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FEDERAL HEALTHCARE PARTNERSHIP

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Message from the Executive Committee Chair

On behalf of the Federal Healthcare Partnership (FHP), I am pleased to present Treasury Board of Canada Secretariat with FHP's Annual Report for the period January 01 to December 31, 2006. This report provides information on the major priorities addressed by FHP during the 2006 calendar year.

The federal health jurisdiction is significant in its scope. In 2006 the combined healthcare expenditures of the six permanent member organizations of FHP totalled approximately $2.513 billion.

Based on expenditures, FHP Partners represent the sixth largest health jurisdiction in Canada. FHP is focused on the development and implementation of cost containment strategies in nine program areas. In 2006, through the concentrated efforts and collaborative initiatives of FHP, significant progress was made in the areas of health human resources; health information management; and pharmacy and pharmacy negotiations.

All aspects of FHP's work require significant collaboration and coordination of effort among the federal government organizations that make up the Partnership. Our 2006 accomplishments, therefore, are a testament not only to our ability to address the priorities we have identified for ourselves as a Partnership in our 2004-2007 Business Plan, but also to the effectiveness of our collaborative efforts, and the continuing relevance of the Partnership itself.

For 2007 the Partnership will continue to focus its efforts on solidifying the gains made in the past year, while exploring new opportunities for collaboration and cost saving/containment.

For these reasons and more, I am sincerely grateful to the Partners and FHP Secretariat. Their dedication and hard work have made FHP an excellent model of horizontal management within the federal government.

Associate Deputy Minister
Veterans Affairs Canada
Chair, FHP Executive Committee

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Executive Summary

The Federal Healthcare Partnership (FHP or Partnership) is a voluntary alliance of six federal government organizations[1] with responsibilities for ensuring delivery of healthcare services to specific client groups. The objectives of the Partnership are to achieve economies of scale, while ensuring provision of care for clients; and to provide leadership on key healthcare issues. These objectives are met through collaborative work undertaken by the Partners in a number of areas, including: audiology, dental care, Federal/Provincial/Territorial representation, health human resources, health information management, medical equipment recycling, mental health, pharmacy, and vision care.

The year 2006 was a very successful one for the Partnership. Significant progress was made in several key areas – progress in some instances far exceeded what had been forecast for 2006-07.[2] Some of FHP's most notable accomplishments for 2006 were achieved in the areas of:

- *Health Information Management* - with the completion and acceptance of a detailed information management and information technology plan (Enterprise Architecture Plan) that, once implemented, will facilitate the sharing of authorized health information amongst the partner organizations and provincial healthcare systems.;

- *Health Human Resources* – with the establishment of the Health Human Resources Committee, and the committee's comprehensive work to identify and develop strategies for addressing common challenges with recruitment and retention of physicians; and

- *Pharmacy* – with development of a common drug use evaluation framework and registry; establishment of the Joint Committee on Audit; completion of a major project and report on Analysis of Cost Management Strategies for Federal Drug Benefit Programs; development and implementation of the National Pharmacy Negotiations Strategy; and completion of successful negotiations with pharmacy associations in British Columbia and Saskatchewan.

In quantitative terms, these collaborative efforts allowed the Partners to realize a cost savings/avoidance of approximately $48.2 million in 2006. In qualitative terms the leadership provided by FHP in the strategic healthcare areas of Health Human Resources, Health Information Management and Pharmacy have established the groundwork for possible future cost savings/avoidance.

Further qualitative benefits of collaboration via the Partnership resulted in (*inter alia*) greater harmonization and consistency in healthcare programs across member organizations; increased information and knowledge sharing; greater transparency in decision-making; increased awareness of emergent health policy issues; and less duplication of effort on files of common interest, all of which contribute to improved health policy and service to Canadians.

Ultimately, there is strength in numbers. Acting together the Partners are able to achieve cost savings and influence healthcare policy in ways that might not otherwise be available to them – all to the benefit of the Partners' programs and clients.

[1] The six permanent member organizations are: Citizenship and Immigration Canada, Correctional Service Canada, Department of National Defence, Health Canada, Royal Canadian Mounted Police, and Veterans Affairs Canada.

[2] FHP is currently transitioning from fiscal year to calendar year reporting in an effort to facilitate timely data/information capture and reporting for the Partnership.

