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Annual Report

2007-2008

Federal Healthcare Partnership

Canada

Federal Healthcare Partnership Secretariat

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Table of Contents

List of Tables and Figures

Message from the Chair of the Executive Committee

On behalf of the Federal Healthcare Partnership (FHP or Partnership), I am very pleased to present Treasury Board of Canada Secretariat with FHP's Annual Report for 2007/08—the 12th in the history of the Partnership, and my first as Chair of the Executive Committee.

During the reporting period, the Partnership made significant strides in a number of activity areas that respond to major priorities of the Government of Canada—most notably priorities respecting improving the health of Canadians, and managing expenditures.

Health Information Management (HIM) was an area of considerable effort in 2007/2008. The Partnership, led by FHP's Chief Information Officer, carried out work to facilitate development of electronic health information systems within Partner organizations and to ensure that Partners' electronic health information systems will be interoperable with emerging pan-Canadian electronic health information systems.

In 2007/08, the Partners also collaborated on initiatives designed to:

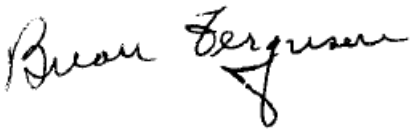
- address the health human resources challenges they are facing in their respective healthcare programs;
- optimize delivery of their drug benefit programs; and
- reduce healthcare program costs through negotiations.

Overall for 2007/08, the collaborative efforts of the Partners in the areas of audiology, health information management, medical equipment recycling, pharmacy and vision resulted in savings for the Crown totalling more than **$9.1 million** (net of costs). This is a significant accomplishment of which I am particularly proud.

However, I would be remiss if I did not give credit to my predecessor, FHP champion and former Executive Committee Chair, Associate Deputy Minister (retired), Ms Verna Bruce. In 2007/08, Ms Bruce was at the helm of FHP, and the accomplishments of the Partnership were in no small measure due to her dedication and guidance. Moreover, under her watch over the past ten years, the Partnership has become a vital part of the federal government's healthcare toolkit.

The Partnership is working on healthcare issues of significance to our programs, our clients, and indeed, all Canadians. Health information management, health human resources, and the cost of drug benefits, are but a few of the key areas in which the Partnership is involved.

Our collaboration through FHP is about optimizing the use of our resources to the benefit of our clients, and it is about speaking with one voice on healthcare issues of common concern. Our work matters—the Partnership matters. And as the newly-appointed Chair of the Executive Committee, I welcome the opportunity to be the Partnership champion, and to ensure that our important work continues in 2008/09.



Brian Ferguson
Senior Assistant Deputy Minister – Policy, Programs and Partnerships
Veterans Affairs Canada
Chair, FHP Executive Committee

1. INTRODUCTION

The Federal Healthcare Partnership (FHP or Partnership) was conceived in the early 1990's when, at the request of Treasury Board, Veterans Affairs Canada (VAC) agreed to collaborate with other federal government organizations to examine possibilities for coordinating federal healthcare purchasing. Based on the findings of the study, the Federal Healthcare Partnership (then called the Health Care Coordination Initiative) was established in 1994.

The mission of the Partnership, according to its Charter, is to identify, promote and implement more efficient and effective health care programs through collaboration. The Partnership has two main goals:

- to achieve economies of scale while enhancing provision of care; and
- to provide strategic issues leadership.

1.1 Who We Are

FHP is a voluntary alliance of federal government organizations with responsibilities given by legislation or policy for ensuring delivery of healthcare benefits, goods or services to specific client groups within the Canadian population. The Partnership has seven permanent members—the most recent addition, the Public Health Agency of Canada (PHAC), became a permanent member in March 2008[1]. A number of other federal government organizations, including Public Works and Government Services Canada (PWGSC) and Treasury Board of Canada Secretariat (TBS), participate in FHP activities or files that are of specific interest to them.

FHP's governance structure includes an Executive Committee with Assistant Deputy Minister-level representation from the Partner organizations; and a Management Committee with Director General-level representation. A Secretariat manages the daily business, administrative and operational activities of the Partnership.

The Secretariat, which is under the stewardship of Veterans Affairs Canada (VAC), is headed by an Executive Director, who in 2007/08 reported to the Associate Deputy Minister of VAC. Changes within VAC's organizational structure at the conclusion of the fiscal year have resulted in FHP Secretariat coming under the purview of VAC's Senior Assistant Deputy Minister – Policy, Programs and Partnerships.

Table 1, below, identifies the six federal government organizations that were permanent members of FHP throughout 2007/08, and provides a brief description of their respective healthcare programs.

1 Before becoming a permanent member of FHP in March 2008, the Public Health Agency of Canada (PHAC) was involved in a number of FHP initiatives; PHAC's involvement, pre permanent membership, is reflected throughout this report.

Table 1: FHP Partners and Their Healthcare Programs – 2007/08

FHP Partner	# Eligible Clients	Total Health Expenditure ($ million)	Program Description
Citizenship and Immigration Canada (CIC)	101 791	$ 50	CIC's Interim Federal Health Program provides temporary healthcare services for refugees, refugee claimants, and those detained under the *Immigration and Refugee Protection Act* who are not eligible for provincial health insurance and who have no means to obtain health services.
Correctional Service of Canada (CSC)	21 200 [2]	157	CSC is responsible for providing federal inmates with essential health care, and reasonable access to non-essential mental health care that will contribute to the inmate's rehabilitation and successful reintegration into the community in accordance with professionally accepted standards.[3] CSC also provides limited health services in the community for eligible offenders.
Department of National Defence (DND)	86 000	538	The Canadian Forces Health Services is the designated healthcare provider for Canada's military personnel, delivering medical and dental services at military installations across Canada and overseas.
Health Canada (HC)	799 200	898	HC's involvement in FHP is principally through the First Nations and Inuit Health Branch's Non-Insured Health Benefits (NIHB) Program. The NIHB Program is HC's national, needs-based health benefit program that funds benefit claims for a specified range of drugs, dental care, vision care, medical supplies and equipment, short-term crisis intervention, mental health counselling and medical transportation for eligible First Nations people and Inuit.[4]
Royal Canadian Mounted Police (RCMP)	17 752 (regular members) 4 611 (retired)	57	RCMP is responsible for ensuring the provision of healthcare benefits for regular members, eligible civilian members (i.e., civilian members injured during the course of their duties), and eligible retired members (i.e., retired members in receipt of a disability pension where the disability is work-related).
Veterans Affairs Canada (VAC)	134 800	946	VAC offers healthcare benefits, goods and services to eligible Veterans and others who qualify under the terms of two programs: the Health Benefits Program, and the Veterans Independence Program. The former includes coverage for, among other things, medical, surgical and dental examinations; treatment by health professionals; surgical and prosthetic devices and aids; and prescribed drugs. The latter is a national home care program that works with other federal, provincial and municipal programs to help eligible clients remain in their homes.[5]
Totals	**1 166 154**	**2 646**	

2 On any given day, CSC is responsible for approximately 13,200 federally incarcerated offenders and 8,000 offenders in the community. However, over the course of the 2006/07 fiscal year, including all admissions and releases, CSC managed 19,500 incarcerated offenders and 14,000 supervised offenders in the community.

