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FEDERAL HEALTHCARE PARTNERSHIP

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MESSAGE FROM THE FHP EXECUTIVE COMMITTEE CHAIR

July 31, 2006

I am pleased to present to the Treasury Board Secretariat (TBS) the 2005-2006 Annual Report of the Federal Healthcare Partnership (FHP).

During this reporting period, the FHP continued its commitment to the key projects identified in the FHP Business Plan 2004-2007, and was further involved in several new projects of interest to the partner departments. Through the collective work of the partner departments, the FHP is emerging into a centre of excellence for horizontal management, cost containment strategies, and strategic leadership. 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 and management in the field of healthcare. Of special significance were the strides made in response to the November 2004 Report of the Auditor General of Canada to the House of Commons, Chapter 4 - Management of Federal Drug Benefit Programs, in Health Information Management and on the Mental Health file, to name just a few.

The FHP is about working together for improved results. 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/avoidance* 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 also 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/avoidance achieved through economies of scale given that annual federal healthcare expenditures amount to approximately $5 billion to provide health care to over 1 million Canadians, making the federal government the fifth largest provider of health services to Canadians behind Ontario, Quebec, British Columbia and Alberta**. 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 core program areas covered by the Partnership in FY 2005-2006 were audiology, health information management, pharmacy, vision care, health human resources, medical equipment recycling, home and continuing care, mental health, and the OAG Drug Benefits Management Initiative.

The cooperative efforts of the FHP partner departments produced costs savings of over $38 million for the period covering 2005-2006. As part of the total savings for 2005-2006 the renewal of a national Memorandum of Agreement (MOU) for the purchase of hearing aids produced savings of over $12.29 million, Standing Offer Agreements (SOAs) for oxygen therapy yielded savings of $3 million and savings of over $5.4 million were achieved from the medical supplies and equipment recycling program.

During FY 2005-2006, partner departments continued to work on the development of a health information management strategy for the federal health jurisdiction. They agreed to work together in order to determine the health informatics standards that would be necessary to achieve interoperability between FHP member departments and provincial health jurisdictions.

In 2005-2006, the FHP continued to participate in a number of Federal/Provincial/

Territorial (F/P/T) committees on healthcare issues such as pharmacy, home and continuing care and interprovincial health insurance agreements. The FHP Secretariat, or member department representatives acting on behalf of the FHP, participated in several initiatives, including the following:

- Advisory Committee for Pharmaceuticals
- Canadian Expert Drug Advisory Committee
- Canadian Optimal Medication Prescribing and Utilization Service (COMPUS) Advisory Committee
- Infoway CIO Forum
- Infoway EHR Standards 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
- Canadian Standards Association Z295 (Health Informatics) Working Group
- Federal Dental Care Advisory Committee
- Vaccine Supply Working Group
- Public Health and Emergency Management Working Group
- Health Goals for Canada Interdepartmental Working Group
- TBS IM Working Group

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 and to sharing experiences and lessons learned, improved communication which creates stronger connections, collaborative planning and access to additional or shared resources, educational and health promotional tools, and better understanding of departmental programs, and client needs. Concrete examples of qualitative benefits are provided in Section 5 of this report.

Since its inception, the FHP has worked on a growing number of interdepartmental, collaborative negotiations in the field of healthcare. To facilitate the ongoing evolution of this core service, the FHP developed a Negotiating Plan in 2005/2006 to streamline the way negotiations are conducted among the six partner departments.

The FHP Secretariat's website was redesigned in FY 2005/2006. Whereas it had previously only been available on an intranet website, it is now available on the World Wide Web at http://www.fhp-pfss.gc.ca. In addition to general information on the FHP, the new website provides users with document-sharing capabilities, and an events calendar.

Section 1 of this report contains an overview of the Partnership, and Section 2 a description of the FHP Secretariat's outcomes and performance. 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 is a retrospective against the Federal Healthcare Partnership 2004-2007 Business Plan. Section 5 of the Report assesses the many qualitative benefits gained through the collaborative efforts that make the FHP a successful example of horizontal management. Section 6 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 and Performance Indicators.

**It should be noted that throughout this report, data is referred to as cost savings/avoidance or cost containment. These terms denotes savings and/or cost avoidance and use of term differs by department.*

***The reference to $5B refers to annual federal healthcare expenditures and includes the nearly 30 federal departments and agencies providing direct health services to Canadians. This is an overall number, and does not only reflect the departments that the FHP is in partnership with. (Source: Canadian Institute for Health Information, National Health Expenditure Trends, 1975–2005, p. 135). These figures are forecasts (estimates); final figures will not be available until December 2007.*

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 issues.

1.2 Background

At the request of the Treasury Board Secretariat (TBS), Veterans Affairs Canada (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.

The FHP's 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, and it was set up to coordinate the interdepartmental activities associated with achieving it. The

Secretariat receives funding through Other Health Purchased Services (OHPS), a special purpose allotment within the Veterans Affairs operating expenditures vote, designated for specifically approved Veterans Affairs health program requirements.

The FHP is evolving in step with changing government focus and pressures. Partner departments are building on the experiences gained thus far, exploring new avenues for collaboration for the FHP, and examining the strategic impact of various issues on the provision of health services within the jurisdiction of each partner. The FHP was asked by Senior Federal Government Officials to take on the role of coordinator on behalf of the FHP partners in response to the 2004 OAG's Drug Benefit Management Initiative with great success.

In 2005-2006, the FHP successfully carried out many of the activities outlined in its 2004-2007 Business Plan, and expanded its scope to efficiently address emerging critical programs not foreseen at the time of its publication.

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 $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:

- Registered First nations and Inuit People;
- 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.

Departments and agencies, other than those named above, may join the FHP. As it commits to the FHP, each such department and agency decides which activities, projects or programs it wishes to participate in, and how it contributes 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.

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 them 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, Ontario, 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, 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 are 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 offers or organizes 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, Three-Year 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, Management 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. OUTCOMES AND PERFORMANCE

2.1 Objectives

The Partnership has the following objectives:

- ✓ To identify 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 maintain and 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.

2.2 Activities

The FHP strives to fulfill two activities:

(1) to achieve economies of scale while enhancing the provision of care

The FHP seeks to increase the efficiency and effectiveness of activities related to the provision of health services within the federal jurisdiction through horizontal collaboration between member departments. It 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; and

(2) to provide leadership in support of strategic response to healthcare issues

The FHP provides a structured forum within which individual member departments can identify and assess federal or pan-Canadian issues that have an impact on the activities of some or all departments. This forum benefits from the strengths of individual members and provides the opportunity to promote a more strategic response to major federal healthcare issues and to harmonize plans through shared knowledge and collaborative effort.

2.3 Business Lines

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/cost avoidance through the implementation of joint agreements with departments and health care providers for the purchase of health care supplies and services;
- Target cost savings/avoidance being met without compromising the quality of care to clients;
- Minimizing cost increases;
- Achieving cost savings/avoidance 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/avoidance;

- 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.

2.4 Target Population 2005-2006

During this reporting period, Veterans Affairs Canada (VAC) provided eligible war Veterans and former Canadian Forces member clients with health care benefits to supplement provincial coverage. In 2005-2006, approximately 134 000 clients were eligible for such benefits with total expenditures of approximately $877 million.

Health Canada's Non-Insured Health Benefits Program (HC-NIHB) provided supplementary health benefits to approximately 780 0000 eligible First Nation and Inuit people to meet medical and dental needs not covered by provincial/territorial healthcare or social programs or other plans. VAC provides similar health care benefits through an MOU with the RCMP to 4 000 serving and retired clients with total expenditures of approximately $3.5 million. Health expenditures for First Nations and Inuit Health Programs are estimated at $1.8 billion of which NIHB accounted for an estimated $817.7 million for this reporting period.

The Royal Canadian Mounted Police (RCMP) and the Department of National Defence (DND) have comprehensive responsibility for healthcare for their members. DND provides a full range of health care services to its members both in Canada and abroad. RCMP is responsible for the provision of various medical treatment programs to its members both in Canada and abroad.