Federal Healthcare Partnership – An Introduction

The Federal Healthcare Partnership (FHP or Partnership) is a voluntary alliance of federal government organizations with responsibilities for ensuring delivery of healthcare services to specific client groups in Canada. FHP's governance structure includes an Executive Committee comprising Assistant Deputy Minister-level representation from the member organizations; a Management Committee comprising Director General-level representation; and a Secretariat to manage the operational activities of the Partnership. The Secretariat resides within Veterans Affairs Canada (VAC), and is headed by an Executive Director who reports directly to the Associate Deputy Minister, VAC.

At present, the six permanent member organizations of FHP are:

- Citizenship and Immigration Canada (CIC)
- Correctional Service Canada (CSC)
- Department of National Defence (DND)
- Health Canada (HC)
- Royal Canadian Mounted Police (RCMP)
- Veterans Affairs Canada (VAC)

Other federal government organizations that participate in specific FHP activities or files of interest to them include:

- Public Works and Government Services Canada
- Treasury Board of Canada Secretariat
- Public Health Agency of Canada

Table 1 (below) provides an overview of the cost and focus of the healthcare programs managed by the six permanent member organizations of FHP.

Table 1: Overview of Healthcare Programs per FHP Organization (2006)

FHP Organization	# Eligible Clients	Health Expenditures ($ million)	Brief Description of Program
Citizenship & Immigration Canada (CIC)	94 470	$ 50	CIC's Interim Federal Health Program is a humanitarian program, the purpose of which is to provide temporary healthcare coverage for certain classes of migrants (now almost exclusively refugee claimants and Convention refugees) in need of assistance during their settlement period in Canada.[3]
Correctional Service Canada (CSC)	25 500 [4]	130	CSC is responsible for providing federal inmates and some former inmates on parole with essential healthcare, and reasonable access to non-essential mental healthcare that will contribute to the inmate's rehabilitation and successful reintegration into the community.[5]
Department of National Defence (DND)	96 603	520	DND provides Regular Force members and eligible members of the Reserve Force with specified benefits for medical, dental and operational reasons.[6]
Health Canada (HC)	786 200	861	Health Canada's involvement in FHP is principally through the First Nations and Inuit Health Branch's Non-Insured Health Benefits Program. This program funds benefit claims for a specified range of medically necessary drugs, dental care, vision care, medical supplies and equipment, short-term crisis intervention mental health counselling, and medical transportation for eligible First Nations peoples and Inuit.[7]
Royal Canadian Mounted Police (RCMP)	16 901 + 4 164	53	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)	133 300	899	VAC offers healthcare benefits 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, (*inter alia)*, medical, surgical or dental examinations; treatment by health professionals; surgical or prosthetic devices or aids; and prescribed drugs. The latter is a national home care program, which works with other federal, provincial and municipal programs to help eligible clients remain in their homes.[8]
Totals	**1 157 138**	**$ 2 513**	

[3] Citizenship and Immigration Canada, *Interim Federal Health Program – Information Handbook for Health Care Providers*, September 2001, pg.1

[4] Correctional Service Canada, *2006-2007 Estimates, Part III – Report on Plans and Priorities*, pgs.7-8: "On any given day, CSC manages approximately 21 100 offenders, 12 700 offenders in institutions and 8 400 offenders serving the remainder of their sentences under supervision in the community. Furthermore, over the course of a year, CSC manages a flow through of 25 500 different individual offenders."

[5] Corrections and Conditional Release Act (1992, c. 20), s.86

[6] http://www.forces.gc.ca/health/services/engraph/health_info_home_e.asp?Lev1=1&Lev2=1

[7] http://www.hc-sc.gc.ca/fnih-spni/nihb-ssna/index_e.html

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

As can be seen in **Table 1**, the healthcare expenditures of the Partners are significant; the opportunities for collaboration in the interests of cost management are likewise significant. The 2006 healthcare expenditures make Federal Government the sixth largest health jurisdiction in Canada[9].

FHP operates according to a *Charter*[10]. As expressed in the *Charter*, FHP's mission is to identify, promote and implement more efficient and effective healthcare programs through the collaboration of the Partners. In keeping with this mission statement, the *Charter* identifies two main goals for the Partnership:

- To achieve economies of scale, while enhancing provision of care for their clients; and
- To provide strategic leadership on key healthcare issues.

