnostic equipment, and purchases of consulting and health services. In March 2005, the FHP created a Charter outlining a new focus and structure for the Partnership which ultimately aims to create even greater efficiencies and transparency of its accountability frameworks than were achieved in its first ten successful years. The FHP 2007-2010 Business Plan, anticipated for publication in September 2006, will detail these changes.

The core program areas covered by the Partnership in FY 2004-2005 were audiology, dental care, oxygen therapy, pharmacy, vision care and the medical equipment recycling program. More recently, the focus of the Partnership has broadened to include the coordination of strategic issues in the federal health jurisdiction including coordinated input to the development of Federal/Provincial/Territorial health policy, the Management of Federal Drug Benefit Programs (in response to the November 2004 Auditor General's Report) and the coordination of the federal health jurisdiction contribution and participation in the development of a pan-Canadian electronic health record with Canada Health Infoway and other agencies.

The cooperative efforts of the FHP partner departments produced costs savings of over $16.8 million for the period covering 2004-2005. As part of the total savings for 2004-2005, the renewal of a national Memorandum of Agreement (MOU) for the purchase of hearing aids produced savings of over $11.8 million, Standing Offer Agreements (SOAs) for oxygen therapy yielded savings of $1.8 million and savings of over $3.6 million were achieved from the medical supplies and equipment recycling program. The partner departments continued to benefit from cost savings of over $2.2 million yearly from a pharmacy agreement in Saskatchewan.

A very successful example of how cost savings can be achieved through joint initiatives is that of the joint negotiations and policy work done in the area of audiology. A Memorandum of Understanding (MOU) was renewed with the The Canadian Auditory Equipment Association (CAEA) representing hearing aid manufacturers in Canada which has led to additional savings (i.e. the minimum wholesale discount increased to 17% from 15%). This MOU has been recognised for its innovative approach to negotiations as well as significant savings achieved over 2001-2005. Due to its success, the federal partners have transfered the best practice of setting product fees based on wholesale prices into other program areas such as vision care.

During FY 2004-2005, the departments commenced work on the development of a health information management strategy for the federal health jurisdiction. They agreed to work together to address such complex issues as data security, privacy protection and linkages to provincial initiatives and to explore opportunities of joint investment with Canada Health Infoway Inc. Departments, not regular members, such as Social Development Canada (SDC) and Transport Canada (TC) are participating in this activity as they also have initiatives being brought forward related to the use of personal health information.

In 2004, the FHP continued to participate in a number of Federal/Provincial/Territorial (F/P/T) committees on healthcare issues such as pharmacy, continuing care and interprovincial health insurance agreements. The FHP Secretariat, or member department representatives acting on behalf of the FHP, participated in several initiatives, a sample of which follows:

- Common Drug Review Committee (CDR)
- Advisory Committee for Pharmaceuticals
- Canadian Expert Drug Advisory Committee
- Canadian Coordinating Office for Health Technology Assessment
- Canadian Optimal Medication Prescribing and Utilization Service (COMPUS)
- Federal Pharmacy and Therapeutics Committee
- Infoway CIO Forum
- Home and Continuing Care Working Group
- Infoway EHR Steering Committee
- Infoway Electronic Health Record Blueprint Evolution Working Group
- Infoway Privacy and Security Architecture Working Group
- Infoway CERX Working Group
- Infoway End User Acceptance Strategy Working Group
- Infoway Diagnostic Imaging Working Group
- Infoway Client Registry Working Group
- Canadian Standards Association Z295 (Health Informatics) Working Group
- FHP Health Information Management Working Group
- Health Canada Health Portal Steering Committee
- Federal Dental Care Advisory Committee
- Interim Federal Health Program Advisory Committee
- Federal Comparable Health Indicators Committee

Partner departments attest to the qualitative benefits that have arisen due to the FHP. The networking and exchange of information related to program research and analysis, industry intelligence and program management led to more evidence-based policy decision making which, in turn, resulted in better support to Ministers. Some of the most beneficial outcomes gained through the partnership are increased access to expertise, increased access to wider databases, improved communication creating stronger connections, collaborative planning and access to additional or shared resources, educational and health promotional tools, increased opportunities, and better understanding of departmental programs, and client needs. Concrete examples of qualitative benefits are provided in Section 4 of this report.

Since its inception, the FHP has worked on a growing number of interdepartmental, collaborative negotiations in the field of healthcare. In 2004/2005, the FHP developed and implemented or administered seven separate agreements in the following program areas: pharmacy, audiology, vision care, and oxygen. To facilitate the ongoing evolution of this core service, FHP will develop a FHP Negotiating Plan in 2005/2006 to streamline the way negotiations are conducted among the six partner departments.

This Annual Report was prepared by the FHP Secretariat on behalf of partner departments on performance for the period of 2004-2005. Section 1 of this report contains an overview of the Partnership, and Section 2 a description of the FHP Secretariat operating environment. Section 3 contains program information and performance expectations for the activities outlined in the FHP Business Plan (2004-2007), as well as updated expectations based on the revised scope, and performance results and ongoing activities for which results are expected in future years. Section 4 of the Report assesses the many qualitative benefits gained through the collaborative efforts that make the FHP a successful example of horizontal management. Section 5 highlights the Partnership's financial situation. Finally, Appendix A consists of an Activity Summary Chart, and Appendix B is a summary of the Accountability Framework Performance Indicator Tables.

1. FHP OVERVIEW

1.1 Mission Statement

The Mission of the Federal Healthcare Partnership (FHP) is to identify, promote and implement more efficient and effective health care programs through the collaborative effort of all member departments. The FHP strives to achieve economies of scale while enhancing the quality of healthcare services that could not be achieved through the individual departments acting on their own.

The FHP represents all member departments in matters of a pan-Canadian nature as the Federal jurisdiction. This representation ensures that FHP member departments, with a common interest, are recognized as an active participant in pan-Canadian healthcare services issues.

1.2 Background

At the request of the TBS, VAC was asked to lead a study to examine the potential to achieve cost savings through the joint purchasing power of the federal departments and agencies involved in healthcare. The study was undertaken in a climate of fiscal restraint to achieve previously announced reductions in spending and to identify new opportunities for additional savings. The study concluded that substantial savings could be realized for prescription drugs, dental care and vision care by adopting a strategy based on a coordination of effort. From this the Health Care Coordination Initiative (HCCI), now the Federal Healthcare Partnership (FHP) was created in 1994. The change in name was introduced in November 2003.

Its mandate was to advance opportunities to develop and implement strategies for the coordination of federal government and agency purchasing of healthcare services and products for their eligible clients at the lowest possible cost. The FHP Secretariat was set up to coordinate the interdepartmental activities associated with achieving its mandate. Funding for the FHP is derived through a special budget from VAC.

The FHP has since evolved, and partner departments have been building on the experiences gained thus far. The partners are now collaboratively examining the strategic impact of various issues on the provision of health services within the jurisdiction of each partner. Further, the FHP is currently carrying out many of the activities outlined in its Business Plan covering the period 2004-2007 to achieve economies of scale, as well as expanding its scope to meet today's healthcare pressures, and taking on the role of strategic issues leadership.

1.3 Description

The federal government purchases a wide range of healthcare supplies and services to deliver its many health programs. These purchases amount to over $2.5 billion dollars per year and cover thousands of items ranging from over-the-counter medication and expensive diagnostic equipment to the services of health professionals. A partnership was formed among departments and agencies with common interests to minimize inefficiency and duplication of effort that are inevitable when stakeholders with shared interests operate independently or at cross purposes.

By virtue of the *Constitution Act* or other federal laws, regulations and policies, the following specific populations are provided health services by the federal government:

- First Nations and Inuit individuals;
- eligible Veterans (for services that are not already insured in the provinces);
- members of the Canadian Forces;
- Regular Members of the Royal Canadian Mounted Police and eligible retired members;
- federal inmates; and
- refugee protection claimants, sponsored convention refugees, and individuals detained by Citizenship and Immigration Canada.

The health programs are managed by six permanent members of the FHP. These departments have a common goal of managing cost-effective health programs for their constituencies while respecting their unique departmental mandates. It is the pursuit of this common goal that generated the need for the Federal Healthcare Partnership.

The permanent members of the FHP are the Department of National Defence (DND), Health Canada (HC), Veterans Affairs Canada (VAC), the Royal Canadian Mounted Police (RCMP), Correctional Service Canada (CSC), and Citizenship and Immigration Canada (CIC). The departments and organizations that participate in areas of interest to them are the Treasury Board Secretariat (TBS), Public Works and Government

Services Canada (PWGSC), and Canada Health Infoway (CHI). TBS provides an advisory role to the FHP Secretariat and departments, while PWGSC is the contracting authority for the participating departments.

The two main goals of the FHP are to achieve economies of scale while enhancing the provision of care, and provide strategic issues leadership.

Departments and agencies, other than those named above, may join the FHP. As it commits to the FHP, each such department and agency will decide in which activities, projects or programs it will participate and how it will contribute to the objectives and key results of the FHP.

1.4 Structure

Prior to March 2005, the date when a new FHP governance structure was implemented, the FHP operated through the work of two major committees - the Executive Committee and the Working Committee who reviewed the progress of the Partnership and provided direction on specific proposals for coordination. The FHP Secretariat provided support for the overall initiative, coordinated all activities and provided project management expertise. However, since the change in structure, FHP activities are now supported by four main bodies: the Executive Committee, the Management Committee, the FHP Secretariat, and various permanent or ad hoc Working Groups.

The Executive Committee comprises the six permanent members at the ADM level. It approves the FHP Charter, appoints the FHP Executive Director, approves the FHP Business Plan or changes to the approved Business Plan on recommendation of the Management Committee or Executive Director of the Secretariat and approves the formation of all permanent Working Groups. The Chair of the Executive Committee is the Associate Deputy Minister of Veterans Affairs Canada (VAC).

The Management Committee is comprised of senior representatives of the six permanent members, generally at the Director General level. It is chaired by and provides guidance and advice to the FHP Executive Director concerning the interests of member departments. The Management Committee members represent their departmental functional authority at all meetings and advise their functional authority on all issues arising from the business of the FHP.

The FHP Secretariat manages the operational activities of the FHP, and reports directly to the Associate Deputy Minister, VAC. Located in offices within Veterans Affairs in Ottawa, it supports the overall initiative, coordinates all activities and provides project

management expertise. The Secretariat, in association with the Executive Committee, identifies opportunities for collaboration and prepares the FHP Business Plan. On direction of the Executive Committee or Management Committee, the Secretariat solicits nominations for delegates to Working Groups or the Secretariat may undertake specific projects in order to achieve business objectives. The Secretariat facilitates and supports the work of the Management Committee, and leads and directs the activities of the Working Groups and manages their activities in order to ensure that business objectives are attained.

Permanent Working Groups are established on the direction of the Executive Committee to undertake necessary work to achieve the objectives of the FHP. Ad hoc Working Groups may be established on the approval of the Management Committee or Executive Director in order to perform activities. The Chair of a Working Group is appointed by the Executive Director of the FHP. The activities and progress of each Working Group shall be provided to the Executive and Management Committees through the Executive Director.