Services provided by the RCMP include basic care and supplementary health services. In FY 2005-2006, the RCMP had approximately 16 442 members and 3 918 retired members eligible for healthcare benefits, and spent approximately $60.3 million

For DND, these services include routine health care, and non-insured services such as pharmaceuticals and health promotion. In FY 2005-2006, DND had 94 056 Canadian Forces Members eligible for health care which includes 31 277 reservists at a total cost of $494.7 million in health expenditures.

In FY 2005/2006, the Correctional Service of Canada (CSC) was charged with meeting the essential health needs and providing reasonable access to non-essential mental health care of its community of 12 671* federal inmates in Federal institutions, with health expenditures at approximately $123.9 million.

Citizenship and Immigration Canada (CIC), through the Interim Federal Health Program, meets its humanitarian mandate by providing essential health/dental care, medical screening for immigration purposes, and pre-departure screening and treatment to persons for whom the immigration authorities feel responsible (e.g. asylum seekers, refugees, and persons detained for immigration purposes) totalling approximately 100 000 clients. The coverage extends from pre-departure or arrival in Canada until the client qualifies for provincial health programs, or is removed from Canada. Health expenditures for fiscal year 2005-2006 in CIC totalled $48 million.

*(*The number of eligible clients (12 671) suggests a static situation and so does not reflect the 8 314 new admissions requiring assessment or the percentage of the 8,284 releases requiring health transitioning to the community.)*

Annual Health Expenditures per Partner Department for 2005-2006

Department	Eligible Number of Clients for 2005-2006	Health Expenditures for 2005-2006 ($ Millions)	Summary of Partner Department Annual Health Expenditures
VAC [1]	134 000	877	**1. VAC** provides eligible war Veterans and former Canadian Forces member clients with health care benefits and supplements to provincial coverage. Health expenditures at VAC represent the costs of the items, benefits, services or programs delivered to clients either directly, or via other support services, providers, etc.
HC NIHB [2]	779 950	817.7	**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 2005-06 are estimated to be $1.8B of which the non-insured portion is estimated at $817.7M.
RCMP [3]	16 442 + 3 918 TOTAL= 20 360	56.7+ 3.6 TOTAL = 60.3	**3. RCMP** is responsible for the provision of various medical programs to their regular members. Eligible clients include 16,442 eligible employees and 3,918 retired members with disabilities (total of 20,360).
DND [4]	94 056	495*	**4. DND** has a population of 94,056 Canadian Forces Members who are eligible for health care of which 31, 277 are Primary Reserve members. These figures do not include other Reservists who are only covered for health care benefits when they are working for DND. In addition, it does not include foreign troops that are stationed at places like Suffield and in Embassies. The total CF Health Services Group expenditures for FY 05/06 is $494.7M which includes $295.2M of Health Care related expenditures and $199.5M of Military pay.
CSC [5]	12 671	123.9	**5. CSC** provides for the essential health needs of offenders and reasonable access to non-essential mental health care according to professional standards as required by law. Services are offered at a level that is normally available in the community. **The number of eligible clients (12,671) suggests a static situation and so does not reflect the 8,314 new admissions requiring assessment or the percentage of the 8,284 releases requiring health transitioning to the community.*
CIC [6]	81 264	48	**6. CIC** provides essential health care to asylum seekers and refugees until they have met the requirements for provincial PROGRAMS or until they are removed from Canada. CIC has been participating actively in FHP in 2005 in matters that relevant to CIC's programs.
TOTALS	1 122 301	2421.9	

**DND figures for FY 2004-2005 were considerably higher as they reflected full departmental costs ($735M). As these are complex to determine, they are not costed every year. The figure for FY 2005-2006 represents the direct costs of CF health care only.*
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.

N.B.: Although partner department health expenditures are listed in the above table, it must be noted that each department's expenditures are vastly different one from the other. The table is presented in order to demonstrate overall healthcare monetary spending by partner departments, and is not meant to imply an equal baseline in terms of items that departments spend on.

Expanded Description of Partner Department Health Expenditures -

VAC	The Veterans Affairs Canada (VAC) Health Care Program aims to ensure that eligible clients receive appropriate health care benefits and services. Through its national treatment services program, VAC provides a wide range of health care benefits and services which include medical, surgical or dental examinations or treatment, surgical or prosthetic devices or aids, preventative health care, and prescribed drugs. The benefits and services available from VAC are intended to complement those provided by insured and extended health services through provincial and territorial authorities. The services which individual clients receive depend upon their particular circumstances and health needs. VAC's Veterans Independence Program (VIP) is a national home care program that assists eligible clients to remain independent in their own homes or communities by offering a variety of programs and services such as housekeeping, grounds maintenance, and personal care. VAC also provides eligible clients with long-term care in its hospital facility at Ste-Anne de Bellevue, Quebec, or in community or contract facilities.
HC	HC Provides an extensive range of ongoing programs to different segments of the First Nations and Inuit populations. For example, primary health care services are provided through nursing stations and community health centres in remote and/or isolated communities to supplement and support the services that provincial, territorial and regional health authorities provide. Non-Insured Health Benefits coverage of drug, dental care, vision care, medical supplies and equipment, short-term crisis intervention mental health services, and medical transportation are also available. Disease prevention and health promotion programs, public health education, environmental health, alcohol/drug addiction treatment and long-term community care are also provided on reserve. Moreover, Health Canada administers targeted health promotion programs for all Aboriginal people regardless of residence (e.g., Aboriginal Diabetes Initiative), and other programs that support the development and implementation of activities to promote healthy lifestyle choices, thereby contributing to the prevention of chronic disease and injuries. HC is also responsible for the negotiation and funding of various contribution agreements and as such, spending and level of services are monitored and reviewed to ensure that agreed upon conditions are met.

RCMP	Eligible members of the RCMP are uninsured under the Canada Health Act. The RCMP arrange for the provision of basic health care, as defined by the provinces in the more populous provinces, to their members. In addition, the RCMP provides supplementary healthcare to their members. The RCMP has an Occupational Health Program that focuses on returning the member to a 'fit for duty' status. The costs for these Health Programs are increasing at the same rate as Provincial healthcare programs. This includes services such as basic care and supplementary health services.
DND	The Department of National Defence provides for the health care needs of its CF members (Regular Force and full-time Reservists) while they are at home or abroad. Health care services are provided through a network of Canadian Forces care clinics or by purchasing services from the provinces/territories. Details of the Spectrum of Care can be found at http://hr.dwan.dnd.ca/health/services/engraph/spectrum_of_care_home_e.asp.
CSC	CSC's health expenditures include the following: • the costs of salaried and contracted health professionals • medication costs • hospitalization costs • the cost of medical supplies and equipment Those expenditures cover the cost of delivering on CSC's health mandate - to provide, as directed in Section 86 of the Corrections and Conditional Release Act: (1) The Service shall provide every inmate with (a) essential health care; (b) reasonable access to non-essential mental health care that will contribute to the inmate's rehabilitation and successful reintegration into the community. Further, in Section 85, the Act defines 'health care' as medical care, dental care and mental health care, provided by registered health care professionals; and 'mental health care' as the care of a disorder of thought, mood, perception, orientation or memory that significantly impairs judgment, behaviours, the capacity to recognize reality or the ability to meet the ordinary demands of life.

CIC	CIC's Interim Federal Health program (IFH) is a humanitarian program that provides essential health/dental care, medical screening for immigration purposes and pre-departure screening and treatment to persons who fall under immigration jurisdiction, and for whom the immigration authorities are responsible. IFH coverage extends from pre-departure or arrival in Canada until the client qualifies for provincial health programs, or is removed from Canada. The program also contracts with health care providers to provide health care to persons held in detention centres for immigration purposes until their removal from Canada. The IFH program strives to meet its humanitarian obligations and to assist clients in achieving successful integration into Canada and the Canadian Health care system. CIC-IFH clients are excluded from the definition of 'insured persons' under the Canada Health Act. They include asylum seekers, government-assisted refugees, privately sponsored refugees, trafficked persons and persons detained for immigration purposes. CIC, through its Interim Federal Health Program, pays for health services and is not directly involved in the delivery of health care services to its clients. Services are paid for through the IFH program and provided locally by existing service providers in the province or territory in which the client resides.

2.5 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. Appendix A of this Report lists the activities planned by area of involvement for the 2005-2006 reporting period, summarizes the progress of each activity and compares actual cost savings/avoidance against forecast cost savings/avoidance 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/avoidance without compromising the quality of care.