The Business Plan of the Federal Healthcare Partnership – For the period of 2004-2007 (2004-07 Business Plan) also lists the following as further objectives for the Partnership for the reporting period:

- To identify the opportunities for co-ordinating the provision of specific healthcare supplies and services among participating federal organizations and agencies
- To create a competitive environment through pilot projects for more cost-effective alternatives to retail delivery of services
- To improve information sharing and collective decision-making among participants
- To implement joint agreements negotiated with third-party providers, professional associations, suppliers and retailers
- To improve the health status of the clients of federal organizations through joint health promotion activities and evaluation of treatment approaches
- To improve the management of health information for federal clients
- To increase the quality of research and access to a wider database through collaborative research and analysis
- To represent the interests of FHP Partners on F/P/T working groups, and similar bodies, on health

[9] http://secure.cihi.ca/cihiweb/dispPage.jsp?cw_page=home_e Canadian Institute for Health Information (CIHI) "Health Expenditures by Year, by Source of Finance, by Province/Territory and Canada. Year – 2006 Report.
[10] *Charter for the Federal Healthcare Partnership (FHP) March 08, 2005.*

Areas of FHP Involvement

The 2004-07 Business Plan identified areas of FHP involvement, and forecast accomplishments for each area.

Table 2 (below) presents the areas of FHP involvement as identified in the 2004-07 Business Plan, along with the corresponding forecast of accomplishments per area for 2006-2007.

Table 2: Forecast Accomplishments per Area of FHP Involvement

	Areas of Involvement - 2006	Accomplishments Forecast for 2006-2007
1	Audiology	Partners to meet and discuss in preparation for negotiating renewal of the joint agreement with the Canadian Auditory Equipment Association
2	Cost of Medical and Hospital Services	Explore negotiating lower costs for ambulance, labs, and private and specialty clinics
3	Dental Care	Explore establishing fees for services provided by dental specialists
4	Federal/Provincial/Territorial (F/P/T) Representation	Identify and represent the interests of FHP organizations at meetings of F/P/T working groups and similar bodies
5	Health Human Resources (formerly Health Care Professionals Services)	Explore options for improving access to services of healthcare professionals, including physicians and dentists, possibly via joint contracts (e.g., expand DND third party contracts to other FHP organizations)
6	Health Information Management (formerly Information and Communications Technologies)	In collaboration with Canada Health Infoway and the provinces and territories, explore development of a federal strategy for Information and Communications Technologies (ICTs) in health Explore opportunities for collaboration among FHP organizations in the areas of: o Data security o Privacy protection o Data modelling & standards o Links to provincial/territorial initiatives
7	Medical Supplies and Equipment Recycling	Extend program to other provinces, and other FHP organizations
8	Mental Health	Explore establishing programs to address mental health issues
9	Oxygen Therapy	Explore a joint Standing Offer Agreement (SOA) in Ontario
10	Pain Management	Explore benefits of establishing a common approach to management of different types of pain and alternative treatment modalities
11	Pharmacy	Explore use of pharmacy databases to improve health outcomes Review operation of Federal Pharmacy and Therapeutics Committee (FP&T) and discuss funding
12	Results-Based Management	o Develop and maintain work plans o Prepare and submit annual reports to Treasury Board of Canada Secretariat (TBS) o Complete Business Plan for 2007-2010
13	Vision Care	Renew existing joint agreements

Note: Those areas appearing with coloured background in the table above were identified as the core areas of FHP involvement in the 2004-07 Business Plan.

Performance by Area of FHP Involvement

In 2006, the Partners made significant progress in a number of areas, and in some areas, far exceeded the accomplishments that had been forecast in the 2004-07 Business Plan. In other areas, work continues, or in a few instances has been set aside in favour of emergent or shifting priorities.

FHP's 2006 performance is summarized below for each area of FHP involvement.

1. Audiology

In 2006, DND, HC, RCMP and VAC spent approximately $41.8 million for hearing products. By comparison their combined expenditure for hearing products in 2005/2006 was $44.8 million. The $3 million decrease in expenditure was attributable, at least in part, to the negotiated joint agreement between the Canadian Auditory Equipment Association – an association representing hearing aid manufacturers – and DND, HC, RCMP and VAC. The agreement, which covers the period November 2004 to November 2007, affords the Partners a 17% discount off the National List Price for hearing products.

DND, HC, RCMP and VAC reported combined savings/cost avoidance of approximately $4 million. This figure is lower than what was forecast in the 2004-07 Business Plan. It should be noted, however, that the methodology for calculating cost savings/avoidance in the audiology area was updated for 2006.

The exercise of updating and validating the methodology was in itself a significant undertaking, which was commenced by FHP Secretariat in 2005 and completed in 2006.

2. Cost of Medical and Hospital Services

As indicated in FHP's Annual Report for 2005-2006, activities in this area have been discontinued in favour of other Partnership priorities.