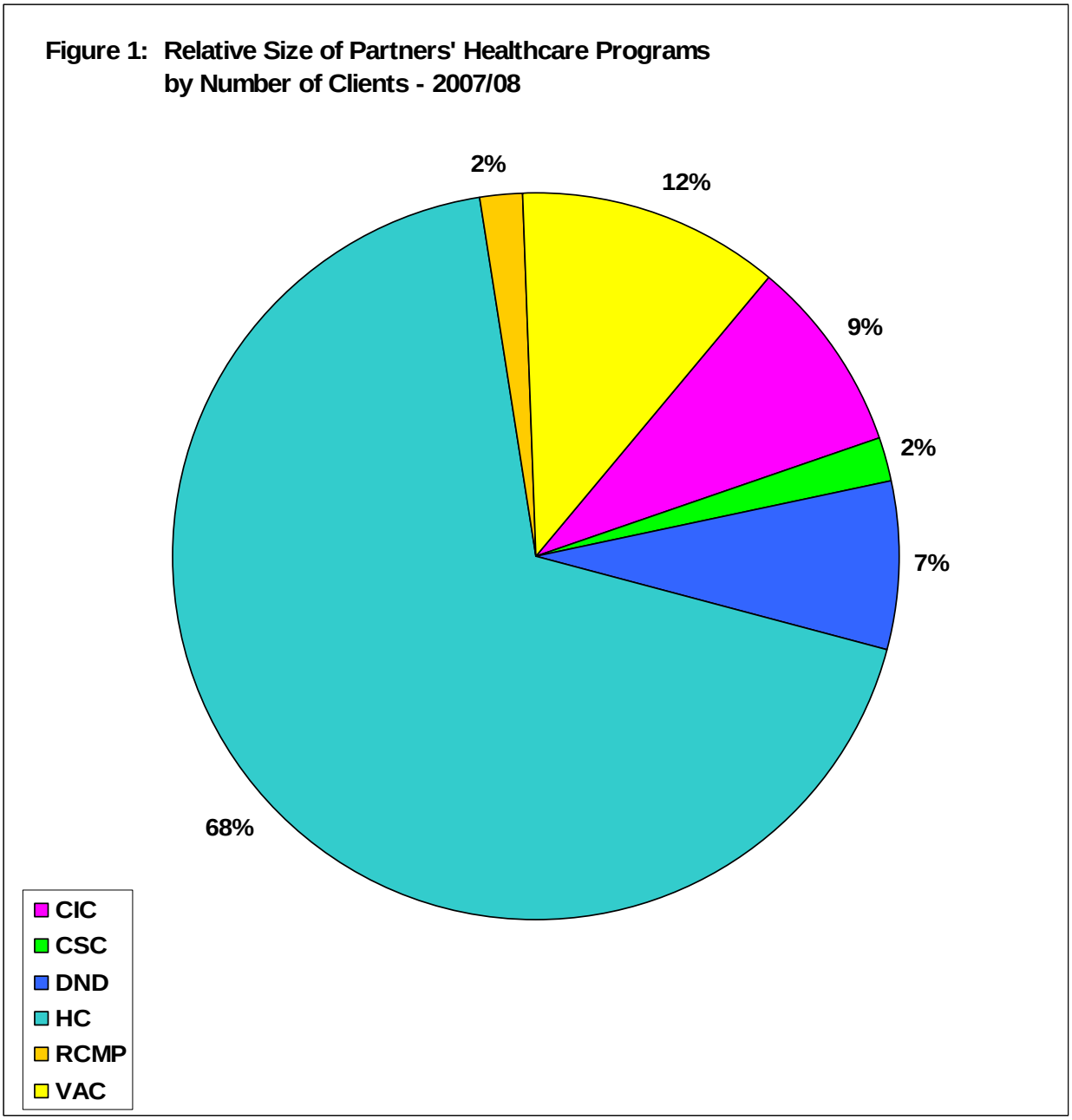
3 *Corrections and Conditional Release Act* (1992, c. 20), s.86

4 http://www.hc-sc.gc.ca/fniah-spnia/nihb-ssna/index-eng.php

5 Veterans Affairs Canada, *A Guide to Access VAC Health Benefits and the Veterans Independence Program*, April 2006.

Figure 1 below provides a graphic representation of the relative size of the Partners' healthcare programs based on the number of eligible clients per program in 2007/08.

Figure 1: Relative Size of Partners' Healthcare Programs by Number of Clients - 2007/08



2. PERFORMANCE BY AREA OF INVOLVEMENT

The business of FHP is conducted according to a three-year planning cycle—at three-year intervals FHP prepares a business plan, which forecasts Partnership activities and accomplishments for the coming three years. The Partnership then reports annually on its progress toward achieving the goals identified in the business plan.

This report—FHP's *Annual Report 2007/08*—provides an accounting of progress against accomplishments forecast in the first year of the *Federal Healthcare Partnership 2007-2010 Business Plan* (2007/10 Business Plan).

2.1 Governance, Business Planning and Administration

During the 2007/08 fiscal year, the FHP Executive Committee met on four occasions and the Management Committee on three, to consider and make decisions pertaining to issues of importance to the Partnership. Some of the more critical issues vetted through FHP's governance structure in 2007/08 were:

- progress on the health information Enterprise Architecture Plan;
- the need for a detailed business case to support migrating Partner organizations to a single claims processing system;
- collaboration with the Public Health Agency of Canada (PHAC) on their health human resources initiative;
- the need for shared funding of the Federal Pharmacy and Therapeutics Committee; and
- the benefits of having PHAC become a permanent member of the Partnership.

As forecast in the 2007/10 Business Plan, FHP Secretariat prepared the *Annual Report* for 2006, and with the approval of the Executive Committee, submitted it to TBS in October 2007. In addition, FHP Secretariat carried out a number of significant business activities, including the following:

2.1.1 Integrated Business and Human Resources Plan

FHP Secretariat completed its first *Integrated Business and Human Resources Plan* (HR Plan) in the summer of 2007. The HR Plan identified FHP Secretariat's staffing needs associated with each business priority listed in the 2007-2010 Business Plan; it also established strategies for staff retention and identified key positions requiring succession planning.