1.5 Secretariat Responsibilities

The FHP Secretariat is responsible for the overall coordination of the Partnership, supporting the Executive Committee, the Management Committee and various permanent or ad hoc Working Groups, and offering or organizing necessary training opportunities. The Secretariat provides negotiating leadership, and receives (from partner departments) healthcare costs and payment data for analysis in support of negotiation processes, and for the assessment of the impact of the Partnership activities. All uses of departmental data are subject to the approval of individual departments. The FHP Secretariat is also responsible for monitoring the performance of the joint activities and ensuring the accountability structure is followed. In order to reduce the reporting burden on the partner departments, the Secretariat compiles and consolidates information on behalf of the partner departments for inclusion in special and periodic reports, the FHP Annual Reports, and Three-Year Business Plans that are submitted to the Treasury Board Secretariat of Canada.

In summary, the Secretariat:

- promotes and supports synergies and information-sharing among member departments in order to identify common opportunities for collaboration, and to harmonize work/effort;
- ensures a coordinated and collaborative approach among partner departments and other relevant stakeholders on strategic health-related matters that need to be situated in a larger federal jurisdiction context;
- coordinates the gathering, maintenance and analysis of information in support of initiatives, strategic planning, business planning and preparation of periodic reports;
- coordinates/schedules and facilitates Executive Committee meetings, Working Committee(s) meetings and FHP activities including agendas and records of discussion and decisions;
- facilitates and participates in the FHP strategic planning process;
- cultivates relationships with partner organizations and other stakeholders.

2. OPERATING ENVIRONMENT

2.1 Concept and Business Lines

The Partnership follows a concept that fits well with the current move to horizontal management. It is the notion of sharing information and analysing results in order to identify common opportunities for collaboration and harmonization of work and effort that perhaps best captures the most important benefits of the FHP.

As participating departments became more involved with FHP activities and continued to exchange information, they found that collective analysis and discussion of this information provided them with a significant degree of leverage and knowledge in dealing with providers of healthcare goods and services. In turn, this gave them a more strategic bargaining position, greater purchasing power and opportunities for potential cost savings.

The FHP pursued business lines that include 1) joint negotiations for the purchase of healthcare supplies and services and 2) joint program management in the program areas of audiology, dental care, special equipment recycling, oxygen therapy, pharmacy and vision care during this reporting period. Business line activities relating to these program areas remain the core commitment of FHP and continue to produce results against the intended mandate.

FHP continued to be involved in establishing the means required to ensure continued dialogue, communication and representation of federal healthcare delivery departments' interests at appropriate F/P/T committee and sub-committee meetings, and was, and continues to be, involved in developing the Federal Government's response to the Auditor General of Canada's Report to the House of Commons on the Management of Federal Drug Benefit Programs.

These activities are discussed in detail in Sections 2.6 and 3 of this Report.

2.2 Objectives

Prior to the change in FHP governance in March 2005, the Partnership was directed by the following objectives:

- ✓ To identify the opportunities for coordination of the provision of specific health care supplies and services among participating federal departments and agencies.
- ✓ To create a competitive environment through pilot projects for more cost effective alternatives to retail delivery of services.
- ✓ To improve information sharing and collective decision-making among participants.
- ✓ To implement joint agreements negotiated with third-party providers, professional associations, suppliers and retailers.
- ✓ To improve the health status of the clients of federal departments through joint health promotion activities and evaluation of treatment approaches.
- ✓ To improve the management of health information for federal clients.
- ✓ To represent the interests of FHP partner departments on appropriate F/P/T Working Groups.

As is true of most strategic projects or investments, an evaluation of the business value of the FHP warrants a more robust analysis than a strict focus on return on investment. The complex nature and degree of interdepartmental coordination required by the Partnership dictates an approach that integrates both quantitative and qualitative consideration.

Furthermore, with the implementation of the new governance plan in late FY 2004-2005, the objectives of the FHP have expanded and partners have agreed to focus the FHP's goals as follows:

- Achieve economies of scale while enhancing the provision of care

The FHP will actively seek to increase the efficiency and effectiveness of all activities related to the provision of health services within the federal jurisdiction through horizontal collaboration between member departments. The FHP seeks to harmonize and share efforts related to policy, knowledge management and program delivery by serving as a single body in negotiations in matters where individual departments share a common interest.

- Strategic issues leadership

The goal of the FHP is to offer a structured forum within which individual member departments have an opportunity to identify, assess and discuss federal or pan-Canadian matters of a common interest that have an impact on the activities of all, or some departments. The forum would allow member departments an opportunity to gain a better appreciation of strategic issues and to develop harmonized plans through sharing knowledge or common effort. The strengths of individual members would be leveraged where it is possible to do so. The primary goal would be for the FHP to lead and promote a collective response on behalf of the partners with respect to major federal health issues.

2.3 Target Population 2004-2005

Health Canada's Non-Insured Health Benefits Program (HC-NIHB) provided supplementary health benefits to approximately 765,000 eligible First Nation and Inuit people, during this reporting period, to meet medical and dental needs not covered by provincial/territorial healthcare or social programs or other plans. Health expenditures for First Nations and Inuit Health Programs are estimated at $1.68 billion of which NIHB accounted for an estimated $767 million for this reporting period.

Veterans Affairs Canada (VAC) provides eligible war Veterans and former Canadian Forces member clients with health care benefits and supplements to provincial coverage. In 2004-2005, approximately 138,000 clients were eligible for such benefits with total expenditures of approximately $800 million.

The Department of National Defence (DND) and the Royal Canadian Mounted Police (RCMP) have comprehensive responsibility for healthcare for their members, and thus provide the full range of health services to their members both in Canada and abroad. This includes insured services such as routine health care and non-insured services such as pharmaceuticals and health promotion. In FY 2004/2005, the RCMP had approximately 16,625 members and 3,700 retired members eligible for healthcare benefits and spent approximately $51 million, while DND had approximately 61,534 Regular Force personnel and 30,000 reserve and foreign national members with varying degrees of eligibility totalling approximately $735 million in health expenditures.

In FY 2004/2005, the Correctional Service of Canada (CSC) was charged with meeting the essential health needs of its community of 12,623* federal inmates in Federal institutions in FY 2004/2005, with health expenditures at approximately $130.8 million.

*(*This number suggests a static situation and so does not reflect either the 8,015 new admissions requiring assessment or the percentage of the 7,959 releases requiring health transitioning to the community.)*

Citizenship and Immigration Canada (CIC) provides essential health care to asylum seekers and refugees, totalling approximately 100,000 clients, until they have met the requirements for provincial programs. Health expenditures this FY were $48 million.

It should be noted that the Canadians and immigrants for whom CSC, CIC, DND, and RCMP are responsible are excluded from the definition of "insured person" under the *Canada Health Act*.

Annual Health Expenditures per Partner Department for 2004-2005

Department	Eligible Number of Clients for 2004-2005	Health Expenditures for 2004-2005 ($ Millions)	Annual Health Expenditures for FHP partner departments include :
VAC [1]	138000	800	1. **VAC** provides eligible war Veterans and former Canadian Forces member clients with health care benefits and supplements to provincial coverage.
HC NIHB [2]	765000	767.2	2. **HC's Non-insured Health Benefits Program** provides supplementary benefits to meet medical and dental needs not covered by provincial and territorial plans for First Nations and Inuit people. FNIHB total expenditures for 2004-05 are estimated to be $1.68B of which the non-insured portion is estimated at $767M.
RCMP [3]	16625 3,700	48.6 2.8	3. **RCMP** provides the full range of health services to their regular members. Eligible clients include 16,625 eligible employees and 3,700 pensioners with disabilities (total of 20,325).
DND [4]	91534	735	4. **DND** has approximately 61,534 Regular Force personnel and 30,000 reserve and foreign national members with varying degrees of eligibility.
CSC [5]	12623*	130.8	5. **CSC** meets essential health needs to a standard normally available in the community. **This number suggests a static situation and so does not reflect either the 8,015 new admissions requiring assessment or the percentage of the 7,959 releases requiring health transitioning to the community.*
CIC [6]	100000	48	6. **CIC** provides essential health care to asylum seekers and refugees until they have met the requirements for provincial programs **CIC** is not an active participant of the FHP, but has expressed an interest in keeping informed of developments. Therefore, no reference to this department is made in the activities or estimates that follow.
TOTALS	1,127,482	2,532.4	

It should be noted that while there have been significant health cost increases occurring in the public health sector, so too have there been dramatic increases in the health costs to federal departments tasked with providing services to its over 1 million clients.

2.4 Key Results and Overall Benefits

The FHP follows a defined Accountability and Reporting Framework which provides a means of measuring for key results stemming from the collaborative activities amongst the FHP partner departments. As part of this Accountability Framework, a collective Work Plan is completed by partner departments on a yearly basis and information on the results of these planned activities are collected on an ongoing basis. Appendix A of this Report lists the activities planned by area of involvement for the 2004-2005 reporting period, summarizes the progress of each activity and compares actual savings against forecast savings from the Estimated Savings Chart of the FHP Business Plan 2004-2007. Appendix B provides a synopsis of the information gathered on an ongoing basis on the joint purchasing/negotiating and joint program management activities. These tables demonstrate how, by engaging in these joint activities, participating departments and agencies are achieving their strategic outcomes of:

- increased coordination amongst all FHP partners;
- cost savings/containment without compromising the quality of care.

2.5 Challenges

Negotiations with private sector healthcare associations are challenging, particularly after many years of governmental financial restraint. Carrying out these negotiations and other activities across departments, each with their own mandate and operational protocols, adds tremendous complexity to the task.

At a time when funds are increasingly scarce, it is vital that organizations sharing similar objectives learn to work horizontally with the vision to achieve greater objectives than would be possible on their own. One of the most challenging aspects of collaboration is finding organizations that are willing and agreeable to work together on a given project. Yet, even when counterparts are found, challenges to achieving a common objective often come in the form of differences among the parties in terms of policy requirements, legal foundations, operational requirements, technology, client demographics, declining resources, diverse organizational cultures, and political pressures. The work then becomes highly-complex involving interactions between departmental representatives who may be geographically dispersed, and/or have varying levels of authority to act. These challenges all add to the time required to negotiate contracts and implement programs.

Furthermore, the benefits of working horizontally cannot be measured only in terms of quantitative benefits, as the many qualitative benefits form a large part of the overall value of the Partnership. Section 4 of this Report provides a summary of these qualitative or non-tangible benefits of successful collaboration, while Section 5 takes a look at the quantitative benefits achieved through actual cost savings and avoidance of cost increases.

In order for the Federal Healthcare Partnership to achieve effective collaboration and success, key factors have been identified over the past years. These include senior level commitment to working together, planning activities of maximum value and ensuring workable arrangements can be made, determining appropriate funding and human resources requirements, setting objectives and ensuring sound project management.