3. Dental Care

Through participation in the Federal Dental Care Advisory Committee, the Partners have continued to share policy information, and receive evidence-based information and advice concerning current clinical practice in the provision of dental care.

As indicated in FHP's Annual Report for 2005-2006, activities related to fees for dental specialists have been discontinued based on the findings from preliminary research, and in favour of other Partnership priorities.

4. Federal/Provincial/Territorial Representation

Based on a 2002 agreement among the Partners at the deputy level, FHP organizations are represented on a number of Federal/Provincial/Territorial (F/P/T) committees dealing with healthcare issues. In this context, FHP is responsible for representing all Partners in matters of a pan-Canadian nature as the

federal jurisdiction, and for reporting back to FHP organizations regarding F/P/T committee proceedings.

In general, FHP participates in F/P/T initiatives related to healthcare for the purpose of:

- improving access to and maximizing the use of expert resources; and
- collaborating on the development of pan-Canadian policies.

In the pharmacy area, in particular, Partners' participation in F/P/T initiatives is also intended to result in cost containment opportunities for drug benefit programs as clients' drug/drug product usage is optimized. Currently FHP participates in the following:

- the Common Drug Review;
- the Canadian Optimal Medication Prescribing and Utilization Service; and
- the National Pharmaceuticals Strategy.

FHP also participates in F/P/T committees in the area of Health Information Management including, Infoway Standards Coordinating Committee and Infoway Standards Strategic Committee.

5. Health Human Resources

In July 2006, under the authority of FHP's Executive Committee, the Health Human Resources Committee (HHRC) was established to:

- examine common issues related to health human resources;
- facilitate a better understanding of the challenges the Partners are facing in the area of health human resources; and
- make recommendations for addressing the challenges.

HHRC membership includes representatives from all six permanent member organizations of FHP, as well as (*inter alia)* Public Health Agency of Canada.

A pilot project was initiated in 2006 to address on a priority basis, factors affecting recruitment and retention of physicians for federal public service positions. The pilot project involved departmental surveys; an environmental scan of initiatives related to health human resources in both the public and private sectors in Canada; and numerous information-sharing sessions with departmental managers and physicians, and union representatives. As a consequence of these activities, the HHRC was able to identify, and develop strategies for addressing common challenges being faced by the Partners related to recruitment and retention of physicians.

A final project report with recommendations is to be presented to members of FHP Executive Committee in 2007.

6. Health Information Management

Health Information Management (HIM) was an area of particular success in 2006.

The HIM Working Group was created in November 2004 in response to the rapid growth of electronic health information systems across Canada and the work of Canada Health Infoway. The mandate of the HIM Working Group was to identify an "e-health" strategy for FHP Partner organizations, with an objective of creating an Enterprise Architecture Plan (EAP) within two years.

All permanent member organizations of FHP participated in the developmental work, with additional guidance and support provided by Treasury Board of Canada Secretariat – Chief Information Officer Branch, the Office of the Privacy Commissioner, and Public Works and Government Services Canada. In November 2006, the EAP was completed, and a target architecture identified.

In 2006, FHP also successfully established a health informatics contract vehicle for the use of all FHP member organizations. The contract vehicle provides a mechanism for obtaining necessary consulting services on short notice. The "pooling" of Partner requirements facilitated obtaining a competitive price for consulting services for all Partners. Moreover, the nature of the contract vehicle ensures that quality services are provided for a number of specialized service categories in the health informatics field.

7. Medical Supplies and Equipment Recycling

VAC is the lead in an equipment recycling program that has been operational since 1998. The intent of the program is to place returned medical equipment, such as hospital beds and motorized scooters, in an accessible inventory for the use of other clients. The other participant in the program at this time is Health Canada.

The Equipment Recycling Program resulted in $5.7 million in cost savings/avoidance for VAC, in 2006.

8. Mental Health

A meeting of the Partners was convened in October 2006 following the release of the report, *Out of the Shadows at Last – Transforming Mental Health, Mental Illness and Addiction Services in Canada*.[11] The objective of the meeting was to provide an update on activities regarding mental health at the federal government level.

[11] The Standing Senate Committee Report on Social Affairs, Science and Technology, *Out of the Shadows at Last – Transforming Mental Health, Mental Illness and Addiction Services in Canada*, May 2006.