2.1.2 Results-Based Management Accountability Framework

In August 2007, FHP Secretariat convened a working group involving (among others) representatives of the six permanent member organizations of FHP, for the purpose of developing a new Results-Based Management Accountability Framework (RMAF) for the Partnership. The objective of the exercise was to collaboratively establish a framework that would:

- link Partnership activities to expected results;
- enable Partners to plan for and resource against Partnership activities; and
- facilitate monitoring, evaluation and reporting of results achieved through the Partnership.

By the end of the reporting period, the FHP RMAF had received approval in principle from FHP Management Committee members and was scheduled to be put forward to FHP Executive Committee members for final approval prior to submission to TBS.

2.2 Audiology

The primary purpose of the Partnership's work in the Audiology area is to develop opportunities for saving program dollars by leveraging the combined purchasing power of the Partners into a volume discount for the purchase of hearing products, and to facilitate discussion and information-sharing on policy matters.

Involved Partners: DND, HC, RCMP, VAC

Forecast Accomplishments:	**Progress:**
• Renew three-year hearing products Memorandum of Understanding (MOU) with the Canadian Auditory Equipment Association (CAEA) for the period November 2007 to November 2010	An MOU was signed in November 2007 between the CAEA and four Partner organizations (i.e., DND, HC, RCMP and VAC) for the specified period. The MOU provides the Partners with, among other negotiated benefits, a 20% discount off the National List Price for hearing products. This represents a 3% increase in the discount over what was specified in the previous MOU. The estimated combined savings realized by involved Partners as a consequence of the MOU with the CAEA amounted to approximately **$3.19 million**.
• Conduct a joint policy review	Ongoing. The Partners continue to exchange policy advice and share information and knowledge concerning the programs, fees and best practices in their respective organizations. In turn, the Partners collectively benefit from a strong, strategic and informed position, which is critical during negotiations with audiology associations.
• Explore joint negotiations for service fees	FHP Partners continue to explore options for service fee management.

2.3 Dental

The Federal Dental Care Advisory Committee (FDCAC) is made up of dental health professionals representing DND, HC-NIHB, RCMP and VAC, as well as dental health professionals who are external to the federal government and bring impartial, expert, evidence-based advice to Health Canada's Chief Dental Officer, and to FHP Partners. Representatives of the Assembly of First Nations, Inuit Tapiriit Kanatami, and the Association of Iroquois and Allied Indians participate as observers on this Committee.

The FDCAC approach provides clients of federal dental programs with assurance that their dental health needs are being considered in a fair manner, and in accordance with evidence-based guidelines. Upon request, the FDCAC also provides Partner organizations with advice concerning their dental programs to facilitate decision-making within existing resource allocations, and to foster communications with practicing dental health professionals.

FHP Secretariat participates in the FDCAC as an observer for the purpose of relaying potentially beneficial information to the Partners—information that could be used to initiate future joint activities.

Involved Partners: CIC, CSC, DND, HC, RCMP, TBS, VAC

Forecast Accomplishments:	**Progress:**
• Continue to explore opportunities for joint work and pursue activities identified	Consultations with Partner organizations regarding savings opportunities in the dental area were ongoing in 2007/08.
• Validate status of common standards and reporting through the Federal Dental Care Advisory Committee (FDCAC)	FDCAC topics of discussion in 2007/08 included: • relationships with providers; • coordination of treatment benefits among Partner organizations; and • recommendations to investigate oral and general health status improvements and cost effectiveness resulting from daily oral cleaning, and the impact such a routine might have on the amount of professional dental treatment required for residents of long term care homes.

2.4 Federal/Provincial/Territorial Representation

Partner organizations are represented on a number of Federal/Provincial/Territorial (F/P/T) committees and working groups. In many instances, representation is through the participation of FHP Secretariat staff, who in turn communicate relevant information to the Partners. F/P/T participation provides the Partners with:

- opportunities to improve their access to, and optimize their use of expert resources; and
- occasions to ensure that the federal jurisdiction, as a provider of healthcare benefits, goods and services, has a voice in the development of pan-Canadian healthcare policies and standards.

Involved Partners: Varies by committee and working group

Forecast Accomplishments:	**Progress:**
• Participate in F/P/T committees and working groups	Ongoing. In 2007/08, FHP continued to participate in F/P/T committees and working groups primarily in two areas—pharmacy and health information management. Examples of F/P/T participation and activities are provided below. <u>Pharmacy committees and working groups</u>: • Common Drug Review • Canadian Optimal Medication Prescribing and Utilization Service Advisory Committee • National Pharmaceuticals Strategy • Pharmacy Directors Forum • Public Health and Emergency Management Working Group • Vaccine Supply Working Group <u>Health Information Management committees and working groups</u>: • Infoway Chief Information Officer Forum • Infoway EHR Standards Coordinating Committee • Infoway EHR Standards Strategic Committee • Primary Health Care Outcome Indicators Working Group

2.4.1 Pharmacy Committees and Working Groups

The Common Drug Review (CDR), a program of the Canadian Agency for Drugs and Health Technology Assessment (CADTH), provides drug formulary listing recommendations to Canada's publicly-funded drug plans (except Quebec's) based on objective, rigorous reviews of clinical and cost effectiveness data. An FHP Secretariat representative (a pharmacist) participates in the CDR process on behalf of the Partners, along with representatives from DND, HC and VAC.

In 2007/08, CDR reviewed and made listing recommendations on thirty-one drugs. FHP Partners received and considered these recommendations, and acted on them according to their respective drug benefit program mandates and client population needs.

The Canadian Optimal Medication Prescribing and Utilization Service (COMPUS) program, also under CADTH, identifies and promotes evidence-based, clinical and cost effectiveness information on optimal drug prescribing and use—information intended as input to decision-making among healthcare providers and consumers. The FHP Secretariat representative (a pharmacist) participates in COMPUS on behalf of the Partners and in June 2007 took over as Chair of the Committee. HC also has a representative participating in the COMPUS Committee.

During the reporting period, COMPUS continued to promote its recommendations concerning use of proton pump inhibitors (PPI)—recommendations which have been implemented by a number of drug plans. As PPIs represent significant costs for drug plans generally, more judicious use of these drugs has resulted in reduced expenditures while optimizing treatment for clients of federal drug benefit programs.

The Pharmacy Directors Forum was organized by provincial drug plan managers in 2007/08, and consists of representatives from publicly-funded drug plans. The purpose of the Forum is to provide participating jurisdictions (federal, provincial and territorial) with opportunities to share information and collaborate on strategic initiatives and policy development related to pharmacy. A major focus of the Forum is to facilitate collaboration to reduce drug costs, particularly in response to CDR recommendations where product listing agreements are suggested. The FHP Secretariat representative (a pharmacist) participates in the Pharmacy Directors Forum on behalf of FHP Partners, along with an HC representative.