2.6 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 its own mandate and operational protocols, adds tremendous complexity to the task.

At a time when financial resources are limited, it is vital that organizations sharing similar objectives work horizontally to achieve collective objectives. One of the most challenging aspects of collaboration is to make the case to organizations to work together on a given project. Challenges to achieving common objectives 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 5 of this Report provides a summary of these qualitative or non-tangible benefits of successful collaboration, while Section 6 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 effort and willingness to experiment and take risks. Conversely, there are many benefits and advantages to building on each others' 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.

3. PROGRAM AREAS

During the 2005-2006 reporting period, the FHP pursued business lines in support of achieving economies of scale related to audiology, dental care, special equipment recycling, oxygen therapy, pharmacy, vision care, as well as other agreed upon activities. Business line activities relating to the main program areas remain the core commitment of this horizontal initiative and continue to produce results against the intended mandate.

3.1 AUDIOLOGY

In 2005-2006, the Federal Healthcare Partnership (VAC, HC, DND, RCMP) expenditures for audiology services and products represented approximately 10% of the Canadian market through their combined purchasing power. These totaled over $44.8 million of which approximately $40.7 million are attributable to VAC, $3.1 million to HC, $0.72 million to DND, $0.42 million to the RCMP, and lesser expenditures to CSC.

The FHP worked together to:

- maintain a successful Memorandum of Understanding with the Canadian Auditory Equipment Association
- explore joint fee negotiations for service fees
- update the performance measurement methodology for cost savings/avoidance, and
- exchange policy information and advice on matters of common interest

Having worked as a partnership in audiology since 1999, the FHP partners have streamlined the administrative aspect of their work, allowing them to be increasingly strategic with the Association during fee negotiations.

3.1.1 JOINT NEGOTIATING AND PURCHASING

A Memorandum of Understanding (MOU) between the FHP and the Canadian Auditory Equipment Association (CAEA) representing hearing aid manufacturers in Canada was signed for the period covering November 2, 2004 to November 1, 2007. This successful MOU has resulted in total FHP cost savings/avoidance of $12.3 million for fiscal year 2005-2006.

Furthermore, a review to update the management and reporting process for the audiology program commenced in February 2005 and is ongoing.

Audiology Savings/Cost Avoidance - 2005/2006

Federal Healthcare Partnership - Audiology Savings/Cost Avoidance - 2005-2006

Data Source - Department Data Reports - Actuals - Sent by Audiology Negotiation Group Representatives

Portion #1 - Difference (Average Retail - Average Wholesale)	**DND**	**HC**	**RCMP**	**VAC**
Analog Non-Programmable Hearing Aids	$ 85.00	$ 19 465.00	$ 0.00	$ 26 265.00
	1 unit x $85	229 units x $85	0 units x $85	309 units x $85
Analog Programmable Hearing Aids	$ 450.00	$ 108 000.00	$ 0.00	$ 69 150.00
	3 units x $150	720 units x $150	0 units x $150	461 units x $150
Digital Hearing Aids	$ 80 550.00	$ 349 050.00	$ 17 400.00	$ 4 610 400.00
	537 units x $150	2327 units x $150	116 units x $150	30 736 units x $150
Total Savings/Cost Avoidance - Portion #1	$ 81,085.00	$ 476 515.00	$ 17 400.00	$ 4 705 815.00
Portion #2 - Difference (Average Wholesale - Average Volume Discount)				
Analog Non-Programmable Hearing Aids	$ 92.59	$ 21 203.11	$ 0.00	$ 28 610.31
	1 units x $92.59	229 units x $92.59	0 units x $92.59	309 units x $92.59
Analog Programmable Hearing Aids	$ 363.72	$ 87 292.80	$ 0.00	$ 55 891.64
	3 units x $121.24	720 units x $121.24	0 units x $121.24	461 units x $121.24
Digital Hearing Aids	$ 108 704.91	$ 471 054.61	$ 23 481.88	$ 6 221 888.48
	537 units x $202.43	2327 units x $202.43	116 units x $202.43	30 736 units x $202.43
Total Savings/Cost Avoidance - Portion #2	$ 109 161.22	$ 579 550.52	$ 23 481.88	$ 6 306 390.43
Total Savings/Cost Avoidance - Portion #1 + Portion #2	$ 190 246.22	$ 1 056 065.52	$ 40 881.88	$ 11 012 205.43
Grand Total for All Departments	**$ 12 299 399.05**			

Note: A review for enhancing and updating the management and reporting processes for the audiology program, including the report on savings/cost avoidance, is ongoing since February 2005.

3.1.2 PROGRAM MANAGEMENT

The Audiology Negotiations Group (HC, VAC, DND, RCMP) offers the partners a formal structure for joint policy work. The results of their collaborative efforts have included the following:

- continuation of work to update the performance measure methodology for reporting FHP cost savings/avoidance in this program area
- exploration of the opportunity to develop joint negotiations for audiology service fees
- three face-to face meetings in the fiscal year to exchange information and policy advice in areas of common interest (e.g. a VAC decision to increase service fees by 1.6% in 2005; an FHP decision to not include wax guards in the MOU as there was no identified value to adding this benefit, and some risk to inflate program expenditures unnecessarily; an FHP letter to the CAEA on the subject of documentation under the Hearing Products MOU; an FHP decision to include open fit hearing aids within the MOU)

3.1.3 PERFORMANCE RESULTS

Cost savings/avoidance achieved in fiscal year 2005-2006 amounted to $12.3 million due to the Memorandum of Understanding (MOU) between the FHP and the Canadian Auditory Equipment Association (CAEA) representing hearing aid manufacturers. This successful agreement is in effect for the period of November 2, 2004 to November 1, 2007.

The Hearing Products MOU has been recognized for its innovation and significant savings of approximately $40 million over the life to date of the understanding (January 2001-March 2006).

3.1.4 ONGOING ACTIVITIES

Activities related to audiology will include the following:

- ongoing administration of the Hearing Products MOU, including communication/information exchange amongst FHP partners

- continuation of the work to update the performance measurement methodology for reporting FHP cost savings/avoidance resulting from a price discount on the purchase of hearing aids

- exploration of the opportunity to develop joint negotiations for audiology service fees

- trends analysis of the hearing products industry to support negotiations including exchange of analysis amongst FHP partners

3.2 DENTAL

The FHP partners continued to provide services to their clients on the basis of existing individual departmental arrangements. Expenditures for fiscal year 2004-2005 for federal dental programs totaled over $190 million. Of that figure, $142.9 million are attributable to HC, $19.4 million to DND, $19.6 million to VAC, $9.1 million to RCMP and $2.8 million to CSC. Expenditures for 2005-2006 are expected to be consistent with these figures *(departmental data for 2005-2006 was not available at time of printing of this report)*.

For many years, FHP partner departments managed their program expenditures through strategies such as pre-authorization and other limits to dental benefits. Nonetheless, departments were facing growing constraints and pressures to reduce program costs. In 2002 and 2003, HC and VAC undertook national joint program analysis, and coordinated changes within their individual programs to cap, reduce or strategically escalate fees within agreed-upon targets. As a result of this work, HC and VAC have maintained their fees within the standard for fiscal years 2004-2005 and 2005-2006.

FHP partners continue to exchange policy information and advice on matters of common interest through the Federal Dental Care Advisory Committee.

3.2.1 JOINT NEGOTIATING AND PURCHASING

Since early 2004-2005, HC and VAC have set a common standard for dental fees based on the provincial associations' dental fee guides. Throughout 2005-2006, dental fees for general practitioner dentists and denturists have been set as follows:

- HC - at or below 90% of the provincial dental association fee guide for the previous year's schedule
- VAC - at 90% of the current year schedule

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.

The Federal Dental Care Advisory Committee (HC, VAC, DND, RCMP) continues to offer the partners a formal structure for joint policy work. 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 fully implemented a common standard to set fees for general practitioner dentists and denturists. Therefore, no further cost savings/avoidance was forecast for this fiscal year.

3.2.4 ONGOING ACTIVITIES

The FHP activities' objectives for FY 2005-2006 as per the FHP 2004-2007 Business Plan were met. The opportunity for joint work in the dental program will continue to be explored in the 2007-2010 FHP Business Plan.