In addition, FHP Secretariat was asked by the Partners to continue to:

- participate on the Interdepartmental Task Force on Mental Health in order to identify opportunities for collaboration in the promotion of a federal mental health strategy; and
- convene regular meetings of the Partners in order to promote communication regarding current or planned initiatives being undertaken by one or more of the Partners.

This has proven to be an excellent forum for information sharing.

9. Oxygen Therapy

In 2006, common evidence-based policy developed by HC and VAC in 2001/2002 on the provision of oxygen services, and a Standing Offer Agreement (SOA) in effect in British Columbia (BC) were allowed to lapse. In lieu of the SOA, HC and VAC have increased efforts to harmonize their benefits policies, which has contributed to cost savings/avoidance for both departments. In 2001, before implementation of the common policy and BC SOA, the average expenditure for oxygen therapy per client per year was $2,423; in 2006 the average expenditure per client has decreased to $1,783.

10. Pain Management

As indicated in FHP's Annual Report for 2005-2006, activities in this area have been discontinued in favour of other Partnership priorities.

11. Pharmacy

The Partners' combined expenditure in the area of pharmacy was almost $598 million for 2006. Pharmacy represents the Partners' largest health-related expenditure.

Federal drug benefit programs, however, vary considerably from organization to organization according to their respective mandates and client population demographics. There is, therefore, considerable time and effort required on the part of the Partners for development of collaborative strategies and joint agreements related to pharmacy. For the most part, this work is accomplished through multi-partner committees (several of which are described below) and involvement in F/P/T initiatives concerned with pharmacy (as referenced earlier in this report).

Although drug-related expenditures continue to rise for FHP Partners, the rate of increase has been reduced considerably when compared to previous years. Actual expenditures compared to projected expenditures show a downward trend of $36.6 million for 2006.

A. *Federal Pharmacy and Therapeutics Committee*

The Federal Pharmacy and Therapeutics Committee (FP&T) is an advisory body of health professionals established to provide recommendations to the Partners concerning drug benefits and specific drug therapy issues. These recommendations are intended to assist the Partners to achieve their common objective, which is to provide eligible clients with pharmacy services that will ensure optimal health outcomes in a fair, equitable and cost- effective manner.

During the reporting period, FP&T members began the exercise of reviewing and revising the Terms of Reference for the committee, in view of the current processes under the Common Drug Review, the Canadian Optimal Medication Prescribing & Utilization Service and the Health Technology Assessment. Discussions concerning joint funding of the committee were also initiated. Both initiatives are ongoing and are expected to be completed in 2007 following submission of proposals to FHP's governance structure for consideration and possible approval.

B. *Response to the Auditor General*[12]

The Partners, working through multi-Partner Task Groups, continued the collaborative activities that were started in December 2004 in response to the Auditor General's November 2004 recommendations concerning management of federal drug benefit programs. Under the leadership of FHP Secretariat, the Task Groups completed a number of significant activities in 2006, including the following:

- A framework for planning and carrying out 'drug use evaluations' (DUEs) was developed.
- As part of the DUE framework, a web-based DUE Registry was designed and developed.
- A common framework for retail pharmacy audits was developed.
- As part of the audit framework, a multi-partner 'Joint Committee on Audit' was established.
- An environmental scan that looked at pharmacy practices related to drug quantity limits was completed.
- Two measures of drug benefit program performance were developed and tested prior to adoption by the Partners.
- A status update was submitted to the Office of the Auditor General in January 2006.

C. *Federal Drug Benefits Committee*

The Federal Drug Benefits Committee (FDBC) was established in partial response to the Auditor General's November 2004 recommendations[13]. Committee membership includes representation from the six permanent member organizations of FHP. The purpose of the FDBC is to provide the Partners with a forum for:

- Inter-organizational dialogue and information-sharing concerning management (in particular , cost management) and delivery of federal drug benefit programs;
- Challenging their own thinking on issues related to management and delivery of federal drug benefit programs; and
- Formulating recommendations to FHP Management Committee concerning departmental drug formularies and the management thereof.

The FDBC met six times in 2006. One of the principal activities of the Committee throughout the year was consideration and vetting of the report titled *Analysis of Cost Management Strategies for Federal Drug Benefit Programs*, prepared on behalf of the Partners by external consultants with expertise in

[12] *Report of the Auditor General of Canada to the House of Commons*, November 2004, Chapter 4: Management of Federal Drug Benefit Programs
[13] Ibid

pharmacy. Phase 1 of the project entailed a comprehensive review of cost-saving measures used by public and private drug plans.