Equally important to the success of these partnerships are trust, mutual understanding, shared values, team work, sharing of information, communication and flexibility. It is also important to address those factors needed to support collaboration, such as setting

up the proper training and performance support systems, and identifying and transforming resistance to change. Working collaboratively amongst departments demands much effort and the willingness to experiment and take risks. Conversely, there are many benefits and advantages to building on each other's strengths and resources. Partner departments have created longterm relationships and mutually beneficial outcomes through shared endeavours and resources. The lessons learned have improved decision-making and gained leverage for future negotiations.

2.6 Other Areas of Support

Information Gathering and Exchange

The FHP staff, partner departments and contractors provided cost/benefit analyses of each program area, and gathered information on the industries which operate within each of the health program sectors. Further, steps were taken to streamline the information gathering processes with departments to facilitate reporting within the FHP Secretariat. The Secretariat participated in various interdepartmental healthcare committees and health sector conferences. Information gathered in these meetings provided excellent data to partner departments for their negotiation discussions with healthcare associations or organizations, and provided FHP partners with a better understanding of industry practices across the country as well as partner departmental practices. The result was an improvement to the overall decision-making abilities of FHP partners, and increased knowledge to more successfully carry out opportunities for joint policymaking. Intelligence gathering and information sharing was further carried out with various contact sources on which FHP relies, including academia, provincial and territorial governments, and the private sector through the hiring of consultants and subject-matter experts.

FHP continues to participate in a number of joint initiatives either as a federal representative or as a resource. FHP Secretariat (FHPS) participates on the Common Drug Review Committee and the Advisory Committee for Pharmaceuticals, representing several federal departments. The National Prescription Drug Utilization Information System (NPDUIS), a partnership involving the Canadian Institute for Health Information (CIHI) and the Patented Medicine Prices Review Board (PMPRB) is establishing the first national database of publicly-funded drug plans in Canada. In this regard, FHP assisted CIHI in conveying information and coordinating information sessions regarding NPDUIS to partner departments, and has also taken an active role in conveying information concerning emerging health information standards from Canada Health Infoway to FHP member departments.

Health Care Professional Services

FHP Secretariat coordinated the work and contributed to the cost for experts (HR specialists) to gather data collected from partner departments and prepare reports to address problems that federal departments were experiencing with the recruitment and retention of health care professionals, namely physicians, psychologists, pharmacists and nurses. The goal was to gather facts for the use of the Treasury Board of Canada Secretariat negotiations in Fall 2004. The result was the development of a common strategic approach. Further, a submission was made on behalf of all departments for the pharmacist group. Although there was considerable exchange of information across departmental lines, the other healthcare groups prepared individual submissions.

Health Promotion

Departments agreed to explore the joint development of a hearing loss education/ prevention program during this reporting period. However, although this concept has merit, the partners have not identified it as a priority for further exploration for the 2007-2010 FHP Business Plan. Rather, partners may exchange policy updates on this subject intermittently. In addition, there were plans for the development of a joint Health Promotion Program to provide information and education to clients and their families on the appropriate use and the hazards of abuse of prescription drugs and oxygen therapy. However, due to conflicting priorities, these activities have been delayed.

Home and Continuing Care

In 2003, five departments (HC, RCMP, DND, INAC* and VAC) had agreed to share in the vision of the Home and Continuing Care Working Group to serve as the network for the coordination and sharing of information towards the development of Federal policy on the home and continuing care needs of Canadians who are the direct responsibility of the Federal Government. Since that time, regular quarterly meetings of the Working Group have been ongoing and have proven successful in providing a forum for liaison with other experts at the federal, provincial and community levels. Best practices were, and continue to be, both developed and shared among partner departments.

**Indian and Northern Affairs Canada*

Cost of Medical and Hospital Services

Partner departments had agreed to explore negotiating costs of services for physicians and provincially-owned/managed facilities, including hospitals, in an effort to reduce overall costs by an estimated $1.5 million over the 2004-2007 period. In addition, where

feasible, partners considered negotiating lower costs for ambulance, labs and private and specialty clinics. As a result of preliminary discussions, it was determined that this initiative would not return the benefits expected of it and, in view of other priorities, further activities were delayed.

Other Areas of Activity

Activity monitoring was ongoing in the following program areas - Pain Management, Health Promotion, Mental Health, and Orthotics. However, the partner department's priorities were re-evaluated during the course of the fiscal year, and these programs were no longer considered priority for this reporting period. Further, as activity in these programs slowed, FHP fiscal and human resources were reassigned to accommodate new and pressing programs and issues.

Results-based Management

FHP continued to monitor and analyse results of all FHP activities using its Accountability Framework, and to report findings to the Treasury Board of Canada Secretariat (TBS).

3. PROGRAM INFORMATION AND PERFORMANCE INDICATORS

The FHP Secretariat is responsible for monitoring the performance of the joint activities of its partner departments, and reporting on them to the Treasury Board Secretariat of Canada. The FHP follows an Accountability and Performance Measurement Structure which articulates key outcomes for the FHP, identifies performance expectations and follows a performance measurement approach for each of the planned activities. The key *Strategic Outcomes* of the FHP are to a) achieve economies of scale while enhancing the provision of care and b) provide strategic issues leadership. Towards the realization of these Strategic Outcomes, the partner departments ensure the undertaking and implementation of a number of activities within specified time frames, as outlined in the Action Plan in Appendix B of this Report. In this Section, activities are presented by Business Line : *1) Joint Purchasing and Negotiating activities and 2) Joint Program Management activities*. The outcome of the activities in each business line is measured through a number of performance indicators as listed below. The following pages are a review of the outcomes of these activities by business line for each area of involvement.

Strategic Outcome : Cost reduction/containment without compromising the quality of care of clients through:

Business Line 1: **Joint Purchasing and Negotiating of Healthcare Supplies and Services activities resulting in:**

- Savings through the implementation of joint agreements involving at least two departments, and health care providers for the purchase of health care supplies and services;
- Target cost savings are being met without compromising the quality of care to clients;
- Minimizing cost increases;
- Achieving savings through economical use of departmental resources and avoidance of duplication of effort.

Strategic Outcome : Increased coordination of all FHP partners through:

Business Line 2 : **Joint Program Management activities resulting in:**

- Better access to program information among partner departments;
- Increased individual partners' knowledge of their programs' cost savings;
- More consistent, efficient and effective management of program delivery;
- Enhanced FHP partner ability to provide cost/benefit analysis and make interdepartmental comparisons;
- Increased knowledge and understanding of industry practices;
- Improved decision-making to senior management;
- Access to departmental and expert knowledge;
- Streamlined operational processes and collaboration;
- Combined resources for joint projects.

During FY 2004/2005, a review of the existing management and reporting processes were initiated to ensure that the most efficient and effective processes were in place for the management of partnership activities. To this end, experts were engaged to assist with an FHP initiative to strengthen and expand the management processes necessary for the ongoing FHP Secretariat role to manage FHP activities. Key areas looked at included processes related to:

- the identification of opportunities,
- monitoring work in progress,
- the cost analysis of programs and projects,
- the reporting of work that is undertaken by the FHP Secretariat to the Executive Director, Executive and Management Committees.

The implementation of the revised processes is anticipated for FY 2005-2006.

3.1 AUDIOLOGY

Expenditures for fiscal year 2004-2005 for audiology services totalled over $40 million of which approximately $37 million are attributable to VAC, $2.4 million to HC, and lesser expenditures to DND, RCMP and CSC. These departments met regularly as an audiology program management group to successfully renew a Memorandum of Understanding with the Canadian Auditory Equipment Association (resulting in savings of $11.85 million for 2004/2005), and prepared a joint presentation to a national audiology symposium. In addition, the partners continue to exchange policy advice and discuss fee increases for diagnostic services before the changes are implemented with healthcare providers. As a result, the partners became more knowledgeable about each others programs and fees, allowing them to be more strategic with Associations during fee negotiations.

3.1.1 JOINT NEGOTIATING AND PURCHASING

A Memorandum of Understanding (MOU) was renewed with the Canadian Auditory Equipment Association (CAEA) representing hearing aid manufacturers in Canada which has led to additional savings (i.e. the minimum wholesale discount increased to 17% from 15%). In addition, improvements in warranties for children's hearing aids were achieved such that the loss and damage warranty coverage was raised from one year to two years, resulting in additional savings to Health Canada. This is the third and continuous MOU with the CAEA. It has been recognised for its innovative approach to negotiations as well as significant savings achieved since January 2001. In fact, the Workplace Safety and Insurance Board of Ontario (WSIB), with hearing aid expenditures of approximately $24 million per year in 2004, approached the Federal Healthcare Partnership Secretariat to provide advice during its negotiations with the CAEA. Applying best practices learned from the FHP agreement, WSIB concluded their negotiations with an agreement on March 1, 2005 resulting in program savings through volume discounts below wholesale for hearing aids.

Savings data for Hearing Aids as per partner data (HC, RCMP, DND, VAC) are shown in the following table -

Audiology Savings - 2004/2005

Federal Healthcare Partnership - Audiology Savings - 2004-2005				
Data Source - Department Data Reports - Actuals - Sent by Audio Program Management Working Group Representatives				
Savings Portion #1 - Difference (Average Retail - Average Wholesale)	**DND**	**HC**	**RCMP**	**VAC**
Savings for Analog Non-Programmable Hearing Aids	$ 0.00	$ 34,255.00	$ 0.00	$ 47,770.00
	0 units x $85	403 units x $85	0 units x $85	562 units x $85
Savings for Analog Programmable Hearing Aids	$ 450.00	$ 160,200.00	$ 300.00	$ 128,100.00
	3 units x $150	1068 units x $150	2 units x $150	854 units x $150
Savings for Digital Hearing Aids	$ 55,950.00	$ 282,900.00	$ 22,800.00	$ 4,384,800.00
	373 units x $150	1886 units x $150	152 units x $150	29,232 units x $150
Total Savings - Portion #1	$ 56,400.00	$ 477,355.00	$ 23,100.00	$ 4,560,670.00
Savings Portion #2 - Difference (Average Wholesale - Average Volume Discount)				
Savings for Analog Non-Programmable Hearing Aids	$ 0.00	$ 37,313.77	$ 0.00	$ 52,035.58
	0 units x $92.59	403 units x $92.59	0 units x $92.59	562 units x $92.59
Savings for Analog Programmable Hearing Aids	$ 363.72	$ 129,484.32	$ 242.48	$ 103,538.96
	3 units x $121.24	1068 units x $121.24	2 units x $121.24	854 units x $121.24
Savings for Digital Hearing Aids	$ 75,506.39	$ 381,782.98	$ 30,769.36	$ 5,917,433.76
	373 units x $202.43	1886 units x $202.43	152 units x $202.43	29,232 units x $202.43
Total Savings - Portion #2	$ 75,870.11	$ 548,581.07	$ 31,011.84	$ 6,073,008.30
Total Savings - Portion #1 + Portion #2	$ 132,270.11	$ 1,025,936.07	$ 54,111.84	$ 10,633,678.30
Grand Total Savings for All Departments	**$ 11,845,996.32**			

A review for enhancing and updating the management and reporting processes for the audiology program including the report on savings commenced in February 2005. It is anticipated that results of this work will be included in the process to streamline FHP negotiations in 2005/2006, and could result in changes to the savings being reported for this program area, e.g. the savings do not reflect increases in service rates which accompanied the savings on aids themselves.