2.4.2 Health Information Management Committees and Working Groups

Canada Health Infoway (Infoway) was established as an independent, not-for-profit corporation by the Government of Canada to foster and accelerate the development and adoption of interoperable electronic health information systems, on a pan-Canadian basis, through strategic investments to Provinces and Territories. Infoway also coordinates the development of pan-Canadian health informatics standards.

FHP Secretariat represents the Partners on various Infoway working groups and coordinates their participation in Infoway activities. The FHP Chief Information Officer was selected as the Co-Chair of the Infoway EHR Standards Strategic Committee, which sets direction for the development of pan-Canadian health information standards. FHP Secretariat also represents the Partners on the Infoway EHR Standards Coordinating Committee, to ensure that the particular requirements of Partner organizations are taken into consideration during standards activities.

2.5 Health Human Resources

The FHP Health Human Resources Committee was established in July 2006 to address common health human resources issues and challenges facing the Partners. A pilot study was initiated to identify factors affecting recruitment and retention of physicians for federal public service positions (federal physicians). The pilot study resulted in a report, titled *Study on Recruitment and Retention of Federal Physicians.* The report, which contained recommendations, was presented to the FHP Executive Committee in March 2007.

Involved Partners: CIC, CSC, DND, HC, PHAC, PWGSC, RCMP, VAC

Forecast Accomplishments:	**Progress:**
• Develop opportunities for collaboration and coordination in recruitment and retention of physicians in the Government of Canada	In July 2007, a letter signed by the Deputy Heads of the Partner organizations was sent to the Secretary of Treasury Board to: • open discussions on addressing the critical shortage of federal physicians; and • begin identification of appropriate remedial measures. In September 2007, a deck illustrating the business case for addressing recruitment and retention issues for federal physicians was approved by the Deputy Heads of the Partner organizations before being presented to an *ad hoc* TBS committee. Subsequently, in March 2008, a letter signed by the Deputy Heads was sent to the Secretary of the Treasury Board in support of interim remedial measures for federal physicians. As of the end of the reporting period, FHP was planning to continue working with TBS on next steps.

2.6 Health Information Management

The primary purpose of the Partnership's work in Health Information Management (HIM) is to identify an "e-health" strategy for the Partners, with an objective of creating an Enterprise Architecture Plan (EAP) for implementation by 2017. Once implemented, the EAP would enable Partner organizations to be interoperable with the pan-Canadian electronic health record (EHR), which is being established by the Provinces and Territories with the support of Canada Health Infoway. Interoperability with the pan-Canadian EHR is critical to the Partners' ability to keep pace with Canada's changing healthcare environment, and to continue providing timely, quality care for their respective client populations.

Involved Partners: CIC, CSC, DND, HC, RCMP, VAC
Observers: TBS-Chief Information Officer, Office of the Privacy Commissioner, PWGSC

Forecast Accomplishments:	**Progress:**
• Coordinate joint procurement of professional services	In 2006, FHP established a personal services Health Informatics Support (HIS) contract to enable Partner organizations to procure services on short notice and at a competitive price, for work leading to the adoption of the EAP. In 2007/08, Statements of Task (SOT) against the HIS contract included work to assess the current health information environment—work that is setting an important foundation for the successful implementation of electronic health records (EHR) by Partner organizations, and interoperability with the pan-Canadian EHR as defined in the EAP. Fiscal year 2007/08 was the first full year upon which to collect usage and economies of scale data related to the HIS contract. In all, 24 SOTs against this contract were approved for work in 2007/08 with a total value of $2.6 million. Only one of the 24 SOTs was for less than $25 thousand, while eighteen or 75% were for more than $75 thousand. As a result of the HIS contract, it is estimated that savings of approximately **$1.56 million** were realized on behalf of the Crown in 2007/08. This conservative estimate is based on: • a comparison with standard industry rates for health informatics professionals, which are typically at least 45% higher than those available within the HIS contract vehicle; • the incremental costs—estimated at 10% of the total value of the 24 SOTs—that would have been incurred by the Partners if they had had to tender each requirement separately via MERX; and • the incremental costs—estimated at 5% of the total value of the 24 SOTs—that would have been incurred by PWGSC as the Government of Canada contracting authority, if each SOT had been tendered separately via MERX.

Forecast Accomplishments:	Progress:
• Provide strategic leadership in electronic health (E-health) strategy development and implementation	*See below 2.6.1 to 2.6.3*

2.6.1 Enterprise Architecture Plan (EAP)

In support of the EAP, a master implementation plan (MIP) was created in 2007/08 to articulate the resource implications of implementing the EAP. The MIP, which was constructed using TBS's *Business Transformation Enablement Program* templates and concepts, outlines the requirement for an eight-year, three-phase, multi-million dollar project in order for Partner organizations to achieve interoperability with the pan-Canadian EHR.

Also in support of the EAP, a *Project Profile and Risk Assessment* (PPRA) was completed. Although the PPRA identified considerable risks, mitigation strategies were developed for all. Of particular importance was the requirement for an effective communication strategy to create and sustain awareness and understanding of the EAP initiative. The communication strategy was under development at the end of the reporting period.

Under development at the end of this fiscal year as well were the governance structure and project charter, which when completed will outline objectives, scope, accountabilities, and roles and responsibilities. Effective governance is considered to be essential to the successful implementation of the EAP.

2.6.2 Health Informatics Standards

Recognizing that sharing health information between systems and jurisdictions is possible only when there is consistency in system standards, the FHP Chief Information Officer Team has begun actively participating in the development of national health informatics standards. A new resource, whose responsibilities include establishing and coordinating of Communities of Practice within Partner organizations, was recruited in 2007/08 and assigned to this important activity.

2.6.3 Single Claims Processing System

Under the umbrella of the EAP initiative, the FHP conducted a study in 2006 to determine the feasibility of adopting a single claims processing system for all Partner organizations. Preliminary findings reported to the Partnership in April 2007 indicated that implementation of a single claims processing system appeared feasible and could prove cost effective, but that a detailed business case would be required to fully inform decision-making.

A scoping study was then undertaken to identify what development of a detailed business case would entail. The scoping study, which was completed in September 2007, determined that significant effort would be required on the part of all concerned Partners over a period of about a year, at an approximate cost of $500 thousand.

During their January 10, 2008 meeting, FHP Executive Committee determined that due to human and financial resource constraints, work on a detailed business case for a single claims administrator could not be undertaken immediately. Executive Committee members committed, however, to reassessing in 2009 the Partners' ability to undertake the business case. In the meantime, funding for the business case is to be included in the EAP initiative, and corresponding submission to Treasury Board.

2.7 Home and Continuing Care

As a result of the *2003 First Ministers' Accord on Health Care Renewal*, five federal government organizations came together to form the Home and Continuing Care Working Group.