The FDBC examined the Phase I findings in the context of the Partners' drug benefit programs, and made recommendations to FHP Management Committee for Phase II of the project. In Phase II, the consultants developed those cost saving measures with the greatest potential to benefit the drug benefit programs delivered by FHP Partners.

The final draft of the Phase II report was completed in the fall of 2006 and was examined in detail by the FDBC at its meeting of November 14, 2006. Based on their assessment of the report's findings, the FDBC established three in-house sub-committees to further explore potential cost-savings in the following areas:

- Bulk purchasing;
- Supplies for monitoring blood glucose; and
- Resolution of jurisdictional or 'first payer' issues, where coordination of benefits exists.

D. *Joint Negotiations*

Also, as part of their response to the Auditor General's November 2004 recommendations,[14] and in consultation with the FDBC and FHP's Management Committee members, a "National Pharmacy Negotiations Strategy" was developed and approved. The strategy is intended to provide guidance for FHP organizations when undertaking joint negotiations of common fees for drug benefits and over-the-counter drugs/drug products.

In 2006, joint negotiations were undertaken with the Representative Board of Saskatchewan Pharmacists and the British Columbia Pharmacy Association (BCPhA); agreements were reached with both. The resulting savings/cost avoidance for 2006 was approximately $310K.

1. British Columbia Pharmacy Negotiations Group: From October 2005 to August 2006, eighteen interdepartmental meetings and five meetings with the BCPhA were held in order to define the terms and conditions of a new joint agreement between HC/VAC/RCMP and BCPhA. A joint agreement, effective from November 1, 2006 to September 30, 2007, was signed by HC/VAC/RCMP and the BCPhA.

   The FHP Partners reduced duplication and effort by adopting:

   - a coordinated implementation plan; and
   - a common FHP fee schedule and improved communication.

   The first meeting of the BC Pharmacy Implementation Committee was held December 8, 2006; terms of reference were established, and outstanding issues were discussed.

[14] Ibid

2. Saskatchewan Pharmacy Negotiations Group: Six inter-departmental meetings and three meetings with the Representative Board of Saskatchewan Pharmacists (RBSP) were held in 2006 to establish a common negotiation strategy and to define terms and conditions of a new agreement between HC/VAC/RCMP and RBSP. In December 2006, a joint Memorandum of Agreement, effective from February 1, 2007 to June 30, 2008, was signed between HC/VAC/RCMP and RBSP. The terms and fee schedule of the agreement that expired in June 2006 were continued until implementation of the new agreement.

3. Quebec Pharmacy Negotiations Group: From October to December 2006, two interdepartmental meetings were held and an FHP mandate for joint negotiations was approved to explore feasibility, develop a common negotiation strategy and meet with l'Association québecoise des pharmaciens propriétaires (AQPP) to define terms and conditions of a new agreement between the involved Partners and AQPP.

4. Maritimes Pharmacy Negotiations Group: Two interdepartmental meetings were held in 2006 to explore feasibility of joint negotiations, develop a common negotiation strategy and, if appropriate, meet with Atlantic pharmacy associations (Nova Scotia, New Brunswick, and PEI) to define terms and conditions of a new joint agreement.

E. *Common Audit Framework*

In 2006, developmental work on the common audit framework was completed and a proposal for implementation was submitted to FHP Management Committee members. The framework, recognizing existing service contracts for claims administration, allows for multiple claims administrators, while outlining minimum standards for:

- program management oversight roles and responsibilities;
- risk-profiling techniques; and
- audit processes.

The minimum standards were developed by consultants with subject-matter expertise in audit, based on an in-depth review of the existing pharmacy audit programs within HC-NIHB and VAC. One recommendation from the consultants was for FHP organizations to establish a joint committee as a means of satisfying one of the minimum standards for program management roles and responsibilities.

The inaugural meeting of the Joint Committee on Audit (Joint Committee) was held on June 22, 2006, with CIC, DND, HC-NIHB, RCMP and VAC sitting as members.[15] The Terms of Reference for the Joint Committee were drafted during the inaugural meeting, and have since been endorsed by members of the FHP Management Committee.

The purpose of the Joint Committee, as stated in the Terms of Reference, is to provide those member organizations of FHP that are involved in pharmacy audits with a forum for sharing audit plans,

[15] CSC, because of the nature of their program, is choosing not to sit on the Joint Committee at this time. CSC has indicated, however, that they will monitor the progress being made by the Joint Committee.

significant audit findings, best practices, and lessons learned. On a more strategic level, the stated objectives of the Joint Committee are:

- to help maximize benefits for FHP organizations through information-sharing concerning pharmacy audits;
- to help minimize duplication of effort among FHP organizations; and
- to facilitate FHP organizations' implementation of common risk-profiling and auditing processes.