3.1.2 PROGRAM MANAGEMENT

HC, VAC, DND and RCMP established an Audiology Program Management group that met three times over the fiscal year to exchange information and advice on their program priorities and initiatives. On May 6, 2004, they completed a joint presentation of their audiology programs to the Canadian Association of Speech-Language Pathologists and Audiologists. This event was strategic for the partners, allowing them to emphasize, at the most important annual meeting of the national body representing audiology professionals from across Canada, how their programs are working together. Through coordinated presentations, they emphasized the consistencies in their programs and provided context and information for the differences that need to exist due to the differences in their client populations and funding frameworks.

The Departments met again in June and July 2004 to prepare a strategy for negotiations with the CAEA for hearing products and services. In addition, they began the work of identifying the components for a potential national strategy for negotiations of diagnostic service fees. All partners agree that more consistency in diagnostic fees would be desirable. This area of potential collaboration will be brought forward for further analysis once it is confirmed as an interdepartmental priority through the FHP Business Planning process.

The Audiology Program Management group offers the partners a formal structure for information sharing and policy advice. As a result they are working together more efficiently in fee negotiations, and are striving towards more consistency in program development initiatives. For instance, VAC presented its plan for a diagnostic fee increase in late 2004, in advance of its implementation. This allowed DND the opportunity to consider a similar increase and remain consistent with its VAC partner, with whom they share common clients. In addition, HC and the RCMP had the opportunity to understand the rationale for VAC’s decision and prepare for any upward pressure they may experience on their programs.

3.1.3 PERFORMANCE RESULTS

DND, HC, the RCMP and VAC renewed their national Memorandum of Understanding (MOU) with the CAEA. The participating departments achieved savings of approximately $12 million for 2004-2005, an increase in savings of 20% over the previous fiscal year. Two factors - increased volume (especially HC and VAC) and HC's move into better digital technology at a lower price - have contributed to this result.

The Audio MOU has been recognised for its innovation as well as in significant savings of approximately $ 28 million over the Life to-date of the understanding (January 2001 - March 2005). The partner departments set out to establish wholesale prices for hearing aid products that ensured discounts below retail proportionate to their combined business volume through this MOU. The CAEA representing hearing aid manufacturers in Canada raised concerns that due to the significant size and percentage of business (the federal departments represent 10% of the total Canadian market for purchases of hearing aid products) that this approach would potentially put a number of the manufacturers out of business in two years or less. The incentive for manufacturers to provide wholesale discounts would reduce as the business volume was concentrated with one or two successful manufacturers and pricing would rise as a result over time. The federal partnership agreed with the CAEA and invited them to present an offer that would achieve the goal of wholesale prices, yet allow all qualified manufacturers to share in a portion of the federal business, thereby ensuring ongoing competition within the industry. The resulting MOU works within a competitive market environment and helps to ensure a healthy and sustained industry that can continue to offer new technology at lower prices to the federal government both now and in the future. The Memorandum has ensured that the federal partners and their clients have access to all hearing aid products available in the Canadian retail market at wholesale prices, a result that could not have been achieved in the SOA approach. The MOU is administered so that wholesale prices are set directly with each manufacturer and that this is the price claimed by providers who fit clients with hearing aids at the retail level. Due to its success, the federal partners have transferred the best practice of setting product fees based on wholesale prices to other program areas such as vision care.

3.1.4 ONGOING ACTIVITIES

Activities related to the administration of the Audio MOU will include:

- an annual meeting between the FHP and the CAEA to review and discuss matters of common interest related to the MOU
- review of regular pricing updates received from the hearing aid manufacturers to ensure that they meet the terms and conditions of the MOU and that maximum savings are achieved

The Audiology Program Management Group will meet twice annually to:

- provide advance information about fee increases
- decide on the addition or deletion of benefits from a common FHP Hearing Products Benefit Grid
- share results from audit activities or reports
- review enhancing the management and reporting processes for the audiology program including any changes to the report on savings, and
- review the potential of moving towards a common national strategy for negotiations of diagnostic service fees

3.2 DENTAL

The FHP partners continued to provide services to their clients on the basis of existing individual departmental arrangements. Expenditures vary for each department totalling approximately $190 million.

For many years, departments in FHP managed their annual expenditures through strategies such as preauthorization and other limits to dental benefits. Nonetheless, departments are facing growing constraints and pressures to reduce program costs.

In 2002 and 2003, HC and VAC undertook joint program analysis and, through regular meetings and updates, coordinated the implementation of their department's dental program changes. In 2004/2005 HC and VAC maintained a common fee schedule for dentists and denturists, ensuring that cost increases were limited to the agreed upon standard and no longer driven by the difference in the departments' ability to pay.

3.2.1 JOINT NEGOTIATING AND PURCHASING

In 2002, VAC was paying between 90% and 100% of the current year fee schedules of rates paid to general practitioner dentists, and had been considering raising all fees to the 100% mark of current year's fee schedules. This change was contemplated by VAC for numerous reasons, including concerns with maintaining the quality of service to their clients, and pressures from dental associations. In addition, VAC was paying denturists 100% of their current provincial fee schedule. In 2002, HC was paying 90% or below on the previous year's fee schedules for both dentists and denturists. HC estimated that their dental program costs could have increased up to $20 million per year if they were required to raise their fees to align with VAC's proposed fee increase of 100% of the provincial associations current year fee schedules.

As a result of the partners' discussions in advance of implementing any changes in 2002, HC and VAC agreed on a strategy to work together in establishing a common standard for fees to be paid to providers of dental services. This standard was set at 90% of previous year's provincial association fee schedules for general practitioner dentists and denturists. By early 2004/2005, both departments had completed their work to implement changes to their respective programs, and achieved a common standard for fees paid to dental providers, with one exception. HC sets its fees on the provincial association's previous year's schedule, at or below 90%, while VAC maintains its fees at 90% of current year schedules.

3.2.2 PROGRAM MANAGEMENT

FHP partners established a Federal Dental Care Advisory Committee (FDCAC) in September 2000 which is funded and administered by HC through the Federal Dental Care Advisory Committee Secretariat (FDCACS). Interest in the formation of this committee is attributable to recognition by partner departments of the benefits HC has derived from their well-established Dental Care Advisory Committee (DCAC) led by HC's Non-Insured Health Benefits (NIHB). This Federal Committee functions as an advisory body of professionals that affords its partners the benefit of impartial expert advice and recommendations in areas such as dental benefits and programs, patient needs, treatment modalities, and dental education.

Early in this fiscal year, the FDCAC Secretariat and the FHP Secretariat worked closely to enhance the effectiveness and function of the FDCAC as a federal committee through a review of its Operation and Terms of Reference. As this work has concluded, the FDCAC Secretariat in HC is now solely responsible for the coordination of the FDCAC with its partner departments.

3.2.3 PERFORMANCE RESULTS

HC and VAC have now fully implemented a common standard for fees paid to general practitioner dentists and denturists. In addition, FHP has completed its work to tailor the Federal Dental Advisory Committee Operations and Terms of Reference to enhance the committee's effectiveness as a federal advisory committee.

3.2.4 ONGOING ACTIVITIES

The objectives for this area of work were met. As another FHP Business Plan is developed, this program will be reviewed as a possible ongoing priority.

3.3 OXYGEN

Oxygen therapy was included as an FHP activity based on the realization that the annual expenditures of HC and VAC on this program were markedly escalating. Total expenditures in this program area for both departments in 2004-2005 amounted to just over $7 million.

While requirements for oxygen therapy for clients of DND and the RCMP are minimal, these departments may avail themselves of any benefits arising from arrangements negotiated by HC and VAC.

3.3.1 JOINT NEGOTIATING AND PURCHASING

A unique situation existed in B.C. for the federal health departments in that it is the only province which did not provide oxygen services to federal clients. All other provinces provide oxygen service to some extent to a variety of federal clients.

HC, VAC and PWGSC developed and put into place a Regional Master Standing Offer (RMSO) for the provision of oxygen services to the Pacific (B.C.) Regional area in 2001-2002. This RMSO expired in June 2003. All suppliers agreed to extend terms and conditions of the RMSO until late Fall 2003 when the new RMSO was expected to be in place. A new RMSO went into effect in October 2003, and continued to be in effect in FY 2004/2005 yielding savings of $1.51 million for VAC.

A similar RMSO for the Prairie provinces was put in place in late Fall 2003. As there had been no previously negotiated oxygen Agreements in the Prairie provinces, estimated savings for those provinces were based on the approximate 30% reduction in expenditures with RMSO implementation in the Pacific (B.C.) Region. Based on the present HC expenditures of $1.26 million for the Prairie provinces, savings for those provinces were estimated at $400,000. These savings were not realized as federal rates negotiated through PWGSC remained high in comparison to B.C. rates and the rates paid by the provincial governments. Alternative strategies to reduce the federal rates will be explored.

Since oxygen services and clientele vary considerably from province to province, an analysis of Federal/Provincial oxygen programs across the remainder of Canada was completed to determine if there are further opportunities for savings in oxygen programs in other areas of the country. Results of this analysis indicated further opportunities in all other provinces. These opportunities will be pursued.

3.3.2 PROGRAM MANAGEMENT

In 2001-2002, HC and VAC engaged in a joint review of their oxygen therapy programs, policies and delivery approaches. The departments were able to more closely align their oxygen programs allowing them to combine service requirements resulting in greater purchasing power. Savings of $150,000 had been reported for HC in the HCCI (now the FHP) Annual Report for 2001-2002. However, further analysis of data now available indicates that the implementation of these changes resulted in an immediate expenditure reduction for HC resulting in a one-time reduction in the baseline oxygen program expenditure between FYs 2000-2001 and 2001-2002 of $949,000. Subsequent implementation of the B.C. RMSO resulted in a further expenditure reduction to the benefit of both departments. Continued alignment of HC and VAC oxygen therapy programs will preserve these savings.

3.3.3 PERFORMANCE RESULTS

Joint policy review and analysis has improved input to departmental decisions, improved decision-making regarding oxygen therapy for individual clients, and ensured more consistent policies between departments. The result was cost reduction while improving the quality of care provided. Savings from RMSOs in Pacific and Prairie Regions for HC and VAC in FY 2004-2005 amounted to $1.8 million.

3.3.4 ONGOING ACTIVITIES

Work is underway to determine other opportunities that may exist in other provinces across Canada. The analysis of federal/provincial oxygen coverage across Canada will determine the extent to which further joint negotiations will be pursued.