The purpose of the Working Group is to facilitate information-sharing and coordination of input to the development of federal policy on the home and continuing care needs of clients. Meetings of the Working Group also provide a valuable networking opportunity for experts at the federal, provincial and community levels.

Involved Partners: DND, HC, RCMP, VAC
Other Participants: Indian and Northern Affairs Canada

Forecast Accomplishments:	**Progress:**
• Explore the feasibility of coordinating efforts	In 2007/08, the Home and Continuing Care Working Group continued to collaborate on developing and sharing best practices. Five regular meetings of the Working Group were held during the year. Issues considered, among others, included the following: • the need for dental care in a home care setting; • chronic disease management; and • home care and elder abuse.

2.8 Medical Equipment Recycling

Medical equipment recycling is a Partnership initiative led by VAC, with limited participation by HC-NIHB in British Columbia. For 2007/08, it is estimated that gross savings realized by the involved Partners in this area totalled approximately **$9.3 million**.

VAC's own program, the *National Recycling Program* (the Program), has evolved over the last ten years from a small District Office operation to a national initiative that provides environmental, service and cost reduction benefits. The Program's long-standing goal has been to provide clients with appropriate medical assistive devices from a pool of nearly-new, recycled products—products that were purchased new and subsequently returned to inventory when no longer required by the original client. The Program engages a range of independent contractors throughout the Ontario, Prairie and Pacific Regions to ensure that clients receive timely delivery of a quality product.

Involved Partners: HC, VAC
Other Participants (third bullet below only): PWGSC, TBS

Forecast Accomplishments:	**Progress:**
• Expand program to include regions of Canada and federal organizations not currently participating	VAC has identified the salary and operational requirements that would enable national expansion of the Program. Atlantic Region has expressed interest in participating. DND's newly-appointed National Director of Rehabilitation has asked that discussions begin on offering the Program to Canadian Forces personnel country-wide. In addition, VAC made a presentation to HC proposing an expansion of their current partnership. HC committed to exploring the possibility further.
• Explore feasibility of expanding program to include medical supplies and equipment not currently being recycled	A marketing strategy has been developed by VAC to solicit partnerships with other federal organizations with similar needs. The strategy includes a commitment to tailoring program services to meet the needs of new partners.
• Strengthen policy and procedures to promote national consistency	VAC has developed a national business process, and following a thorough workload review, has implemented Program service standards. A cap has been placed on the lifting devices inventory to eliminate unnecessary costs associated with storage of lower rated and unused items. Plans for the fall of 2008 include placing a cap on the special equipment inventory, as well. Quarterly reporting via a dashboard report on Program performance has been implemented.

2.9 Mental Health

Activities proposed in FHP's 2007/10 Business Plan in the area of mental health were contingent upon approval of funding, which was not forthcoming.* During the reporting period, however, FHP Secretariat continued to keep abreast of developments in the mental health area in order to identify opportunities for collaboration.

In addition, FHP Secretariat participated in the Interdepartmental Task Force on Mental Health, and provided a submission to Health Canada in May 2007 for their consideration regarding a federal strategy for mental health, which ultimately did not go forward due to other priorities and a decision to support the Mental Health Commission of Canada.

Involved Partners: CIC, CSC, DND, HC, PHAC, RCMP, VAC
Other Participants: HC-Policy and Priorities

Forecast Accomplishments:	**Progress:**
• Provide a structured forum to explore horizontal opportunities	In 2007/08, FHP Secretariat convened three meetings of the Partners to facilitate the exchange of program and policy information in the area of mental health, including updates on activities at the federal government level. Discussions resulted in improved communication among the Partners and have facilitated the development of a community of practice.
• Gather, analyse and disseminate information. Identify gaps and approaches to deal with gaps	Not undertaken.*
• Develop common objectives and approaches for consideration by senior management and government	Not undertaken.*
• Establish links between key federal and external stakeholders	Not undertaken.*
• Evaluate overall functioning of this coordination initiative	Not undertaken.*

2.10 Oxygen

Involved Partners: FHP is no longer active in this area

Forecast Accomplishments:	**Progress:**
• Review oxygen expenditures in participating provinces with a view to identifying opportunities for implementing joint Standing Offer Agreements or other procurement strategies to reduce expenditures	As reported in FHP's Annual Report for 2006, the Standing Offer Agreement (SOA) that had been in effect in British Columbia (BC) since 2001 was not renewed due to policy changes concerning the use of SOAs. Consequently, there are currently no Partnership initiatives underway to address oxygen issues. During FHP's January 24, 2008 Management Committee meeting, it was recommended that the Partners monitor the BC situation to determine whether action is necessary to contain oxygen services costs.

2.11 Pharmacy

The common objective of the Partners' work in the pharmacy area is to provide eligible clients with access to pharmacy services that will contribute to optimal health outcomes in a fair, equitable and cost effective manner. Although the Partners' drug benefit programs vary considerably according to their respective mandates and client population demographics, there are significant areas of commonality where collaboration allows Partners to realize economies of scale. For the most part, this collaboration is accomplished through multi-Partner committees (several of which are described below) and involvement in Federal/Provincial/Territorial pharmacy initiatives (referenced previously in this report).

A significant accomplishment for the Partnership in 2007/08 was implementation of the online Drug Use Evaluation (DUE) Registry. As of May 01, 2007, the DUE Registry was made accessible to registered users via the FHP website. The primary purpose of the Registry is to facilitate information- and knowledge-sharing among the Partners concerning drug use evaluation studies they are conducting either individually or in partnership.

The amount spent on drug benefits is the Partners' single largest health-related expenditure, totalling approximately $593.5 million in 2007/08—an increase of approximately $20.8 million, or 3.6% over 2006/07. Although significant, the increase for 2007/08 was below the annual growth rate for drug expenditures in Canada forecast by the Canadian Institute for Health Information (CIHI):

> Public-sector expenditure on prescribed drugs is forecast to have reached $9.8 billion in 2006 and $10.8 billion in 2007 . . . representing annual growth rates of 8.2% and 9.3%, respectively.[6]

Had the Partners' annual growth rate for drug expenditures in 2007/08 over 2006/07 approximated the 9.3% posited by CIHI, the Partners' total combined expenditure for drug benefits would have been about $626 million, or about $32.4 million more than the Partners' actual combined expenditure for drug benefits. Although Partners' drug costs and drug benefit program expenditures are influenced by many factors, it is reasonable to assume that the referenced $32.4 million difference is at least in part attributable to collaboration, and information- and knowledge-sharing through the Partnership.

Specific Partnership activities in the pharmacy area are presented below.