3.3 OXYGEN

Oxygen therapy was first included as an FHP activity based on the realization that the annual expenditures of HC and VAC on this program were markedly escalating. One of the first actions taken by FHP in 2000 was to align the oxygen therapy policies of VAC and HC using an evidence-based approach. While this was originally intended to allow for joint negotiations in the BC and Prairie region, the application of the oxygen policy has resulted in reducing expenditures across all regions. This has been most noticeable in VAC where oxygen expenditures have shown a steady decline from $7.659 million in FY 00/01 to $4.988 million in FY 04/05, for a total reduction of $2.671 million (34.8%). During this same time period, the average expenditure per client decreased from $2,423 to $1,769.

3.3.1 JOINT NEGOTIATING AND PURCHASING

British Columbia

The Regional Master Standing Offer (RMSO) originally put in place in 2001 and renewed in June 2003 will expire in December 2006. Cost savings/avoidance of approximately $1.5 million/year resulting from this RMSO were achieved in 2005-2006.

Prairie Provinces

Cost savings/avoidance similar to those achieved in BC were not realized in the Prairie provinces as the RMSO rates remained high in comparison to BC. Further, in FY 2005-2006, despite several meetings between the suppliers, PWGSC and departmental representatives, no strategy was identified for the Prairie region that would result in significant expenditure reductions.

Other Provinces/Regions

Opportunities for cost savings/avoidance in other provinces/regions were not explored in 2005-2006 as similar conditions to those in the Prairie provinces existed in the provinces under consideration.

3.3.2 PROGRAM MANAGEMENT

Alignment of the VAC and HC oxygen program policy and delivery approach resulted in two distinct opportunities to generate cost containment. The first, negotiation of a joint RMSO in British Columbia resulted in continued cost savings/avoidance of approximately $1.5 million/ year. Additional savings of approximately $1.171 million can be attributed to more consistent provision of benefits.

3.3.3 PERFORMANCE RESULTS

Joint policy review and analysis improved input to departmental decision-making regarding oxygen therapy for individual clients, and ensured more consistent policies between departments. The result is an overall cost reduction and improvement to the quality of care. Total cost containment for both participating departments is estimated to be in the order of $3 million.

3.3.4 ONGOING ACTIVITIES

The existing RMSOs in British Columbia and Prairie region will be renegotiated. Further, oxygen program policies will be reviewed on a regular basis to ensure benefits provided are consistent with recognized standards of therapy.

**HC had not finalized its data at the time of printing of this Annual Report, but indicated that it will provide such data in the FHP Annual Report for FY 2006-2007*.

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 2005-2006, prescription drug benefits and medical supplies cost the FHP partners over $562 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 through a claims processor. The only exceptions are DND where 90% of the prescriptions are filled internally at military pharmacies, and 10% at external pharmacies, and CSC which has its own pharmacies in two regions, and a variety of contract arrangements in the other three regions.

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

3.4.1 JOINT NEGOTIATING AND PURCHASING

FHP continues involvement with two federal/provincial/territorial bulk purchasing groups, the Vaccine Supply Working Group under the Immunization and Respiratory Infections Division (IRID) of the Public Health Agency of 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 also provide a forum for discussion of any pertinent issues that may affect prices, and share market/industry knowledge. This information 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. Through economies of scale, smaller departments or jurisdictions which would otherwise have more difficulty in negotiating lower prices are able to benefit from this purchasing mechanism. Participating federal departments include HC, DND and CSC, with DND reporting cost savings/avoidance in the order of $165K. Data for HC and CSC was not available at the time of printing.

During 2004-2005, FHP began the process to renew the agreement between HC/VAC/RCMP and the Representative Board of Saskatchewan Pharmacists as the previous agreement had expired in July 2003. A one-year agreement was signed in June 2005. Negotiations for a two-year agreement have commenced. Negotiations are also underway in BC with the goal of establishing a joint two-year agreement between the BC Pharmacy Association and HC/VAC/RCMP.

A negotiations strategy was developed in consultation with the newly-formed Federal Drug Benefits Committee. Identification of other opportunities for joint negotiations will continue with a view to establishing consistent pharmacy fees for services and for the development of a harmonized approach to negotiation of provincial pharmacy agreements.

3.4.2 PROGRAM MANAGEMENT

FHP partners receive advice on pharmacy-related issues from a number of bodies, including the Common Drug Review (CDR) under the Canadian Coordinating Office for Health Technology Assessment (CCOHTA) - renamed in 2006 to the Canadian Agency for Drugs and Technologies in Health (CADTH), 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 exists under CCOHTA.

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.

As part of the CDR process, the Canadian Expert Drug Advisory Committee (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.

Each of the drug benefit plans that participate in CDR makes its own formulary listing and benefit coverage decisions based on the recommendation from the CDR process, 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 Federal Pharmacy and Therapeutics Committee (FP&T):

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 FP&T 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 FP&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 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 Federal Healthcare Partnership. On November 23, 2004, the results of this audit were

tabled in the House of Commons as part of a larger report prepared by the OAG. In Chapter 4, titled *Management of Federal Drug Benefit Programs*, the Auditor General made five recommendations - four of which warranted horizontal consideration and a collaborative response by the FHP.

Since December 2004, representatives of the six permanent member organizations of the FHP have been working collaboratively in Task Groups under the leadership of the FHP Secretariat to develop tools and take action in response to the Auditor General's recommendations. As a first step, the Task Groups developed an action plan identifying the 'first priority activities' that they would be undertaking. Between April and December 2005, Task Group members met approximately weekly via teleconference, and participated in five multi-day workshops to carry out their first priority commitments. An FHP progress report describing the work of the Task Groups and detailing 'next steps' toward further development and implementation of the tools developed by the Task Groups was submitted to the OAG in October 2005.

An overview of Task Group activities that were either commenced or completed in 2005/2006 are listed in the Summary of Key Activities table found in Appendix A of this report, and critical accomplishments are identified below in 3.4.4, Performance Results.

3.4.4 PERFORMANCE RESULTS

The one-year agreement between HC/VAC/RCMP and the Representative Board of Saskatchewan Pharmacists increased dispensing fees by 3.9% for prescription drugs and administrative fees by 3.3% for over-the-counter products. These fee increases were less than the cost of living increases over the previous three years.

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.

Participation in both the CDR and the FP&T Committee has resulted in the FHP partners making drug listing decisions based on both therapeutic and cost effectiveness factors. Adherence to this evidence-based process has reduced the number of new drugs listed and has shown some effect on slowing the rate at which drug program expenditures have been increasing. The methodology to calculate this cost

savings/avoidance is currently under development, but initial review indicates that it is likely in the millions of dollars and will exceed the original cost savings/avoidance anticipated.

The FHP's collaborative work in response to the Auditor General's November 2004 Report resulted in a number of notable accomplishments in 2005-2006, and included the following:

- The drugs and drug products common to the core formularies of the six drug benefit programs were identified as a starting point for development of cost-management strategies for the programs.

- Drug benefit program objective statements were developed from a common starting point to facilitate subsequent development of common performance measures for the programs.

- The Federal Drug Benefits Committee was established as a vehicle for continuing dialogue and information-sharing among the FHP partners concerning the drug benefit programs, particularly regarding cost management.

3.4.5 ONGOING ACTIVITIES

Implementation of the strategy and schedule to negotiate joint agreements with other provincial pharmacy associations will continue.

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.

The FHP partners also continue to work together to develop their collaborative response to the Auditor General's November 2004 recommendations.

3.5 VISION

Total expenditures for vision care products and services for the FHP partner departments (HC, VAC, RCMP) for fiscal year 2004-2005 amounted to $31.9 million. The expenditures for 2005-2006 are expected to be consistent with this figure *(departmental data was not available at time of printing of this report)*.

Vision care covers a range of medically necessary products and services. FHP partner departments use two procurement methods to set fees within their programs. HC, VAC and the RCMP negotiate agreements with professional associations in order that their clients have access to a provider of choice. DND and CSC are able to opt for single providers through Standing Offer Agreements (SOAs) contracted on their behalf by PWGSC. All partners may access DND's SOAs if they so choose.