3.4 PHARMACY

The practice of pharmacy in Canada is regulated by the Provinces and Territories hence, 12 pharmacy associations, 12 fee guides*, and no single national pharmacare plan. In 2004-2005, prescription drug benefits and medical supplies cost the FHP partners $524 million. Pharmacy represents the largest benefit category for federal healthcare. Over 1 million eligible federal clients are entitled to receive benefits.

The majority of healthcare purchases are individual retail transactions. Each department has established client eligibility criteria for coverage of purchased healthcare products and services. In general, clients access the supplier of their choice to provide the healthcare goods or services. When a prescription is filled for a client of the federal government, the responsible department is billed directly by the pharmacist. The only exception is DND that has 90% of the prescriptions filled internally at its military pharmacies, and 10% from external pharmacies.

**There is no association or fee guide in Nunavut.*

3.4.1 JOINT NEGOTIATING AND PURCHASING

In past years, FHP provided Secretarial services to the Federal/Provincial/Territorial (F/P/T) Committee on Group Purchasing of Drugs and Vaccines. The Committee was established in 1973 at the request of the Minister of Health, to carry out, on behalf of the provincial, territorial and federal governments, an ongoing voluntary arrangement for the group purchasing of drugs and vaccines, utilizing the services of PWGSC. This committee has been reformed into two F/P/T committees, the Vaccine Supply Working Group under the Immunization and Respiratory Infections Division (IRID) of Health Canada and the Bulk Drug Purchasing group under PWGSC. The function of both groups is to determine, among other things, items to be purchased, suppliers to be solicited, the type of procurement instrument to be used and timeframes for procurement. These groups provide a forum for discussion of any pertinent issues that may affect prices, and share market/industry knowledge, which provides PWGSC with increased bargaining power in contract negotiations.

These groups, through the PWGSC contract management process, are also better able to ensure that members receive products in compliance with quality standards and norms. As a result of group purchasing and the ability to obtain lower prices from private industry for the purchase of vaccines and certain drugs, cost savings and/or cost containment have been achieved. Smaller provinces, which would otherwise have

more difficulty in negotiating lower prices if they were to do so individually, especially benefit from this purchasing mechanism. Participating federal departments include HC, DND and CSC, with DND reporting savings in the order of $165K. Data for HC and CSC were not available.

HC, VAC and RCMP signed a two-year Agreement with the Saskatchewan Pharmaceutical Association (now known as the Representative Board of Saskatchewan Pharmacists, RBSP) in July 1997. The Agreement removed the graded mark-up on prescription drugs, replaced it with a flat percentage, and removed the dispensing fee on over-the-counter prescriptions.

A second three-year Agreement was signed which commenced in July 2000. This Agreement showed progress in efforts to provide protection from the higher cost drugs. In summary, departments agreed to a higher dispensing fee in exchange for a reduced mark-up and a cap on total mark-up. Improvements have also been made to the way over-the-counter (OTC) items are purchased, with a move to a flat fee rather than mark-up, and the switch of diabetic supplies and test strips to a dispensing fee. HC, VAC and RCMP also agreed to introduce a trial prescription and "refusal to fill" program. This Agreement expired July 2003, and FHP has started the renewal process of this agreement. Due to staff changes at the Representative Board of Saskatchewan Pharmacists, negotiations were delayed. Departmental representatives met via teleconference and developed a number of negotiation strategies. As this agreement has been negotiated twice previously, it is expected that the current level of savings based on the initial baseline savings and yearly consumer price index will continue.

3.4.2 PROGRAM MANAGEMENT

FHP partners receive advice on pharmacy-related issues from a number of bodies, including the Common Drug Review (CDR) and the Canadian Expert Drug Advisory Committee (CEDAC) under the Canadian Coordinating Office for Health Technology Assessment (CCOHTA), and the Federal Pharmacy and Therapeutics Committee (FP&T).

CCOHTA is funded by federal, provincial and territorial governments to facilitate the appropriate and effective utilization of health technologies within healthcare systems across Canada, and to provide timely, relevant and rigorously derived evidence-based information to decision-makers and support for the decision-making processes. The CDR and CEDAC exist under CCOHTA.

CEDAC is an independent advisory body of health and other professionals with expertise in drug therapy and drug evaluation that makes recommendations concerning

formulary listings of new drugs. The CEDAC approach is evidence-based, and the advice reflects medical and scientific knowledge and current clinical practice.

The CDR was conceived by the F/P/T Ministers of Health as a single process for reviewing new drugs and providing formulary listing recommendations to participating publicly-funded federal, provincial and territorial drug benefit plans in Canada. The CDR consists of a systematic review of the available clinical evidence, a review of the pharmacoeconomic data for the drug, and a listing recommendation from CEDAC.

Each of the drug benefit plans that participate in CDR makes its own formulary listing and benefit coverage decisions based on the CEDAC recommendation and the plan's mandate, priorities and resources. Prior to the establishment of the CDR, each plan conducted its own drug reviews and had its own committee of experts to provide listing recommendations. The CDR, therefore, reduces duplication and streamlines the system for reviewing new drugs. In addition, participation in the CDR process provides FHP partner organizations with:

- a consistent and rigorous approach to drug reviews and an evidence-based listing recommendation;
- optimized use of limited resources and expertise; and
- equal access to the same high level of evidence and expert advice.

All FHP partner organizations are participants in the CDR, with the FHPS representing CSC and RCMP; DND, HC and VAC have their own representatives.

The FP&T Committee, under Health Canada, is an advisory body of health professionals established to bring impartial and practical drug formulary advice to the FHP partner organizations, for example concerning adding new indications, forms or strengths for existing drugs. The approach of the Committee is evidence-based and reflects medical and scientific knowledge, current clinical practice, healthcare delivery and specific client health needs. The expert professional advice assures federal clients of a health program which considers their health needs, facilitates decision-making within resource allocation and fosters communications with practicing health professionals. Implementation of the recommendations made by the P&T Committee is at the discretion of each federal department in accordance with its policies and guidelines, and in accordance with the unique needs of its clients.

The Terms of Reference for the FP&T Committee are currently being examined in view of the CDR/CEDAC process.

3.4.3 PERFORMANCE RESULTS

The rates of the Saskatchewan Pharmacy Agreement, originally put in place in July 2000 and renewed in 2003, continue to achieve yearly pharmacy savings/cost

avoidance in the order of $2.2 million. These savings/cost avoidances will continue to be assumed until a new agreement, currently being negotiated, is in place to either re-validate these savings or increase them.

The goal of establishing a FP&T Committee has been met, and the exchange of information has been beneficial to all departments. The rigorous approach to drug reviews, including the insistence on an evidence based approach, has given the departments the information they need to make appropriate and defensible decisions on drug listings. With the implementation of the CDR, the participating drug plans are committed to changing their current infrastructure to reduce the duplication of effort, and integrating the CDR process into their revised infrastructures. The extent of these changes has yet to be fully explored.

3.4.4 ONGOING ACTIVITIES

The FHP partners will continue the review of the Terms of Reference (TOR) of the FP&T Committee. However, the CDR process and the federal response to the Recommendations of the Auditor General concerning Management of Federal Drug Benefit Programs need to be more fully developed before this can be finalized. FHPS will continue to participate in the CDR, and to coordinate the responses of CSC and RCMP to the F/P/T Common Drug Review process.

3.4.5 Response to the Report of the Auditor General of Canada

In 2004, the Office of the Auditor General conducted a value-for-money audit of the drug benefit programs administered by the six permanent member organizations of the FHP, and on November 23, 2004, the results of the audit were tabled in the House of Commons.

The partner organizations agreed with, and committed to addressing the Auditor General's recommendations by working collaboratively through the FHPS. In late fall 2004, under the authority of the FHP Deputy Ministers, and the Chair of the FHP Executive Committee, four Task Groups comprising representation from the six partner organizations and FHPS were established to develop the Federal Government's response to the recommendations.

The purpose of establishing the Task Groups was:

- to explore the recommendations and effective practices identified in the Report vis-à-vis the six FHP partner organizations and the six drug benefit programs they administer;

- to identify options and timelines for actioning the recommendations, and adopting effective practices across the six programs;
- to analyse the identified options, and propose preferred options to the FHP Management Committee; and
- as appropriate, to establish links with other healthcare jurisdictions and initiatives, including the National Pharmaceutical Strategy.

With coordination and leadership provided by FHPS, the Task Groups began meeting in December 2004, initially to familiarize themselves with each other's drug benefit programs. Subsequently, the Task Groups developed a comprehensive list of tasks and activities that would need to be undertaken to fully address the recommendations of the Auditor General.

Early in 2005, the Task Groups began working on those tasks and activities identified as first priorities. The first priority tasks and activities included the following:

- creating a common objective statement and developing common performance measures for both cost-effectiveness and health outcomes;
- identifying options for implementing common policies and procedures for reviewing pharmacist responses to alert messages generated by claims processing systems;
- identifying departmental requirements for 'drug utilization evaluation' (DUE), with the intent of establishing a common DUE framework;
- defining the core formulary of drugs and drug classes most common to the six programs, and a structure for cost managing the common core formulary; and
- examining the feasibility of adopting a common risk profiling and audit framework for pharmacy audits.

The desired outcome of these tasks and activities was identified as sustainable drug benefit programs that would provide improved health outcomes for eligible clients.

The FHP first level action plan, which mapped out the collaboration activities of the Task Groups to fall 2005, was submitted to the Office of the Auditor General (OAG) at the end of February 2005. Progress reports on those Task Group activities, and a second tier action plan are scheduled to be submitted to the OAG in October 2005.

Upon request, the FHP first level action plan was provided to the Public Accounts Committee (PAC) and the Standing Committee on Health following appearances before committees made by several of the FHP partner organizations. To demonstrate FHP support and solidarity, the Executive Director, FHPS, attended the committee meetings at which partner organizations were required to appear.

3.5 VISION

Total expenditures for vision care products and services for all FHP partner departments combined for fiscal year 2004-2005 amounted to $34.5 million.

Vision care covers a range of medically necessary products and services. A significant portion of expenditures in vision care is attributable to aesthetics associated with frame designs. Mark up costs are high for these products, with a wide variance in product type, which contribute to the cost drivers for this program. Partnership agreements put in place in 2000 achieved cost savings by addressing this trend, as well as achieving more consistency in client services provided. In 2001 and 2002, the partnership became aware that acquisition costs at the retail level were being reduced significantly in a competitive market, and that these savings were not being passed on to the federal departments. As a result, FHP turned its focus to developing a methodology for comparative analysis of prices for glasses. This analytical tool enhances FHP's success in negotiating caps on product fees. It also supports the departments' efforts to deliver their programs more consistently, from region to region. By 2003 and 2004, the departments realized their policies for vision care products needed to be better defined to ensure that claims were being submitted using wholesale pricing. As a result, research and negotiations were undertaken in Atlantic Canada to develop a comprehensive lab rate table with the goal of establishing maximum wholesale fees for all vision care products.