6 Canadian Institute for Health Information, *Drug Expenditure in Canada, 1985 to 2007* (Ottawa: CIHI, 2008), pg. v

2.11.1 Joint Pharmacy Negotiations

Involved Partners: HC, RCMP, VAC

Forecast Accomplishments:	**Progress:**
• Explore feasibility of joint negotiations in Alberta and Quebec	*Quebec Pharmacy Negotiations Group:* In 2007-08, as a result of a series of interdepartmental meetings and negotiations, a new joint agreement between HC/VAC/RCMP and l'Association québecoise des pharmaciens propriétaires was reached and implemented—implementation was in July 2007 for HC and in November 2007 for VAC/RCMP. *Alberta:* Negotiations in Alberta were deferred in favour of other joint negotiation priorities identified below. *BC Pharmacy Implementation Committee / Negotiations Group:* The terms of a joint agreement between the HC/VAC/RCMP and the BC Pharmacy Association (BCPhA) remained in effect throughout 2007/08, facilitated by regular meetings of the Implementation Committee. In addition, and in accordance with the Partners' 2007 mandate to undertake joint negotiations, eight interdepartmental meetings and five meetings/teleconferences with BCPhA were held to define the terms and conditions of a new joint agreement. *Saskatchewan Pharmacy Negotiations Group:* A new joint agreement between the HC/VAC/RCMP and the Pharmacists' Association of Saskatchewan (PAS) came into effect in 2007/08. In addition, and in accordance with the Partners' mandate to undertake joint negotiations, ten interdepartmental meetings and two meetings with PAS were held to define the terms and conditions of the next joint agreement. As a consequence of the above-noted agreements, it is estimated that HC/VAC/RCMP collectively realized savings of approximately **$1.15 million** in 2007/08[7]. *Newfoundland Pharmacy Negotiations Group:* Four interdepartmental meetings with HC/VAC/RCMP were held to discuss the feasibility of joint negotiations and a possible common strategy. Throughout 2007/08, the Partners continued to explore other opportunities for joint agreements with provincial pharmacy associations.

7 The estimate of savings is calculated based on the drug expenditures of the involved Partners and the differences between the dispensing fees the pharmacy associations had demanded in negotiations and the fees agreed to at the conclusion of negotiations.

2.11.2 Federal Pharmacy Committees

Involved Partners: Varies by committee (See below)

Forecast Accomplishments:	**Progress:**
• Lead or participate in federal committees:	
o *Federal Pharmacy and Therapeutics Committee* (FP&T)	**Involved Partners:** CIC, CSC, DND, HC, RCMP, VAC
The FP&T is an advisory body of health professionals, which was established to provide recommendations to the Partners concerning drug benefits and specific drug therapy issues, and to provide for more consistency in formulary listing decisions across federal drug benefit programs.	During the reporting period the Terms of Reference (TOR) for the FP&T were reviewed and updated to reflect the role of the Common Drug Review, the Canadian Optimal Medication Prescribing and Utilization Service, and other initiatives of the Canadian Agency for Drugs and Technologies in Health. The revised TOR were approved by FHP Management Committee during their May 2007 meeting. At the same time, a proposal was put forward for Partners to jointly fund the FP&T—previously funded exclusively by HC. The majority of Partners agreed with the proposal. Several committed to transferring funding for the FP&T, and two (DND and CSC) did so in 2007/08.
o *Federal Drug Benefits Committee* (FDBC)	**Involved Partners:** CIC, CSC, DND, HC, PWGSC, RCMP, VAC
The purpose of the FDBC is to provide Partners with a forum for, among other things, sharing information and developing strategies for managing drug benefit program costs.	The FDBC met nine times in 2007/08. During these meetings, the FDBC: • reviewed and made recommendations concerning diagnostic agents and supplies; • reviewed legislation being developed in some provinces to grant prescribing authority to healthcare professionals other than physicians, and made recommendations regarding recognition of that authority; • reviewed issues of "off-label" use of drugs; • completed the update of FP&T Terms of Reference (approved at May 2007 meeting of FHP Management Committee); • shared departmental listing decisions made following recommendations from the Common Drug Review and the FP&T; and • continued work (via subcommittee) on cost-based performance measures for the Partners' drug benefit programs.

Forecast Accomplishments:	**Progress:**
• Lead or participate in federal committees (continued):	
o *Joint Committee on Audit* (Joint Committee)	**Involved Partners:** CIC, DND, HC, RCMP, VAC **Observers:** TBS - Pensions and Benefits Sector
The Joint Committee was established to provide Partner organizations with a forum for sharing audit plans, significant audit findings, and best practices and lessons learned in pharmacy audits.	Consistent with the Terms of Reference for the Joint Committee, there were two regular meetings held in 2007/08, plus one special meeting. The following issues, among others, were raised for information and discussion: • billing associated with methadone maintenance; • billing associated with glucometers; • processes for pharmacy profiling as input to the development of audit plans; and • processes for listing and delisting providers. In 2007/08, TBS - Pensions and Benefits Sector, in its role as an administrator of the Public Service Health Care Plan, requested and was granted observer status on the Joint Committee.

2.11.3 Response to the Auditor General's 2004 Recommendations Concerning Management of Federal Drug Benefit Programs[8]

Involved Partners: CIC, CSC, DND, HC, PWGSC, RCMP, VAC

Forecast Accomplishments:	**Progress:**
• Complete development and implementation of measures in response to the Auditor General's 2004 recommendations concerning Management of Federal Drug Benefit Programs:	
o Develop performance measures for inclusion in departmental reports on drug benefit program performance	Two cost-based performance measures were developed by the Partners in 2006. Development of additional, meaningful performance measures, particularly cost effectiveness measures, is hampered by the lack of diagnostic and health outcome information in most Partner organizations. This is an issue facing many publicly-funded drug plans, and is unlikely to be resolved until electronic health records are implemented in all jurisdictions nationally, and processes/protocols for accessing data are established.
o Develop and implement a common set of alert messages for retail pharmacy providers	FHP's collaborative work on alert messages was largely concluded prior to fiscal year 2007/08, with concept documents having been handed off to involved Partner organizations for their possible furtherance. A core set of alert messages had been identified and agreed to by HC and VAC, and work on implementation was taking place within those organizations and with their respective claims administrators. In 2007/08, information-sharing on implementation progress and new developments continued through the Federal Drug Benefits Committee.
o Develop and implement quantity limits on targeted drugs	FHP's collaborative work on drug quantity limits was largely concluded prior to fiscal year 2007/08, with a report having been handed off to involved Partner organizations for their consideration and possible furtherance within their respective drug benefit programs. In 2007/08, however, information-sharing on developments in this area continued through the Federal Drug Benefits Committee.