3.5.1 JOINT NEGOTIATING AND PURCHASING

FHP vision care agreements are in effect in the four Atlantic provinces and under development in Québec.

The FHP partners (HC, VAC, RCMP) have been guided by a common set of definitions and benchmarks to compare how much they are paying for the most commonly purchased items amongst departments, and versus the retail market. As a result, fees have been capped and/or harmonized resulting in annual increases in service fees being limited to the Consumer Price Index, and product fees capped based on a major manufacturers wholesale price list.

Furthermore, in the 2004-2007 Business Plan, total cost savings/avoidance of $1.5 million were forecast for the period 2005-2006. These savings were not realized as the FHP was unable to establish a new agreement or renew existing agreements in Alberta, Saskatchewan and British Columbia. Despite the partnership's best efforts, the Associations were not willing to agree to the fees offered under the terms of an agreement. Cost savings/avoidance are considered to have reached a steady state.

3.5.2 PROGRAM MANAGEMENT

The FHP partners (HC, VAC, RCMP) have put their efforts into consultations and discussions to help reach consensus in negotiations, and streamline the Memorandum of Understanding (MOU) administration.

Negotiations have also been streamlined through the regular use of standardized briefing notes, terms of reference and project plans.

3.5.3 PERFORMANCE RESULTS

The FHP partners (HC, VAC, RCMP) have consistently capped fees or strategically escalated within agreed upon targets. Reported cost savings/avoidance have reached a steady state.

A revised methodology for administering fee changes under the Atlantic MOU was achieved this fiscal year amongst the FHP partners.

3.5.4 ONGOING ACTIVITIES

Activities within the vision care program area will include:

- *Atlantic Canada* - continue the administration of an agreement with the Atlantic Provinces' Association of Optometrists
- *Québec* - conclude the sign-off process of an agreement in principle with the Québec Optometrist Association
- *Alberta* - explore feasibility of joint negotiations

**HC had not finalized its data at the time of printing of this Annual Report, but indicated that it will provide such data in the FHP Annual Report for FY 2006-2007*.

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. In FY 2005-2006 the program yielded savings/cost avoidance of $5,447,541 in the VAC's Ontario and Western Regions.

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 Pacific Region FHP pilot project in December 2002 with the intent that this joint program would then be extended nationally. The Prairies Region (VAC) joined the Equipment Recycling program in November 2003.

In 2005-2006, regulations surrounding the disposal of medical equipment were revisited, and a formal policy review was completed in conjunction with Health Canada, the Treasury Board of Canada Secretariat and PWGSC's Crown Assets. As a result of these changes, improvements were made to the management of medical equipment storage facilities, as well as enhancements to the disposal mechanisms.

Furthermore, in 2005-2006, a complete rewrite of all expired or expiring standing offers was completed, ensuring the inclusion of the terms and conditions as per the updated disposal policy information, as well as numerous updates and improvements to the overall framework of the Equipment Recycling program.

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 Medavie Blue Cross/FHCPS data has shown overall estimated cost savings/avoidance for FY 2005/2006 of over $5.4 million as a direct result of this initiative.

3.6.4 ONGOING ACTIVITIES

In 2004, a full review of all areas of the Equipment Recycling Program was undertaken 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. Fiscal year 2005-2006 saw the continuation of these efforts. Indeed, in an effort to broaden participation in the program, business procedures were mapped and analyzed for potential areas of improvement. Risk analysis was conducted and an information management strategy is being rolled out.

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.

**HC had not finalized its data at the time of printing of this Annual Report, but indicated that it will provide such data in the FHP Annual Report for FY 2006-2007*.

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 accelerated 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 with one organization within the Federal Government. Accordingly, the FHP Secretariat (FHPS) represented FHP member departments at all CHI meetings in FY 2005-2006. FHPS coordinated Federal responses for requests for information from various agencies while communicating information concerning Infoway programs and standards development work to FHP member departments.

The FHPS is in the process of developing 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, were obtained by the FHPS 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 FHPS staffed a CIO position, and a Health Information Management Working Group was established with representation from each member department and other departments and interested parties (such as Transport Canada, Human Resources and Social Development Canada, the Privacy Commissioner and the Treasury Board of Canada Secretariat) 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. Results in two strategic objectives were identified:

1. In FY 2005-2006 the FHP created a working group to increase 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 commenced development of 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.

3.7.4 ONGOING ACTIVITIES

In 2005/2006, the FHPS 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 FHPS continued to represent FHP Member Departments at the Infoway CIO forum.

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

In order to fulfill the FHP's mandate to improve the horizontal management of health issues at the federal level, partner departments decided to 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 are 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. The FHP is responsible for identifying and representing the interests of the federal health delivery departments at F/P/T committees, sub-committees and working groups, and for reporting results back to departments. FHP representatives also lead or carry out the work required between F/P/T meetings.

The result of the FHP work is that the provinces and territories have a single point of contact with federal health care delivery organizations, and thus make most efficient use of their resources. Indeed, provinces and territories have expressed a strong desire to work more closely with their federal counterparts in healthcare delivery.

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

3.9 Other Areas of Support

MENTAL HEALTH

In November 2004, the Senate Standing Committee on Social Affairs, Science and Technology tabled three interim reports on the state of mental health and substance use in Canada, from a federal perspective. In April 2005, the federal Minister of Health created an Interdepartmental Task Force on Mental Health (IDTF) which in turn created three working groups.

As part of its mandate 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, the FHP Secretariat supported the activities of

the Working Group on Mental Health and Addiction Services, and Prevention and Promotion (WG on MHASPP), and provided the WG with a research, liaison and administrative support resource. The Secretariat also contributed to the development of the broader federal strategy on mental health through its participation in the IDTF.

HOME AND CONTINUING CARE

In 2003, five departments (Health Canada, RCMP, Department of National Defence, Indian and Northern Affairs and Veterans Affairs Canada) agreed to share in the vision of the Home and Continuing Care Working Group to serve as the network for the sharing of information and coordinating the contribution to the development of Federal policy on the home and continuing care needs of Canadians who are the direct responsibility of the Federal Government. The role of the Federal Healthcare Partnership in this Working Group on Home and Continuing Care is to serve as the network tool for the sharing of this information.

The goals of the Working Group are to

- ensure that F/P/T policies, practices and discussions consider needs of Canadians who are the direct responsibility of the Federal Government;
- explore the development of common policies for federal clients for application at the discretion of each department (as determined by the mandate and mission requirements of each department);
- develop/share best practices;
- provide a forum for liaison with other experts at the federal, provincial and community levels.

In FY 2005-2006, bi-monthly meetings of the Working Group were ongoing and proved 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.

INFORMATION GATHERING AND EXCHANGE

The FHP staff, partner departments and contractors provided cost/benefit analyses of program areas. Steps were taken to enhance 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. FHPS participates on the Canadian Optimal Medication Prescribing and Utilization Service (COMPUS) Advisory Committee COMPUS, the Advisory Committee for Pharmaceuticals, and the Federal/Provincial/Territorial Vaccine Supply Working Group representing several federal departments. FHP has also taken an active role in conveying information concerning emerging health information standards from Canada Health Infoway to FHP member departments.

HEALTH HUMAN RESOURCES (formerly referred to as Health Care Professional Services)

In late Fall 2005, the FHP Secretariat was asked by its partners to coordinate a Forum on Health Human Resources (HHR) that would help participants better understand the challenges and issues faced by other federal organizations, and to become knowledgeable with the work being done in this field amongst federal partners. The Forum encouraged information-sharing among federal partners on the work accomplished to date, and further discussions were held on the emerging need to collectively address existing problems.

The FHP Secretariat facilitated the reporting by the Federal Government on its HHR commitments undertaken in the First Ministers' 2003 Agreement to strengthen health care through a 10-year plan. In this plan, federal, provincial and territorial governments agreed to increase the supply of health professionals based on their assessment of the gaps and to make their action plans public, including targets for training, recruitment and retention of professionals by December 31, 2005.

A second Forum was organized by the FHP Secretariat in January 2006 to build on the previous discussions regarding the federal strategy on HHR, and to reach agreement on a tangible series of next steps for the group. The FHP continued to explore whether there was a willingness on the part of its member departments to work together on this critical file on common health human resources interests and to determine interest on the part of partners to provide human and/or financial resources to support an initial project.