With respect to service provision, some partner departments (i.e. HC, RCMP,VAC) utilize negotiated agreements with professional associations in order that their clients may use a provider of choice, while others (i.e. DND, CSC) opt for single providers through Standing Offer Agreements (SOAs) contracted on their behalf by PWGSC.

3.5.1 JOINT NEGOTIATING AND PURCHASING

HC, the RCMP and VAC continued to work together to arrive at agreements with Optometrist Associations for optometric products and services for their clients while CSC and DND continued to use SOAs. Partner departments including Citizenship & Immigration Canada (CIC), Correctional Service Canada (CSC), Health Canada (HC), the Royal Canadian Mounted Police (RCMP) and Veterans Affairs Canada (VAC), may access DND's SOAs across the country, if they so choose.

In 2004/2005, an FHP negotiation strategy was developed and implemented in Quebec, Atlantic Canada, Saskatchewan, and Alberta.

In April 2004, HC and VAC signed their first joint Letter of Understanding with the Optometrists' Association of Quebec, successfully capping fees for two years.

In Saskatchewan and Alberta, RCMP and VAC strategically maintained a cap on their fees through the fiscal year in support of HC leading the process of negotiations with the provincial Associations of Optometrists. In February 2005, HC successfully signed an agreement with the Saskatchewan Association of Optometrists, reversing the historical trend of fee escalations amongst federal departments by leveraging HC's greater business volume to set fees that are more in line with lower provincial and retail benchmarks. HC's negotiations in Alberta should conclude early in the next fiscal year.

In addition, HC, RCMP and VAC held fee increases to a 2.3 % CPI increase for 12 months with the Atlantic Provinces' Associations of Optometrists.

In summary, a coordinated negotiation strategy for VAC, HC and RCMP led to cost savings of $64,947 in 2004/2005. Savings were achieved by capping fees, thereby avoiding an anticipated annual Consumer Price Index (CPI) increase of 2.1% in Alberta, Saskatchewan and Quebec.

3.5.2 PROGRAM MANAGEMENT

All vision care agreements include clear definitions for service fees. In this way, services provided to federal clients meet appropriate professional standards, and departments are guaranteed value for money.

The departments realized that their policies defining wholesale or acquisition costs for products needed to be better defined and communicated to ensure that claims from providers were being submitted using wholesale pricing. Research and negotiations were undertaken in Atlantic Canada to develop a comprehensive lab rate table with the goal of establishing maximum wholesale fees in all benefit categories for vision care products. It is anticipated that this table will be implemented in the next fiscal year and has already had good results in supporting comparative analysis among the partners.

Development and implementation of "bundled fee analysis" resulted in first time national interdepartmental comparisons for vision care programs which has led to more national consistency in client benefits and greater and more effective interdepartmental collaboration in vision care. In addition, national interdepartmental fee comparisons have contributed to the understanding for the need to develop a national negotiation strategy including more harmonization among the federal partners.

3.5.3 PERFORMANCE RESULTS

Over time, the partners have consistently capped fees or strategically escalated within agreed upon targets. Unfortunately, this has led to increased pressure and conflict with the Optometrist Associations whose mandate is to obtain the greatest possible fee increases for Optometrists. As a result, negotiations in some provinces including British Columbia (HC, RCMP, VAC), Alberta (RCMP & VAC) and Saskatchewan (RCMP & VAC) have not concluded with signed agreements with the provincial Optometrist Associations. Subsequently, FHP has adjusted its projected savings to more accurately reflect this trend. See the ***note*** below for more details.

Vision care agreements now include clear definitions that meet appropriate professional standards and thereby guarantee value for money. In addition, a comprehensive lab rate table was developed this fiscal year that establishes maximum wholesale fees for vision care products. Therefore, the program components of services and products are now well-defined in the ongoing work of negotiations, which contribute to program consistency in client services.

Note: The factors which resulted in significant reductions in savings compared with projected savings for 2004-2005 included the following:

1) Projected savings for a vision care agreement of approximately $1.5 million in B.C. were not achieved in 2004-2005. Despite the partnerships best efforts, the B.C. Optometrists Association would not agree to the fee reduction being offered under the terms of an agreement.

2) Savings are considered to have reached a steady state in Atlantic Canada, Saskatchewan and Alberta.

3) Due to the reporting deadline for the 2004-2007 FHP Business Plan, savings were projected on the last quarter of 2003-2004. This approach contributed to the over forecasting of the projection.

3.5.4 ONGOING ACTIVITIES

Activities within the vision care program area will include:

- ongoing administration of the Atlantic agreement including implementation of the comprehensive wholesale lab rate table;

- work towards a national negotiations strategy and program harmonization will be

explored within the partnership. This work will be contingent on the results of priority setting and cost-benefit analysis within the partnership.

3.6 EQUIPMENT RECYCLING

VAC has an equipment recycling program that has been operational since 1998. Initially begun in Ontario, the program has grown to include both the Pacific and Prairie regions. The intent of the Program was, and continues to be, to place returned medical equipment in an accessible inventory to meet the needs of VAC and other clients. Ultimately, the vision for the program, once it is fully implemented, streamlined and stabilized, is for it to expand to a national level and involve the participation of other Departments within the Federal Government. Prior to the FHP, the recycling of equipment in Veterans Affairs Canada was done independently in regions in accordance with regional standards and procedures.

To date, several partnerships have been established. Specifically, VAC participates in Pacific, Prairie, and Ontario Regions; Health Canada's Non Insured Health Benefits also participates in the Pacific Region. However, two regions - Atlantic and Quebec have not yet joined the initiative.

Private contractors are responsible for the storage, repair and redistribution of medical equipment that, after purchased new and returned to VAC by the client, is reintroduced into central tracking system located in Kirkland Lake, Ontario (established in June 2004), and redistributed to clients with similar requirements. The result for FY 2004/2005 for the program yielded savings of $3.6 million (gross savings of $4,995,580 minus expenditures of $1,393,953).

3.6.1 JOINT NEGOTIATING AND PURCHASING

Under this FHP initiative, VAC and HC Pacific (BC) Region established a Standing Offer Agreement (SOA) for recycling of medical equipment and devices through PWGSC and a pilot project was implemented for VAC in June 2002. HC joined with VAC in this FHP pilot project in the Pacific Region in December 2002 with the intent that this joint program would then be extended nationally. Progress on this activity was approximately one year behind schedule, but in FY 2004-2005, VAC and HC were drawing recycled equipment from a shared inventory. The Prairies Region (VAC) joined the Equipment Recycling program in November 2003.

3.6.2 PROGRAM MANAGEMENT

In addition to its role of program manager, FHP offered advice and support to the Equipment Recycling Program, and program training for VAC for implementation. It continuously sought to evaluate the program, both as a whole and interdepartmentally, and to make recommendations for more efficiencies and greater savings. Benefits of the program include the following:

- ✓ efficient use of personnel and resources;
- ✓ maximal use of medical equipment inventory and resources; equipment purchased by one department may be re-issued to a client of another department;
- ✓ potential for future savings (i.e. statistical analysis of electronic inventory may lead to bulk purchasing at the national level);
- ✓ visibility of inventory, specifications and condition of equipment;
- ✓ rapid identification of equipment and its location in the event of recalls.

3.6.3 PERFORMANCE RESULTS

A detailed review of the Recycling program using Blue Cross/TAPS data as the fundamental data source, costs of new equipment for comparative analysis, as well as program operational costs has shown overall estimated savings for FY 2004/2005 of over $3.6 million as a direct result of this initiative. The breakdown is as follows for the regions -

- ♦ Ontario Region - $713,399
- ♦ Pacific Region - $1,242,853
- ♦ Prairie Region - $1,645,373

Total - $3,601,625

3.6.4 ONGOING ACTIVITIES

A full review of all areas of the Equipment Recycling Program was undertaken by the FHP in November 2004 in an effort to strengthen frameworks, policy structures and accountability reporting and, ultimately, to encourage further buy-in to the program in

both VAC and in other departments. Requirements have been identified, and progress is being made both in the regions and in Head Office VAC (Charlottetown, PEI) to encourage full roll-out of this exciting and worthwhile program.

Another area of potential savings that has been identified by FHP is in the sale of surplus medical equipment. Since December 2001, Crown Asset Disposals (CAD) had officially halted all sales of surplus medical equipment due to the application of Health Canada Medical Devices Regulations (MDR) as they relate to disposal of surplus assets subject to the Regulations. The result of this action caused an influx in surplus equipment and subsequently, additional costs to the program in terms of warehousing and storage of items. Consequently, as a direct result of the FHP, a Disposal Committee was set up with the participation of four departments and the Treasury Board Secretariat to deal with these issues. In early 2005, resolution came in the form of a national approval to resume selling medical assistive devices, though with minor limitations. Potential for savings as a direct result of reducing storage costs and selling surplus equipment will be substantial. Savings will be evaluated in FY 2005/2006. Further, the question of donation to charitable organizations is now being considered.

An annual review of the recycling program will be conducted to streamline the process to evaluate and confirm savings results, and research additional potential for savings.

3.7 HEALTH INFORMATION MANAGEMENT

The development and implementation of electronic health information systems within the Federal Government, and particularly within FHP departments, present an opportunity to realize economies of scale and to share knowledge. There is a need to identify common requirements, assess opportunities for collaboration, share lessons learned or proven solutions, and to develop plans that would result in economies of scale that would not be realized by individual departments acting on their own.

The growth in electronic health information systems is being achieved primarily through the activities of Canada Health Infoway (CHI). CHI, an independent non-profit organization established by the Federal and Provincial Governments, is developing pan-Canadian standards that, when adopted, will establish interoperable electronic health information systems. Other organizations such as the Canadian Standards Association (CSA) and the Canadian Institute for Health Information (CIHI) are also establishing standards for electronic health information systems. The development of these standards has been facilitated largely through the participation of Provincial health authorities, and the participation of FHP departments, until now, has been limited. Moreover, FHP departments have not been made aware of emerging standards due to a lack of participation in the standards development process.

Departments are investing in health information management systems, and there is a need to ensure that federal health information management systems are developed in accordance with emerging standards. Accordingly, the FHP is developing an e-health strategy that will serve as a standard, or enterprise architecture plan, for the federal jurisdiction.

3.7.1 JOINT NEGOTIATING AND PURCHASING

CHI, and other standard bodies, have expressed a desire to interface to one organization within the Federal Government. Accordingly, the FHP Secretariat will represent FHP member departments at all CHI meetings. It will coordinate Federal responses for requests for information from various agencies while communicating information concerning Infoway programs and standards development work to FHP member departments.

The FHP Secretariat will develop the e-health strategy, on behalf of member departments, in close association with the Treasury Board Secretariat Chief Information Officer Staff. Some consulting, or professional services, will also be obtained by the FHP Secretariat on behalf of member departments. At this time, the FHP is assessing the feasibility of creating a Standing Offer Agreement for professional services that

could be used by all member departments that are in the process of developing and implementing information and communication technologies related to health services.