It is intended that this committee will meet, at a minimum, twice per year.

12. Results-Based Management

In 2006 FHP completed the Business Plan 2007-2010 and the 2005/2006 Annual Report. Both documents were approved by FHP Management and Executive Committees prior to being submitted to TBS.

FHP Secretariat convened a number of strategic planning sessions concerning FHP. The sessions culminated with a special meeting of FHP Management Committee in October 2006. During the meeting, Management Committee members confirmed their ongoing support for the Partnership – its Charter, goals, composition, and healthcare issues/files on which they had chosen to collaborate. They also discussed strategies for the future, and how best to ensure that FHP achieves its goals.

Also in 2006, FHP began the process of updating its accountability framework, by undertaking development of a Results-Based Management Accountability Framework[16]. Work on this initiative is expected to continue in 2007.

The results for the 2006 Annual report continue to be based on the previous accountability framework – Performance Indicators Table included in **Annex B**.

13. Vision Care

The Partners total combined expenditure for vision care in 2006 exceeded $29 million, thus presenting an opportunity for collaborative agreements between FHP organizations and third party providers. For example, RCMP, HC and VAC reached an agreement with the Quebec Association of Optometrists in June 2006. Between June and December 31, 2006, this MOU resulted in approximately $21K savings/cost avoidance for RCMP and VAC[17]. FHP is continuing to explore other opportunities for collaborative agreements.

[16] Treasury Board of Canada Secretariat, *Results-Based Management and Accountability Framework of the Modern Comptrollership Initiative*

[17] The savings are as follows:
RCMP $3 794**;**
VAC $17 687
HC did not report significant savings/cost avoidance as a result of this agreement for 2006.

14. Additional Area of FHP Involvement

The following was not specifically referenced in FHP's 2004-07 Business Plan, however, it represents an additional area of FHP involvement:

Home and Continuing Care

In 2003, as a direct result of the First Ministers Accord on Health Care, five federal government organizations – HC, RCMP, DND, Indian and Northern Affairs Canada (INAC), and VAC – agreed to form the Home and Continuing Care Working Group to serve as a forum for information-sharing and coordination regarding the home and continuing care needs of those people in Canada for whom the Government of Canada has direct responsibility. Since that time, the Working Group has continued to meet approximately bi-monthly. Meetings have proven to be an effective means of facilitating communication among experts at the federal, provincial and community levels. Best practices continue to be developed and shared among Working Group members. During 2006, the Working Group held four regular meetings and a workshop on Chronic Disease Management.

Financial Performance

The 2006 activities of FHP contributed to savings/cost avoidance of approximately $48.2 million across the Partner organizations. **Table 3** below identifies how this figure is derived.

Table 3: Cost savings/avoidance by FHP Area of Involvement - 2006				
Area of Involvement	**Participating Organizations**	**Cost Containment Vehicle**	**Total Expenditure**	**Savings/Cost Avoidance**
Audiology				
	DND	MOU CAEA	$0.55M	$0.066M
	HC		$2.2M	$0.35M
	RCMP		$0.46 M	$0.037M
	VAC[18]		$38 M	$3.5M
Estimated Savings/Cost avoidance for 2006/2007 in Business Plan				$11M
Actual Savings/ Cost Avoidance for 2006				$4M
Medical Supplies and Equipment Recycling				
	VAC			$5.7M
Estimated Savings/Cost avoidance for 2006/2007 in Business Plan				$7.1M
Actual Savings/ Cost Avoidance for 2006				$5.7M
Oxygen Therapy				
	HC	Increased harmonization of oxygen policies and sharing of best practices among organizations	$1.8M	$0.2M
	VAC		$3.7	$1.7M
Estimated Savings/Cost avoidance for 2006/2007 in Business Plan				$2.3M
Actual Savings/ Cost Avoidance for 2006				$1.9M

[18] The expenditures showing for VAC throughout this report are based on fiscal year 2006/2007.