RESULTS-BASED MANAGEMENT

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

4. Performance against the FHP 2004-2007 Business Plan

This section of the Annual Report provides a comparative analysis of FHP activities conducted in 2004-2007 versus activities forecast in the 2004-2007 FHP Business Plan. *Program details are provided after the Summary of Estimated vs Actual Cost Containment table.*

Program/Activity	Retrospective against FHP 2004-2007 Business Plan
Audiology	Cost savings/avoidance in the audiology program slightly exceeded expectations in the 2004-2007 Business Plan due to higher than forecasted volumes of hearing products being purchased. These savings were largely off-set by increases in departmental spending on hearing products.
Dental	Cost savings/avoidance were projected for two activities in the dental program area which included the following: ‣ a strategy for common fees for general practitioner dentists and denturists ‣ exploratory research on fees for dental specialists By early 2004/2005, HC and VAC fully implemented a common standard for fees with each department being responsible to report the results of this activity through individual departmental reports. In addition, results of research on fees for dental specialists determined that this project was not feasible and, therefore, was not pursued.
Oxygen	The trend toward rapidly rising costs in oxygen therapy has been reversed with an annual reduction in program expenditures of approximately $3.0 million for FY 2005-2006, which exceeded the original estimate of $2.39 million. This reduction is expected to continue for the next few years. Further efforts in the oxygen program will consist of monitoring expenditures and therapy for future trends.

Pharmacy	Opportunities to collaborate on cost savings/avoidance efforts continue to be identified by the newly-established Federal Drug Benefit Committee. Participation in existing initiatives such as the Common Drug Review and the Federal Pharmacy and Therapeutics Committee have resulted in listing or not listing of new drugs based on both therapeutic and cost effectiveness factors. Adherence to this evidence-based process has reduced the number of new drugs listed, and has shown some effect on decreasing the rate at which drug program expenditures have been increasing. The methodology to calculate this cost savings/ avoidance is currently under development, but initial review indicates it is approximately $21 million and exceeds the original anticipated savings. The methodology to report cost savings/ avoidance resulting from joint negotiations with provincial pharmacy associations is also being developed.
Vision	Cost savings/avoidance in the vision program forecast in the 2004-2007 Business Plan have not been met. The FHP was unable to negotiate new agreements in Manitoba, Ontario and British Columbia, and were unable to renew the existing agreement in Saskatchewan. Despite the partnership's best efforts, the Associations were not willing to agree to the fees offered under the terms of an agreement. Further, cost savings/avoidance are considered to have reached a steady state in Atlantic Canada.
Medical Supplies and Equipment	Cost savings/avoidance in the Medical Supplies and Equipment program was slightly below that estimated in the FHP 2004-2007 Business Plan. However, during that period, an overall program review markedly improved the framework and reporting capabilities of the program positioning it for future buy-in from other partner departments.

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 ambulances, 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.
Pain Management	Although activity monitoring was initially ongoing, the program area of pain management was re-evaluated by partner departments and no longer considered priority for fiscal years 2004-2007.
Health Care Professional Services	The original activities of the Health Care Professional Services program were amended following the 2004 First Minister's Meeting to focus on recruitment and retention. In keeping with this revised focus, the name of the program was changed to Health Human Resources. The 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.
Information and Communications Technologies	The Information and Communications Technologies program was renamed in 2004 to *Health Information Management* to better reflect the work required and that being performed. Activities were revised with onus on the creation of an enterprise architecture plan.

F/P/T Representation	The FHP continued to participate in a number of joint F/P/T initiatves either as a federal representative or as a resource.
Mental Health	Although activity monitoring was ongoing in 2004-2005, it was in FY 2005-2006 that the Mental Health file was launched in the FHP.
Orthotics	Although activity monitoring was initially ongoing, the program area of orthotics was re-evaluated by partner departments and no longer considered priority for fiscal years 2004-2007.
Home and Continuing Care	In 2003, five departments (HC, RCMP, INAC and VAC) 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, bi-monthly 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.
Health Promotion	Partner departments originally agreed to explore the joint development of a hearing loss education/prevention program during fiscal years 2004-2007. However, although 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, these activities were not initiated due to conflicting priorities.
Negotiations Seminar	A Negotiation Seminar organized by the FHP Secretariat was held on October 27-28, 2004 in Ottawa as set out in the Business Plan. The 24 participants learned effective negotiation planning and techniques.
Results-Based Management	FHP monitored and analysed results of FHP activities using its Accountability Framework and Performance Indicators, and report findings to the Treasury Board of Canada Secretariat (TBS). Further, in 2005, it began work on a Results-Based Management Framework in collaboration with the Treasury Board Secretariat.

Summary of Estimated vs Actual Cost Containment

Program / Activity *(2006-2007 cost containment tbc in FHP 2006-2007 Annual Report)*	FHP Business Plan 2004-2007 Cost Containment Estimates	FHP 2004-2005 Annual Report Confirmed Cost Containment	FHP 2005-2006 Annual Report Confirmed Cost Containment
Audiology			
2004-2005	$ 11 113 750	$11 845 996	
2005-2006	$ 11 113 750		$12 299 399
2006-2007	$ 11 113 750		
Dental			
2004-2005	$ 725 000	$ 0	
2005-2006	$ 825 000		$ 0
2006-2007	$ 825 000		
Oxygen			
2004-2005	$ 2 066 000	$1 800 000	(Approx.)
2005-2006	$ 2 391 000		$3 000 000
2006-2007	$ 2 516 000		
Pharmacy			
2004-2005	$ 3 700 000	$2 200 000	
2005-2006	$ 7 200 000		$21 165 000
2006-2007	$ 7 200 000		
Vision			
2004-2005	$ 1 495 172	$ 0	
2005-2006	$ 1 545 172		$ 0
2006-2007	$ 1 795 172		

Program / Activity *(2006-2007 cost containment tbc in FHP 2006-2007 Annual Report)*	FHP Business Plan 2004-2007 Cost Containment Estimates	FHP 2004-2005 Annual Report Confirmed Cost Containment	FHP 2005-2006 Annual Report Confirmed Cost Containment
Medical supplies and equipment 2004-2005 2005-2006 2006-2007	 $ 4 850 000 $ 6 100 000 $ 7 100 000	 $3 600 000	 $5 448 000
Cost of Hospital and Medical Services 2004-2005 2005-2006 2006-2007	 $ 100 000 $ 500 000 $ 1 000 000	 Not initiated	 Not initiated
Pain Management 2004-2005 2005-2006 2006-2007	 $ 0 $ 0 $ 0	 Not initiated	 Not initiated
Health Care Professional Services (subsequently changed to Health Human Resources) 2004-2005 2005-2006 2006-2007	 $ 0 $ 0 $ 0	$ 0	$ 0
Information and Communications Technologies (subsequently changed to Health Information Management) 2004-2005 2005-2006 2006-2007	 $ 0 $ 0 $ 0	$ 0	$ 0

Program / Activity *(2006-2007 cost containment tbc in FHP 2006-2007 Annual Report)*	FHP Business Plan 2004-2007 Cost Containment Estimates	FHP 2004-2005 Annual Report Confirmed Cost Containment	FHP 2005-2006 Annual Report Confirmed Cost Containment
Federal/Provincial/ Territorial Representation 2004-2005 2005-2006 2006-2007	 $ 0 $ 0 $ 0	 $ 0	 $ 0
Mental Health 2004-2005 2005-2006 2006-2007	 $ 0 $ 0 $ 0	 $ 0	 $ 0
Orthotics 2004-2005 2005-2006 2006-2007	 $ 0 $ 0 $ 0	 Not initiated	 N/A
Home and Continuing Care 2004-2005 2005-2006 2006-2007	 $ 0 $ 0 $ 0	 $ 0	 $ 0
Health Promotion 2004-2005 2005-2006 2006-2007	 $ 0 $ 0 $ 0	 Not initiated	 N/A
Total 2004-2005 2005-2006 2006-2007	 $ 24 049 922 $ 29 674 922 $ 31 549 922	 $ 19 445 996	 $41 911 940

Program Undertaken by FHP Not Initially Listed in FHP Business Plan

Additional programs undertaken beyond those listed in FHP Business Plan 2004-2007 or Modified from Original	Year Started
Response to the November 2004 Report of the Auditor General of Canada re: Management of Federal Drug Benefit Programs	2004

Cost Savings/Avoidance Estimated in FHP 2004-2007 Business Plan vs Actual Net Cost Savings/Avoidance

Fiscal year	Estimated Cost Savings/Avoidance	Actual Net Cost Savings/Avoidance *(savings - expenditures)*
2004-2005	$ 24 049 922	$16 731 825
2005-2006	$ 29 674 922	$38 613 812
2006-2007	$ 31 549 922	(tbd)

The FHP realized most of the cost containment activities forecast in its FHP 2004-2007 Business Plan, and went one step further in terms of its own anticipated outputs. The FHP undertook work as the coordinating body for the Government of Canada Response to the Auditor General's November 2004 Report (Management of Federal Drug Benefit Programs); it took a key role in the Health Information Management file creating a baseline architecture for its partner departments following in-depth research as to provincial and federal electronic health records system requirements; it linked its partner departments in first steps towards the development of a mental health strategy; and began analysis on health human resources.