3.7.2 PROGRAM MANAGEMENT

In order to support the activities of the FHP, the FHP Secretariat staffed a CIO position, and a Health Information Management Working Group was established with representation from each member department and other departments that have expressed an interest in this activity.

3.7.3 PERFORMANCE RESULTS

The objective is to create an e-health strategy for the federal health jurisdiction over a two-year period. There are two strategic objectives:

1. The FHP will foster increased collaboration among partners with Canada Health Infoway in the development of an integrated approach to federal initiatives related to electronic health information. Particular focus will be on the electronic health record.

2. The FHP will initiate a health information strategy to define the needs of the federal health jurisdiction, avoid duplication and ensure that departments recognize and incorporate the emerging pan-Canadian electronic health information standards.

These goals are directly related to the objectives of the FHP:

- Achieve economies of scale while enhancing the provision of care and;
- Strategic issues leadership

3.7.4 ONGOING ACTIVITIES

In 2004/2005, the FHP Secretariat continued to define the baseline architecture for the federal jurisdiction. In addition, representatives from member departments were assigned to various CHI working groups to assist in the development of the pan-Canadian Electronic Health Record (EHR), and to ensure that federal requirements were incorporated into the emerging EHR blueprint. The FHP Secretariat continued to represent FHP Member Departments at the Infoway CIO forum.

3.8 FEDERAL/PROVINCIAL/TERRITORIAL (F/P/T) REPRESENTATION

FHP's mandate is to improve horizontal management of health issues at the federal level. Partner departments decided that to meet these challenges they must better connect their FHP partnership activities to both the broader Federal Health Agenda and that of the provinces and territories. Pursuant to an agreement reached in 2002 at the Deputy Minister level the FHP partner departments will be represented at a number of Federal/Provincial/Territorial (F/P/T) committees on health care issues.

This approach represents a broadening of the work done by the FHP in support of Health Canada's lead role in health policy and leadership at the national level. FHP will be responsible to identify and represent the interests of the federal health delivery departments at F/P/T committees, sub-committees and working groups, as well as to bring results back to departments. The FHP representatives will also lead or carry out the work required between F/P/T meetings.

This will provide the provinces and territories a single point of contact with federal health care delivery organizations and make most efficient use of resources. Provinces and Territories have also expressed a strong desire to work more closely with their federal counterparts in healthcare delivery.

Examples of involvement to date are FHP representation on the Common Drug Review (CDR) Advisory Committee on Pharmaceuticals, and the Canadian Optimal Medication Prescribing and Utilization Service (COMPUS), as well as a developing role in the areas of home and continuing care.

4. QUALITATIVE BENEFITS

The FHP partner Departments have attempted to assess the qualitative benefits gained through the efforts of the Partnership. In the complex environment of the FHP, this analysis has provided a means of capturing the importance of these benefits which form the essential elements of collaborative efforts that make the FHP a successful example of horizontal management.

The following are areas in which partner departments have identified qualitative benefits associated with working horizontally:

Improved decision making through -

- More common evidence-based approach to decision-making;
- More consistent advice to senior officials and Ministers across departments, while maintaining independent decision-making by departments based on specific mandates and client needs;
- Improved quality of business planning;
- Increased confidence of decisions made as a direct result of expert advice available to partners;
- A network of intelligence via sources such as the provinces, federal departments and agencies, and experts in the private sector and academia.

Cost Savings/Cost Containment through -

- Increased efficiency of departmental resources;
- Limited duplication of effort;
- Heightened awareness of departmental expenditures;
- Improved outcomes as a result of a combined negotiation support network

Exchange of Information between departments provides -

- Inter-departmental sharing of data/information and knowledge;
- Forum for information and knowledge exchange;
- Opportunities for departments to identify benefits derived from working collaboratively;
- Enhanced awareness of departmental commonalities and possible partnership opportunities;
- Network of contacts throughout departments, and access to expert advice;
- A value-added model for horizontal management for participating organizations' program delivery.

Information Analysis provides -

- More uniform access to high-quality information on issues of common concern;
- Higher degree of information utilization on assets and resources;
- Wider access to research and databases;
- Improved awareness of departmental requirements and expenditures.

Workshops on FHP related issues provide -

- Enhanced workforce skills;
- Improved analytical and negotiation capabilities;
- Streamlining of workforce methods and training;
- Transfer of knowledge amongst co-workers.

Improved program management provides -

- A model for horizontal management of government operations;
- Enhanced departmental capabilities to provide analysis when making interdepartmental comparisons;
- Development of strategic partnerships/alliances;
- Better departmental positioning for future partnership initiatives;
- Increased business strengths/opportunities for individual departments;
- Alignment with federal government priorities and objectives;

Enhanced Business Reputations/Image by:

- More consistent treatment of claims and stakeholders;
- Improved knowledge and understanding of industry practices;
- Improved bargaining position;
- Sharing knowledge and experience between departments provides management the capacity to correct/avoid potential problems before they arise.

Partner departments continued to collaborate efforts in various areas of common interest including the development of a common federal strategy for Information and Communications Technologies (ICTs) in health. They agreed to work together to address such complex issues as data security, privacy protection and linkages to provincial initiatives, and to explore opportunities of joint investment with Canada Health Infoway Inc. Another area of common interest to the partner departments is the recent regulation of Natural Health Products (NHP). The FHP has been keeping partner departments informed of decisions being made by the Natural Health Products Directorate (NHPD), and will pursue a common approach to evaluate newly regulated NHPs for possible inclusion in federal formularies. A common approach will likely be through the Federal Pharmacy and Therapeutics Committee. However, expected demands for these items has not materialized.

A very successful example of how improved outcomes can be achieved through joint initiatives is that of the joint negotiations and policy work done in the area of audiology.

A Memorandum of Understanding (MOU) was renewed with the Canadian Auditory Equipment Association (CAEA) representing hearing aid manufacturers in Canada, and has been recognized for its innovative approach to negotiating. Due to its success, the federal partners have transfered the best practice of setting product fees based on wholesale prices into other program areas such as vision care.

A number of successful bilateral projects have also been established outside the scope of FHP that are a direct result of connections made through the networking, contacts and working relationships developed through the FHP partnership. Partner departments are given the opportunity to share information and acquire insight into common areas of interest through the network of FHP.

Through FHP, departmental pharmacy program managers have been involved in significant information exchange, resulting in coordinated policy response, greater formulary alignment and an improved awareness of emerging issues.

5. FINANCIAL HIGHLIGHTS

For the 2004-2005 reporting period, savings of over $19.4 million were achieved through agreements in audiology, medical equipment recycling, oxygen, pharmacy and vision care programs. The actual costs associated with the FHP activities were approximately $2.5 million for 2004-2005 for a net savings of $16.8 million (FHP net savings are calculated as the savings realized during the year less the costs associated with the year's activities).

The projected savings for FY 2004-2005, as based on the FHP Business Plan for 2004-2007, were $23.9 million with a net savings of $20.2 million. Although the actual net savings were lower than projected, or at over 85% of full target, the projected figures were best estimates at the time of planning, and were not fully achieved due to several factors:

- the projection was based on fully completing all planned activities on schedule for this FY reporting period, and on the assumption that there would be no conflicting priorities for partner departments, or changes in the areas of financial or human resources, whereas such changes did occur;
- projected cost savings were conditional based on the date and level of implementation of these planned activities, and precise timing of activities, which were not always possible to follow as planned;
- in some cases, the Partnership was unable to negotiate prices on agreements, or renegotiate better prices on agreements already in place, and thus unable to achieve savings as projected;
- planned activities were, in many cases, delayed, cancelled or took longer than anticipated to complete;
- partner departments revisited activities and, in many cases, reprioritized them to a lesser importance, thereby either delaying anticipated progress and savings potential, or cancelling them entirely;
- FHP was requested to take the lead role in unanticipated projects, and thus had to re-prioritize its existing programs and human resources to accommodate demands.

Explanations for each program area can be found in its respective section of this report.

5.1 FHP Savings and Expenditures Chart

	2002-2003		2003-2004		2004-2005	
	Projected	Actual	Projected	Actual	Projected	Actual
Savings	14,900,000	11,588,000	17,630,000	19,916,045	23,883,922	19,406,608
Expenditures	2,500,000	2,106,500	2,630,000	2,441,350	3,685,880	2,579,318
Net $ Savings	12,400,000	9,481,500	15,000,000	17,474,695	20,198,042	16,827,290

5.2 FEDERAL HEALTHCARE PARTNERSHIP - SUMMARY OF DEPARTMENTAL CONTRIBUTIONS

DEPARTMENT	Total FHP Secretarial and Departmental Contributions (including salary, professional services, training, o & m and travel)		
	2002-2003	**2003-2004**	**2004-2005**
CSC	$38,000	$45,000	$65,000
DND	$53,375	$98,000	$91,000
HC	$590,750	$686,350	$806,318
RCMP	$58,125	$87,000	$107,300
VAC	$218,750	$255,375	$285,000
PWGSC	$100,625	$121,000	$121,000
TB	$7,700	$7,700	$7,700
CIC	$4,687	$0	$0
CIDA	$4,687	$0	$0
PCO	$5,626	$0	$0
Total Departmental Contributions	**$1,082,325**	**$1,300,425**	**$1,483,318**
FHP Secretariat Costs	**$1,016,000**	**$1,141,000**	**$1,096,000**
Total FHP Costs	**$2,098,325**	**$2,441,425**	**$2,579,318**

Departmental contributions are determined by estimating the time of departmental staff spent on FHP activities (translated into salary dollars), program-related travel, as well as O&M, professional services contracted in support of the program, and other related costs. It was agreed in the 2001-2004 HCCI (now FHP) Business Plan that Health Canada would attribute the costs associated to the Federal Pharmacy and Therapeutics Committee, as well as their Federal Dental Care Advisory Committee to the FHP. Therefore, contributions for Health Canada are considerably higher in comparison to those of other partner departments.