8 Office of the Auditor General of Canada, *Report of the Auditor General of Canada to the House of Commons* – Chapter 4: Management of Federal Drug Benefit Programs (November 2004)

Forecast Accomplishments:	**Progress:**
• Complete development and implementation of measures in response to the Auditor General's 2004 recommendations concerning Management of Federal Drug Benefit Programs (continued):	
o Develop and implement a common strategy for managing privacy concerns and o Develop and implement a common strategy for communicating drug use information to healthcare providers	A privacy guidance document was developed in draft in 2006 but was given only limited distribution. The background research for the guidance document illustrated the extent to which each of the federal drug benefit programs has a unique policy or legislative basis, and accordingly, unique parameters governing protection of personal health information within the respective drug benefit programs. A common strategy for managing clients' privacy concerns in the context of communicating client-based, retrospective drug use information to health care providers is not viewed as feasible. Rather, these issues are being managed, as appropriate, within the context of individual drug benefit programs.
o Develop (through work of the Federal Drug Benefits Committee) and implement cost containment initiatives	In addition to the cost containment initiatives identified previously, the Federal Drug Benefits Committee (FDBC) is involved in the following: The Partnership is exploring the possibility of federal participation in hospital purchasing groups. Such participation has the potential to significantly reduce expenditures for some drugs (e.g., high volume use drugs) for those Partner organizations that have the ability to purchase directly. The FDBC is represented on an F/P/T working group of drug plan managers from the four Western Provinces and the Maritime Provinces (i.e., a sub-group of the Pharmacy Directors Forum). Provincial members are developing and negotiating a product listing agreement with a drug manufacturer in the interest of cost effectiveness. The combined purchasing and therefore negotiating power of the group is significant. Current work could lead to further collaboration with the provinces directed toward reducing drug acquisition costs for publicly-funded drug plans.

2.12 Vision

The purpose of FHP's work in the area of vision care is to obtain the best price possible for vision care products and services by leveraging the combined purchasing power of the Partners through joint negotiations; and to provide a point of coordination in the implementation of joint agreements.

For 2007/08, it is estimated that gross savings realized by the involved Partners in the area of vision care as a consequence of the Memorandum of Understanding (MOU) in the Atlantic Region and the joint agreement with l'Association des optométristes du Québec totalled approximately **$811,500** [9].

Involved Partners: HC, RCMP, VAC

Forecast Accomplishments:	**Progress:**
• Atlantic Provinces – Annual sign-off on Letters of Understanding for fees (June 2002 – no expiry date)	FHP Secretariat resolved a longstanding issue with the Atlantic Association of Optometrists regarding the federal claims dispute process. In accordance with the Vision Care MOU of June 2002 between the associations of optometrists in the Atlantic provinces (Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador) and the involved FHP Partners, an Atlantic Region optometric fee grid update was completed and implemented by the Partners on October 01, 2007.
• Quebec – Renew Joint Agreement	Work to renew the joint agreement with l'Association des optométristes du Québec was in progress at the end of fiscal year 2007/08.

9 Estimates of savings as a consequence of the joint agreement with l'Association des optométristes du Québec were not available from HC and VAC at the time this report was being finalized. The total savings estimate of $811, 500 is therefore low.

2.13 *ad hoc* Working Group on Physician Billing

Although not identified in the 2007/10 Business Plan, an *ad hoc* Working Group on Physician Billing was established for a six month period beginning in February 2008 to determine the extent to which physician fees that are being billed to federal healthcare programs are above the rates that apply for persons with provincial health cards; and to identify whether action by FHP is warranted.

Involved Partners: DND, RCMP
Observers: CSC, VAC, CIC

Forecast Accomplishments:	**Progress:**
	The first meeting of the Working Group was held February 21/08. Terms of Reference for the Working Group were established and an approach identified. Next steps are to focus on the data required to identify the nature and extent of the problem.

3. FINANCIAL PERFORMANCE

Funding for the work of the Partnership does not come from a central source. Rather, it is derived as follows:

- FHP Secretariat is funded through VAC. Based on FHP's three-year business plan, Treasury Board gives VAC authority to release funds to cover salary and operating expenditures for FHP Secretariat.
- The FHP Secretariat budget includes salaries and incremental operation and maintenance costs for staff dedicated to the National Recycling Unit in VAC's Regional Office, Kirkland Lake, Ontario.
- The Partners cover their own costs associated with FHP involvement. The Partners have on occasion 'loaned' human resources to FHP Secretariat to help advance particular files, including in 2007/08.

3.1 Costs

3.1.1 FHP Secretariat

The total cost of FHP Secretariat (the Secretariat) in 2007/08 was approximately **$2.1 million**, or about $220 thousand below what had been forecast in the 2007/10 Business Plan. The variance was largely due to two factors:

- Several positions in the Secretariat were vacant for significant periods during the fiscal year.
- A rent rebate was negotiated on the Secretariat's office space.

Table 2 below provides a breakdown of the cost of the Secretariat for 2007/08.

Table 2: Actual vs Forecast Cost of FHP Secretariat[10] – 2007/08

	$ Amount
Forecast Cost of FHP Secretariat per 2007/10 Business Plan	**2 305 623**
Actual Costs (unaudited):	
Salaries	1 351 962
Operation and Maintenance	733 363
Total – Actual	**2 085 325**
Variance (Forecast less Actual)	**220 298**

10 The FHP Secretariat budget includes salaries and incremental operation and maintenance costs for staff dedicated to the National Recycling Unit in the VAC Regional Office, Kirkland Lake, Ontario.

3.1.2 FHP Partners

Participation in FHP activities and initiatives requires a significant investment of human resources and time on the part of the Partners. Estimates of Partners' resource costs associated with FHP involvement were therefore calculated using a formula based on actual person hours spent in meetings of FHP committees and working groups during the fiscal year. The estimates are presented in Column 2 of **Table 3** below. Additional resource costs borne by individual Partners in support of FHP activities and initiatives are identified in Column 3**.**

Unlike other areas of FHP involvement, the medical equipment recycling initiative is not committee or working group based, and consequently, costs associated with this initiative are not captured under *Resource Cost Estimates,* Column 2 of **Table 3**; they are presented separately in Column 4.

Table 3: Estimated Cost of FHP Involvement per Partner Organization for 2007/08 ($)

1 **FHP Organization**	2 **Resource Cost Estimates**	3 **Salary for FP&T Pharmacist[11] and Other Loaned Resources**	4 **Cost of Medical Equipment Recycling**	5 **Cost of FHP Secretariat[12]**	6 **Total**
CIC	14 922				14 922
CSC	19 768	10 000			29 768
DND	32 331	158 974			191 305
HC	165 912	9 500	Not available[13]		175 412
PHAC	5 746				5 746
PWGSC	6 046				6 046
RCMP	42 462				42 462
VAC	65 196		4 292 260[14]	2 085 325	6 442 781
TBS	3 259				3 259
Total	**355 642**	**178 474**	**4 292 260**	**2 085 325**	**6 911 701**

11 Effective August 2007, HC staffed in a new resource, a pharmacist at the SG-06 level to manage the work associated with the FP&T; 90% of the workload for the new resource was attributable to the FP&T in 2007/08.