Although some of the activities taken on by the Partnership will not initally realize economies for the FHP partners, the fact remains that a single-point coordinator of an activity that would otherwise require work to be completed in each partner department does and will ultimately save both time and resources.

Three initiatives (Cost of Hospital and Medical Services, Pain Management, and Health

Promotion) initially slated for action in the FHP 2004-2007 Business Plan were removed due to lack of return on investment, time constraints or reconsideration in light of more pressing issues for the partner departments.

It should be noted that the FHP Secretariat began the process of preparing a Results-Based Management Framework (RMAF) in consultation with the Treasury Board Secretariat and in light of requirements for modern comptrollership. The document is anticipated for release in 2007.

5. 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;
- Open lines of communication that have been established by the FHP, and insight it provides into other government departments and the healthcare industry;
- A network of intelligence via sources such as the provinces, federal departments and agencies, and experts in the private sector and academia.

Cost Savings/Avoidance; 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;
- Venue for raising awareness of partner departments regarding the federal role in health care delivery, and vehicle to undertake actions that can address those issues effectively;
- 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 in various areas of common interest including the development of a common federal strategy for Information and Communications Technologies (ICTs) in health. There is agreement to collaborate on such 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 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.

6. FINANCIAL HIGHLIGHTS

For the 2005-2006 reporting period, cost savings/avoidance of over $41.9 million were achieved through agreements in audiology, medical equipment recycling, oxygen and, pharmacy programs. The actual costs associated with the FHP activities were approximately $3.3 million for 2005-2006 for a net savings of over $38 million (FHP net savings are calculated as the savings realized during the year less the costs associated with the year's activities).

The projected cost savings/avoidance for FY 2005-2006, as based on the FHP Business Plan for 2004-2007, were $29.6 million with a net savings of $26 million. However, the efforts of the FHP resulted in savings/cost avoidance that far surpassed those estimated in the said Business Plan. The original estimated net savings/cost avoidance of $26 million was successfully exceeded by over $12 million.

Initial estimates were based on the following factors:

- fully completing all planned activities on schedule for the reporting period, and assuming there would be no conflicting priorities for partner departments, or changes in the areas of financial or human resources;
- projected cost savings/avoidance were conditional based on the date and level of implementation of these planned activities, and precise timing of activities.

In some cases,

- the Partnership was unable to negotiate prices on agreements, or renegotiate better prices on agreements already in place and thus, in certain program areas, was 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 cost savings/avoidance 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.

6.1 FHP Cost Savings/Avoidance and Expenditures Chart

	2003-2004		2004-2005		2005-2006	
	Projected	**Actual**	**Projected**	**Actual**	**Projected**	**Actual**
Savings/Cost Avoidance	$17 630 000	$19 916 045	$24 049 922	$19 406 608	$29 674 922	$41 911 940
Expenditures	$2 630 000	$2 441 425	$3 685 880	$2 674 783	$3 668 945	$3 298 128
Net Savings/Cost Avoidance	$15 000 000	**$17 474 620**	$20 364 042	**$16 731 825**	$26 005 977	**$38 613 812**

6.2 FEDERAL HEALTHCARE PARTNERSHIP - SUMMARY OF DEPARTMENTAL CONTRIBUTIONS

DEPARTMENT	Total FHP Secretarial and Departmental Contributions (including salary, professional services, training, o & m and travel)		
	2003-2004	2004-2005	2005-2006
CSC	$45 000	$65 000	$65 000
DND	$98 000	$91 000	$100 000
HC	$686 350	$806 318	$102 000*
RCMP	$87 000	$107 300	$180 300
VAC	$255 375	$285 000	$397 396
PWGSC	$121 000	$121 000	$113 500
TBS	$7 700	$7 700	$7 700
CIC	$0	$0	$98 232
Total Departmental Contributions	**$1 300 425**	**$1 483 318**	**$1 064 128**
FHP Secretariat Costs	**$1 141 000**	**$1 191 465**	**$2 234 000**
Total FHP Costs	**$2 441 425**	**$2 674 783**	**$3 298 128**

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 (thereby making contributions for Health Canada considerably higher in comparison to those of other partner departments). However, this method no longer applies due to policy change and departmental contributions are considerably lower than those previously reported.

Appendix A: Activity Summary Chart

Activities	Completed in 2005/06	In Progress	Yearly Cost Savings/ Avoidance (forecasts in brackets)[1]
Audiology: • Maintain CAEA agreement • Joint Policy Review for more standardization among partners	✓	✓	**$12,299,399** ($11,113,750)

Dental:
 	
• Maintain common Standard for Dental Fees:
 	
• Federal Dental Care Advisory Committee:
  • Meetings held
  • Records of Decision published
 	
No activities due to change in priorities
		✓
		
		✓
		✓
			VAC reports cost savings / avoidance in this program area (FHP reports $0)
			
			($825,000)

Oxygen: • SOA renegotiation for oxygen therapy • Program policy review		✓ ✓	(Approx.) **$3,000,000** ($2,391,000)

Activities	Completed in 2005/06	In Progress	Yearly Cost Savings/ Avoidance (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		✓	
- Set Negotiation Schedule	✓		
- Renegotiation of Saskatchewan Pharmacy Agreement	✓		($7,200,000)
- Negotiate a joint agreement with the BC Pharmacy Association		✓	
• Federal Pharmacy and Therapeutics Committee: - Review of Operation to take into consideration CDR process, Natural Health Products and OAG recommendations		✓	
• Participation in Common Drug Review: - involvement in the Common Drug Review Process		✓	approx. $21,000,000 (tbd)

Activities	Completed in 2005/06	In Progress	Yearly Cost Savings/ Avoidance (forecasts in brackets)[1]
Response to the 2004 Report of the Auditor General: *Although all FHP partner organizations were involved in the activities identified below, not all partner organizations were referenced in each of the recommendations from the Auditor General that generated the activites. Implementation of the tools that will ultimately result from this collaborative work will, therefore, vary across partner organizations.*			
First Level Action Plan:			N/A
- Develop a complete package of drug benefit program objective statements	✓		
- Prepare work plan for developing and implementing performance measures, and propose cost-based performance measures appropriate for all FHP partner organizations	✓		
- Complete comparative analysis of codes and messages currently in use for alerts and overrides; compare capabilities of existing claims processing systems; and report on options for standard use of codes	✓		
- Complete comparative analysis of policies and procedures in place for addressing inappropriate overrides	✓		
- Compare and report on departmental Drug Use Evaluation (DUE) requirements, and propose common definitions	✓		
- Liaise with Canadian Institute of Health Information (CIHI) for information session on *National Prescription Drug Utilization Information System* (NPDUIS); and report on decisions to participate in NPDUIS.	✓		
- Compare departmental formularies; produce report identifying core formulary drugs common to all FHP organizations; and develop options analysis on management structure for common core formulary	✓		
- Request for information and, subsequently, Request for Proposal posted on MERX; and contract awarded to consulting firm to explore and develop 'best value' options for the federal drug benefit programs	✓		
- Prepare audit process work plan	✓		
- Compile negotiation schedule for provincial pharmacy agreements	✓		
- Establish a forum to begin dealing with privacy and security concerns	✓		
Next Level Action Plan:			
- Develop standard methodology for cost-based performance measures		✓	
- Develop common set of pharmacy alert messages		✓	
- Develop quantity limits on targeted drugs		✓	
- Develop common DUE framework and voluntary DUE registry		✓	
- Develop a common audit framework (to include consideration of inappropriate use of overrides by retail pharmacists)		✓	
- Develop a strategy for joint negotiation of common fees for drug benefits and over-the-counter drugs/drug products			