Appendix A: Activity Summary Chart

Activities	Completed in 2004/05	In Progress	Yearly Savings (forecasts in brackets)[1]
Audiology:			
• CAEA agreement to be renewed - November 2, 2004	✓		**$11,850,036** ($11,113,750)
• Joint Policy Review for more standardization among partners		✓	
Dental:			**VAC may report savings in this program area**
• Common Standard for Dental Fees:			
• Implement program changes to achieve common standard in dental fees	Completed		
• Federal Dental Care Advisory Committee:	Completed		(725,000)
• Review of Operation			
• Review of Terms of Reference			
Oxygen:			
• SOAs for Oxygen Therapy:			
• Expand Oxygen SOA to Prairie regions		✓	
• Explore expansion of Oxygen SOA to other regions and expand as determined		✓	**$1,510,000**
• Renegotiation of Pacific (B.C.) Region SOA (Expires) June 30, 2003	✓		($1,900,000)
• Health Promotion meeting to promote safe and effective use of Oxygen Therapy		✓	

Activities	Completed in 2004/05	In Progress	Yearly Savings (forecasts in brackets)[1]
Pharmacy:			
• Participation in F/P/T Vaccine Supply Working Group and PWGSC F/P/T Bulk Drug Purchasing Group		✓	$165,000
• Cognitive Services:			
- Meeting to develop an understanding of and common approach to payment for cognitive services		✓	
• Joint Negotiations			
- Review need for joint negotiations, review status of Agreements and explore other possibilities		✓	**$2,215,000** ($3,700,000)
- Set Negotiation Schedule		✓	
- Renegotiation of Saskatchewan Pharmacy Agreement (still underway as of 31 March 2005)		✓	
• Federal Pharmacy and Therapeutics Committee:		✓	
- Review of Operation to take into consideration CDR process, Natural Health Products and OAG recommendations			
Vision:			
• Joint Agreements			
- Maintain Joint Atlantic Agreement	✓		**$64,947**
- Development of First Agreement for Quebec	✓		($1,495,172)
- Extension of Alberta Fee Cap	✓		
- Extension of Saskatchewan Fee Cap	✓		
- Common tri-party negotiation strategy in Saskatchewan	✓		
Medical Supplies and Equipment:			
• Special Equipment Recycling Program:			
- Expand VAC into the Prairies	✓		**$3,601,625**
- Phase HC into B.C. pilot project	✓		
- Renegotiate RMSO in Pacific	✓		($4,850,000)
- Strengthen ON program		✓	
- Strengthen frameworks to achieve maximum buy-in to program from other regions and departments		✓	

Activities	Completed in 2004/05	In Progress	Yearly Savings (forecasts in brackets)[1]
Information and Communications Technologies in Health:			($0)
• The identification and synthesis of information concerning FHP health information systems		✓	
• The identification of common requirements, opportunities for collaboration, sharing lessons learned or proven solutions and the development of plans and activities that would result in economies of scale that would not be realized by individual departments acting on their own		✓	
• Reviewing proposed pan-Canadian standards, identifying federal requirements that should be incorporated into pan-Canadian standards		✓	
• Providing advice and guidance to departments concerning the implementation of pan-Canadian standards and communicating information concerning developing standards to their respective departments		✓	
• Coordinating the development and implementation of investment strategies between FHP member departments and Provincial/Territorial jurisdictions through the FHP Secretariat and Infoway		✓	
• Incorporating information from Health Informatics working groups into the federal e-health strategy		✓	
• Supporting the activities of the Health Information Management Working Group		✓	
• Establishing CIO position and permanent working groups	✓		
Health Promotion: • Hearing Loss Prevention Program follow-up • Exploratory meeting of Health Promotion for oxygen therapy	The depart ments' priorities changed, therefore this activity did not proceed		($0)
Cost of Medical and Hospital Services: • Explore cost of services for physicians, and hospital and other provincially-owned/managed facilities • Explore costs for ambulance, labs and private clinics, specialty clinics (diagnostic fees)	The depart ments' priorities changed, therefore this activity did not proceed		($100,000)

Activities	Completed in 2004/05	In Progress	Yearly Savings (forecasts in brackets)[1]
Results Based Management: • Review of Work Plan 2004/05 • Negotiation Training Seminar for Partner Departments	 ✓ ✓		($0)
Total Savings for 2004-2005 from completed activities			$19,406,608 ($23,883,922)

[1]*Program savings forecast as per the Business Plan of the Federal Healthcare Partnership for the period of 2004-2007*

Appendix B: Performance Indicator Tables

GOAL of Business Line 1: Joint Purchasing and Negotiating Activities (*Strategic Outcome:* Cost reduction/containment without compromising the quality of care to federal clients).

Business Line	Outputs	Target population/ Reach	Short-term effects	Long-term impacts
Purchasing arrangements for supplies and services for audiology, dental care, drugs and vaccines, oxygen, vision care	Memorandum of Understanding/SOAs for supplies and services	Departments and their clients	Operational streamlining Improved access Reduced costs	Cost reduction/ containment without compromising the quality of care
Negotiations for products and services for audiology, oxygen therapy, pharmacare, and vision care Negotiations Skills Workshop	Provider agreements Improved Negotiations, preparation and success	Departments and their clients	Reduced costs Maintained quality of products and services	Cost reduction/ containment without compromising the quality of care
Measures	SOAs, Contracts and Agreements in place	Utilization of SOAs, Contracts and Agreements by partners Re-negotiation of expiring agreements	Comparison of prices resulting from SOAs, Contracts and Agreements (Client feedback) Opinions of program managers and providers	Administrative cost savings vis-à-vis projected cost reduction/containment Actual expenditures vis-à-vis expenditure projections Information on cost/benefit analysis of the program Quality of products and services Knowledge and understanding of industry practices
Data sources	PWGSC and Departmental records Schedule of contract expiry dates Annual Reports Managed reporting systems	Transaction records from claims processors Maintenance of schedule Departmental purchasing records	Transaction records from claims processors Interviews with program managers Departmental Estimates on impact on expenditures Departmental purchasing records	Departmental records MIS data Interviews with program managers

Appendix B: Performance Indicator Tables

GOAL of Business Line 2: Joint Program Management Activities (*Strategic Outcome:* Increased co-ordination of all FHP partners).

Business Line	**Outputs**	**Target population/ Reach**	**Short-term effects**	**Long-term impacts**
Development of policies in pharma care, dental care, vision care, audiology, oxygen Federal P & T Committee and Federal DCAC Standardized claims processing Electronic health records, equipment recycling	Program policies, price files, better assurance on claims processing forms and reports, audits of providers and claims administrators, inter-connectivity of health records, recycling and inventory of medical equipment Policy recommendations	Departments and their clients	Sharing of information Better input to departmental decisions More consistent policies between departments	Increased co-ordination between all FHP partners
Measures	Existence of policies Recommendations provided Information Systems in place	Utilization of information/ claims forms by departments Adoption of recommendations/ policies by various departments	Awareness and knowledge level Opinions of program managers	Awareness of areas of divergence/commonality Joint policy development and analysis Joint purchasing agreements for supplies and services Joint service delivery
Data source	Minutes of Committees Reports of Working Groups Reports of Sub-committees FHP Annual Reports	Departmental records Transaction records and reports from claims processors Interviews with program managers	Interviews with program managers	Interviews with program managers Departmental records MIS data

Appendix C: DEPARTMENTAL EXPENDITURES BY PROGRAM AREA

Note: Figures underlined include totals whose sum includes data not available.

DEPARTMENT	AUDIOLOGY EXPENDITURES ($Millions)					
	2002-2003		2003-2004		2004-2005	
	# clients	$M	# clients	$M	# clients	$M
CORRECTIONAL SERVICE CANADA	12650	N/A	12650	0.42	12623	0.43
HEALTH CANADA	735343	2.65	749825	2.33	764523	2.37
NATIONAL DEFENCE	91936**	N/A	91465**	0.74	91534**	0.59
ROYAL CANADIAN MOUNTED POLICE	15980	N/A	16238	N/A	16625 + 3700	0.42
VETERANS AFFAIRS	120000	23.4	133000	36.4	132000	36.9
TOTALS	975909	26.05	1003178	39.89	1021005	40.71

DEPARTMENT	DENTAL EXPENDITURES ($Millions) (including supplies and services)					
	2002-2003		2003-2004		2004-2005	
	# clients	$M	# clients	$M	# clients	$M
CORRECTIONAL SERVICE CANADA	12650	2.9	12650	2.8	12623	2.8
HEALTH CANADA	735343	131	749825	134.5	764523	140.3
NATIONAL DEFENCE	91936**	11.9	91465**	18.6	91534**	19.4
ROYAL CANADIAN MOUNTED POLICE	15980	7.8	16238	8.53	16625+ 3700	9.1
VETERANS AFFAIRS	120000	17.5	133000	18.1	132000	19.3
TOTALS	975909	171.1	1003178	182.5	1021005	190.9

DEPARTMENT	OXYGEN & PERIPHERALS EXPENDITURES ($Millions)					
	2002-2003		2003-2004		2004-2005	
	# clients	$M	# clients	$M	# clients	$M
CORRECTIONAL SERVICE CANADA	12650	N/A	12650	N/A	12623	N/A
HEALTH CANADA	735343	2.02	749825	1.95	764523	2.27
NATIONAL DEFENCE	91936**	0.46	91465**	0.609	91534**	0.614
ROYAL CANADIAN MOUNTED POLICE	15980	N/A	16238	0.16	16625+ 3700	0.18
VETERANS AFFAIRS	120000	5.6	133000	5.6	132000	5
TOTALS	975909	8.08	1003178	8.32	1021005	8.06

DEPARTMENT	PHARMACEUTICALS EXPENDITURES ($MILLIONS) (INCLUDING ALL DRUGS AND RELATED COSTS, MEDICAL SUPPLIES AND EQUIPMENT AND O & M)					
	2002-2003		2003-2004		2004-2005	
	# CLIENTS	$M	# CLIENTS	$M	# CLIENTS	$M
CORRECTION SERVICE CANADA	12650	13.6	12650	17	12623	17.2 (TBC)
HEALTH CANADA	735343	290.11	749825	326.98	764523	343.9
NATIONAL DEFENCE* **	91936**	21.8	91465**	31.5	91534**	36.9
ROYAL CANADIAN MOUNTED POLICE	15980	6.5	16238	7.5	16625+ 3700	7.7
VETERANS AFFAIRS	120000	106.7	133000	111.2	132000	118.3
TOTALS	975909	438.7	1003178	494.18	1021005	524

DEPARTMENT	VISION EXPENDITURES ($MILLIONS)					
	2002-2003		2003-2004		2004-2005	
	# CLIENTS	$M	# CLIENTS	$M	# CLIENTS	$M
CORRECTIONAL SERVICE CANADA	12650	0.53	12650	0.41	12623	0.4
HEALTH CANADA	735343	22.26	749825	24.42	764523	24.6
NATIONAL DEFENCE	91936**	2.2	91465**	2.6	91534	2.2
ROYAL CANADIAN MOUNTED POLICE	15980	1	16238	1.14	16625+ 3700	1.2
VETERANS AFFAIRS	120000	6	133000	6.1	132000	6.1
TOTALS	975909	31.99	1003178	34.67	1021005	34.5

Notes:

**** DND: eligible clients include Regular Force members, Reserves and Foreign Service members.**
*****DND: In the case of pharmaceutical expenditures, the data equals the value of pharmaceuticals purchased by the CF for each year, and the costs incurred to contract with pharmacists. It does not include the value for the military pharmacists that provide services on bases. Hence, the cost may be understated. In addition, the amount represented in pharmaceuticals would include drugs purchased for inventory and not issued to patients.**

CIC's Interim Federal Health Program serves approximately 100,000 eligible clients and has an estimated expenditure of $50 million.

Pharmaceutical total program expenditures include prescription and over the counter drugs, medical supplies and equipment and operating/maintenance costs.