12 The FHP Secretariat budget includes salaries and incremental operation and maintenance costs for staff dedicated to the National Recycling Unit in the VAC Regional Office, Kirkland Lake, Ontario.

13 HC does not distinguish costs associated with their limited involvement in the medical equipment recycling from their broader program costs.

14 VAC's National Recycling Program costs include: equipment pick up, cleaning, repair, modification, and delivery; contract costs, including for storage; and salaries for Head Office staff in Charlottetown.

The resource cost estimates for individual Partner organizations presented in **Table 3** differ from those forecast in FHP's 2007/10 Business Plan.[15] The variances are primarily due to the following:

- The methodology for estimating Partners' resource costs has been updated.
- Unlike the forecasts in the 2007/10 Business Plan, the estimates in **Table 3** do not encompass the cost of employee benefits, employee training, professional service contracts, or travel expenses (i.e., hotels, meals, transportation, and incidentals).
- VAC's total cost identified in **Table 3** includes costs associated with the National Recycling Unit and FHP Secretariat.
- DND's costs presented in **Table 3** include the full salary of a resource loaned to FHP Secretariat in 2007/08.

3.1.3 Other Contributions

In addition to the contributions to the Partnership described above, it is important to note that individual Partners are supporting several initiatives that benefit all FHP members:

- HC covers the federal portion of the funding (30%) for the Common Drug Review (CDR), a joint federal-provincial initiative that provides Canada's publicly-funded drug plans with access to independent expert advice. (The CDR is described in section 2.4.1 of this report.)

- HC, with contributions from other FHP Partners as noted in Section 3.1.2 above, provides financial and secretariat support to the Federal Pharmacy and Therapeutics Committee (FP&T). (The FP&T is described in section 2.11.2 of this report.)

- HC provides full managerial and financial support for the Federal Dental Care Advisory Committee (FDCAC) on behalf of the Partnership. (The FDCAC is described in section 2.3 of this report.)

15 *Federal Healthcare Partnership 2007-2010 Business Plan*, pg 28

3.2 Savings

Throughout this report, the term "savings" refers primarily to "soft dollar savings", including expenditure avoidance, reductions in expenditures or costs, and economies of scale.

Gross savings estimates per area of FHP involvement for 2007/08 are presented in **Table 4** below.

Table 4: Gross Savings – Estimated Actual vs Forecast for 2007/08

	Savings ($ million)
Forecast Savings per 2007/10 Business Plan	**15.8**
Estimated Actual Gross Savings per Area of Involvement:	
Audiology	3.19
Health Information Management	1.56
Medical Equipment Recycling[16]	9.3
Pharmacy – Negotiations	1.15
Vision[17]	0.81
Total (Estimated Actual)	**16.01**
Variance (Forecast less Estimated Actual)	**(0.21)**

FHP's total gross savings, therefore, exceeded the forecast for 2007/08 by more than $210,000. Net of costs identified in **Table 3**, a conservative estimate of savings achieved on behalf of the Crown through the work of the Partnership in 2007/08 is **$9.1 million**.

16 The valuation of recycled equipment is based on departmental pricing grids for new equipment, which enables a determination of what it would have cost the Department if it were providing new equipment rather than recycled equipment to clients in 2007/08.

17 As indicated in section 2.12 of this report, vision care savings data from HC and VAC were not available at the time this report was being finalized.

4. QUALITATIVE BENEFITS

As demonstrated throughout this report, FHP participation yields many qualitative benefits for the Partners—benefits that are no less important than the quantitative. These benefits include:

- Stronger relationships between Partners, both within and outside the FHP context;
- Greater understanding of each others' healthcare programs and the issues and challenges faced within each;
- Increased information- and knowledge-sharing, including regarding recommended practices and approaches in the delivery of healthcare programs;
- Greater harmonization across Partner organizations in the delivery of healthcare benefits, goods and services;
- Enhanced awareness of emergent health policy issues;
- Enhanced decision-making on strategic healthcare issues;
- Greater bargaining power in joint negotiations;
- Increased ability to shape healthcare policy and program delivery in Canada; and
- Greater collaboration/coordination and less duplication of effort on healthcare files of common interest or concern.

5. CONCLUSION

Since its inception in 1994, FHP has continued to yield benefits—both quantitative and qualitative—for the Partners. Collaborative activities in the areas of audiology, health information management, medical equipment recycling, and pharmacy resulted in net savings of approximately **$9.1 million** being realized on behalf of the Crown in 2007/08**.**

Additionally, Partners' combined expenditure on drug benefits during the reporting period was approximately $32.4 million below what would have been anticipated based on CIHI's 2007/08 projected national growth rate for publicly-funded drug benefit programs in Canada. This accomplishment was at least in part attributable to Partnership work on management of drug benefit programs, including through the Federal Drug Benefits Committee, the Federal Pharmacy and Therapeutics Committee and the Joint Committee on Audit.

During the reporting period, the Partnership also realized significant non-monetary gains, as exampled by the following:

- Under the leadership of the Secretariat, the Partners collaborated on development of a new FHP RMAF, which is designed to facilitate reporting of results achieved through the Partnership.
- The Partners collectively continued their pursuit of recruitment and retention improvements intended to help alleviate physician shortages within the federal public service.

- The FHP Chief Information Officer Team began actively participating in the development of national health informatics standards in support of the pan-Canadian EHR.
- Implementation of the online DUE Registry was completed—a tool intended to facilitate information-sharing.

In 2007/08, the value and relevance of FHP and its Secretariat were probably best illustrated by the fact that additional federal government organizations sought out involvement in the Partnership—PHAC as a permanent member, and TBS - Pensions and Benefits Sector in several areas of particular interest to them. Also, with increasing frequency FHP is being approached to speak to federal and pan-Canadian healthcare issues, indicating that FHP is increasingly being recognized as a valuable knowledge network and centre of excellence for horizontal issues management.

To conclude, the Partnership continues to be a success after fourteen years in existence. It provides excellent return on Partner investment, while responding to issues of significance to the Government and people of Canada—most notably, improving the health of Canadians, and managing expenditures.

ANNEX A: PARTNER INVOLVEMENT

Table 5: Partner Involvement by Area – 2007/08

Areas of Involvement	Partner Organizations								
	CIC	CSC	DND	HC	PHAC	PWGSC	RCMP	TBS	VAC
Governance and Business Planning									
Audiology									
Dental									
F/P/T Representation									
Health Human Resources									
Health Information Management									
Home and Continuing Care									
Medical Equipment Recycling									
Mental Health									
Oxygen									
Pharmacy									
Vision									
ad hoc Working Group on Physician Billing									

Legend:

- Participant
- Observer
- FHP Not Active
- Varies by F/P/T Group