Activities	Completed in 2005/06	In Progress	Yearly Cost Savings/ Avoidance (forecasts in brackets)[1]
Vision: • Joint Agreements - Maintain Joint Atlantic Agreement	✓	✓	**$0** ($1,545,172)
Medical Supplies and Equipment: • Special Equipment Recycling Program: - Expand VAC into the Prairies - Phase HC into B.C. pilot project - Renegotiate RMSO in Pacific - Strengthen ON program - Strengthen frameworks to achieve maximum buy-in to program from other regions and departments	 ✓ ✓ ✓	 ✓ ✓	 **$5,447.541** ($6,100,000)
Information and Communications Technologies in Health: • 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 • Creation of contract for Informatics Services available to all FHP partner departments		 ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	 $0 ($0)

Activities	Completed in 2005/06	In Progress	Yearly Cost Savings/ Avoidance (forecasts in brackets)[1]
Home and Continuing Care:			
• Working Group meetings held - 5	✓		$0
• Housing and Home Care Forum	✓		($0)
• Chronic Disease Management Workshops		✓	
• Chronic Disease Management: Survey and Proposed Website		✓	
Mental Health:			
As per the plan of action of the Working Group on Mental Health and Addiction Services, and Prevention and Promotion,			$0 ($0)
• Describe existing programs and services	✓		
• Describe existing collaborative initiatives	✓		
• Describe existing governance of service delivery	✓		
• Assess gaps in programs/services		✓	
• Assess possible new collaborative initiatives		✓	
• Assess possible new governance modalities		✓	
• Propose a coordinated federal framework		✓	
In support of the FHPS,			
• Draft an FHPS proposal in the context of an eventual MC on mental health		✓	
Human Health Resources:			$0
• Forum organized in Fall 2005	✓		($0)
• Forum organized in January 2006	✓		
Results-Based Management:			($0)
• Preparation of 2007-2010 FHP Business Plan	✓		
• Preparation of 2005-2006 FHP Annual Report		✓	
• Review of Work Plan 2005-2006		✓	
• Preparation work for FHP RMAF	✓		
Total cost savings/avoidance for 2005-2006 from completed activities			$41,911,940 ($29,674,922)

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

Note: Partner departments' priorities have changed and therefore the *Health Promotion* and *Cost of Medical and Hospital Services* (earmarked in the 2004-2007 Business Plan for $500,000 cost savings/avoidance) did not proceed as anticipated in this fiscal year. For further explanation, see Section 4.

Appendix B: Performance Indicator Tables (con't)

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. The outcome of the activities in each business line is measured through a number of performance indicators as follows.

GOAL of Business Line 1: Joint Purchasing and Negotiating of Healthcare Supplies and Services 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/avoidance 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

DEPARTMENT	AUDIOLOGY EXPENDITURES ($Millions)					
	2003-2004		2004-2005		2005-2006	
	# clients	$M	# clients	$M	# clients	$M
CORRECTIONAL SERVICE CANADA	12 650	0.42	12 623	0.43	12 671	0.134
HEALTH CANADA - NIHB	749 825	2.33	764 523	2.37	779 950	2.23
NATIONAL DEFENCE	91 465	0.74	91 534	0.59	94 056	0.717
ROYAL CANADIAN MOUNTED POLICE	16 238	N/A	16 625 + 3 700= 20 325	0.42	16,442 + 3,918= 20,360	0.42
VETERANS AFFAIRS	132 865	36.8	132000	36.9	134 000	40.7
TOTALS	1 003 043	40.3	1 021 005	40.8	1 041 037	44.201

DEPARTMENT	DENTAL EXPENDITURES ($Millions) (including supplies and services)					
	2003-2004		2004-2005		2005-2006	
	# clients	$M	# clients	$M	# clients	$M
CORRECTIONAL SERVICE CANADA	12 650	2.8	12 623	2.8	12 671	1.717
HEALTH CANADA - NIHB	749 825	134.5	764 523	140.3	779 950	143.2
NATIONAL DEFENCE	91 465	18.6	91 534	19.4	94 056	21.4
ROYAL CANADIAN MOUNTED POLICE	16 238	8.53	16 625 + 3 700= 20 325	9.1	16 442+ 3 918= 20 360	10.24
VETERANS AFFAIRS	132 865	18.09	132 000	19.32	134 000	19.6
CITIZENSHIP AND IMMIGRATION CANADA	N/A	N/A	N/A	N/A	81 264	1.1
TOTALS	1 003 043	182.5	1 021 005	190.9	1 122 301	197.26

DEPARTMENT	OXYGEN & PERIPHERALS EXPENDITURES ($Millions)					
	2003-2004		2004-2005		2005-2006	
	# clients	$M	# clients	$M	# clients	$M
CORRECTIONAL SERVICE CANADA	12 650	n/a	12 623	n/a	12 671	n/a
HEALTH CANADA - NIHB	749 825	1.95	764 523	2.27	779 950	2.02
NATIONAL DEFENCE	91 465	0.609	91 534	0.614	94 056	0.05
ROYAL CANADIAN MOUNTED POLICE	16 238	0.16	16 625 + 3 700= 20 325	0.18	16 442+ 3 918= 20 360	0.22
VETERANS AFFAIRS	132 865	5.62	132 000	4.98	134 000	4.7
TOTALS	1 003 043	8.339	1 021 005	8.044	1 041 037	6.988

DEPARTMENT	PHARMACEUTICALS EXPENDITURES ($Millions) (including all drugs and related costs, medical supplies and equipment and O & M)					
	2003-2004		2004-2005		2005-2006	
	# clients	$M	# clients	$M	# clients	$M
CORRECTION SERVICE CANADA	12 650	17	12 623	17.2	12 671	19.45
HEALTH CANADA- NIHB	749 825	327	764 523	343.9	779 950	368.4
NATIONAL DEFENCE	91 465	31.5	91 534	36.9	94 056	37.4
ROYAL CANADIAN MOUNTED POLICE	16 238	7.5	16 625 + 3 700= 20 325	7.7	16 442 + 3 918= 20 360	8.54
VETERANS AFFAIRS	132 865	111.2	132 000	118.3	134 000	123.3
CITIZENSHIP AND IMMIGRATION CANADA	n/a	n/a	n/a	n/a	81 264	5.7
TOTALS	1 003 043	494.20	1 021 005	524	1 122 301	562.79

DEPARTMENT	VISION EXPENDITURES ($Millions)					
	2003-2004		2004-2005		2005-2006	
	# clients	$M	# clients	$M	# clients	$M
CORRECTIONAL SERVICE CANADA	12 650	0.41	12 623	0.4	12 671	0.28
HEALTH CANADA - NIHB	749 825	24.4	764 523	24.6	779 950	25
NATIONAL DEFENCE	91 465	2.6	91 534	2.2	94 056	1.65
ROYAL CANADIAN MOUNTED POLICE	16 238	1.14	16 625 + 3 700= 20 325	1.2	16 442 + 3 918= 20 360	1.42
VETERANS AFFAIRS	132 865	6.1	132 000	6.1	134 000	6.2
CITIZENSHIP AND IMMIGRATION CANADA	n/a	n/a	n/a	n/a	81 264	0.9
TOTALS	1 003 043	34.67	1 021 005	34.5	1 122 301	35.45

Notes:

Data in tables may vary slightly from that in the FHP 2004-2005 report as figures have been updated to reflect the most current numbers available from partner departments.

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.

HC-FNIHB: The figure for Health Canada - NIHB clients represents all registered eligible clients.
Audiology and Oxygen expenditures are also captured in the Pharmacy/Medical Supplies &Equipment expenditures.

RCMP: Figures for RCMP represent actual costs to March 15/06 with the remaining 16 days of the FY being estimated.