Area of Involvement	Participating Organizations	Cost Containment Vehicle	Total Expenditure	Savings/Cost Avoidance
Pharmacy				
	CIC	Increased harmonization of pharmacy policies and sharing of best practices between organizations	$6.8M	Not available
	CSC		$22.9M	($0.003M)
	DND		$69.9M	$6.93M
	HC		$397.3M	$21.7M[19]
	RCMP		$8.11M	$1.53M
	VAC		$125.9M	$6.2M
Estimated Savings/Cost avoidance for 2006/2007 in Business Plan				$7.2M
Actual Savings/ Cost Avoidance for 2006				$36.3 M[20]
Pharmacy- Joint Negotiations				
	HC RCMP VAC	Negotiated agreements in Saskatchewan and BC		$0.31M
Vision Care				
	HC	MOU – Quebec	$ 0.55M[21]	No saving reported
	RCMP		$0.035M	$0.003M
	VAC		$0.16M	$0.017M
Actual Savings/ Cost Avoidance for 2006				$0.021M
Totals				
Total Cost Savings/Avoidance across program areas				$48.2M

[19] The same methodology was used to calculate the savings/cost avoidance for all partner organizations. It is, however, possible that a portion of these figures could relate to Departmental efforts and not solely to FHP activities.

[20] The figure presented in this annual report represents a calculation based on the analysis of expenditure trends within the departments. It therefore represents a cost containment based on the estimated increase in expenditures for each department based on a three year trend analysis. The factors included in the methodology are better described under the Pharmacy Program Description in this report.

[21] From June 19 2006 to Dec 31, 2006.

Conclusion

In its thirteenth year of existence, FHP continues to provide both quantitative and qualitative benefits for the Partners. Quantitative benefits are reflected in **Table 3** above. Although not as high in some program areas as forecast in the 2004-07 Business Plan, the cost savings/avoidance made possible through the efforts of the Partnership remain significant in 2006. The Partnership continues to actively seek opportunities to contain or reduce costs provide for sustainability of programs; and maintain or improve healthcare services for clients.

The qualitative benefits of the Partnership are no less important than the quantitative, as they result in the improvement of health policies and service to Canadians. Other qualitative benefits of FHP include (*inter alia*):

- Greater harmonization and consistency in the delivery of healthcare programs and services across Partner organizations;
- Increased information and knowledge sharing on healthcare issues of common concern;
- Greater transparency in decision-making across Partner organizations;
- Increased awareness of, and perspective on emergent health policy issues; and
- More collaboration/coordination and less duplication of effort on files of common interest.

In 2006, significant strides were made in the areas of health human resources, health information management, and pharmacy. As FHP moves forward to consolidate its successes, it will continue to use the relationships developed in the last thirteen years to explore opportunities for further collaboration to achieve cost savings/avoidance, that might be otherwise unavailable to the Partners if they were to act in isolation. As the cost of healthcare rises in Canada, it is important that the work of FHP continue, and that all opportunities to work together are vigorously pursued.

Annex A – Financial Information
Financial Comparison 2006 to 2005/2006[22]

DEPARTMENT	ELIGIBLE CLIENT 2005/2006	2005/2006 EXPENDITURES	ELIGIBLE CLIENTS 2006	2006 EXPENDITURES
Audiology				
CSC	12 671	$0.1M	12 700	$.099M
DND	94 056	$0.71M	96 603	$0.552 M
HC	779 950	$2.23 M	786 200	$2.2 M
RCMP	20 360	$0.42 M	21 065	$0.46 M
VAC[23]	134 000	$40.7 M	133 300	$38M
Dental Care				
CIC	7 760	$1.1M	6 687	$1 M
CSC	12 671	$3.1M	12 700	$3.2M
DND	94 056	$21.4M	96 603	$20.9M
HC	779 950	$143.2M	786 200	$159.3M
RCMP	20 360	$10.24M	21 065	$8.7M
VAC	134 000	$19.6 M	133 300	$18.4M
Medical Supplies and Equipment Recycling				
VAC	134 000	Unavailable	133 300	$3 963 326
Oxygen Therapy				
DND	94 056	$.05M	96 603	$0.799M
HC	779 950	$2.02 M	789 560	$1.8 M
RCMP	20 360	$.22M	21 065	$0.22 M
VAC	134 000	$4.7M	133 300	$3.7 M
Pharmacy				
CIC	16 322	$5.5 M	15 531	$6.8 M
CSC	12 671	$20.7 M	12 700	$22.9 M
DND	94 056	$37.4 M	96 603	$36.9 M
HC	779 950	$368.9 M	789 560	$397.3 M
RCMP	20 360	$8.54 M	21 065	$8.11 M
VAC	134 000	$123.3 M	133 300	$125.9 M
Vision Care				
CIC	8 457	$0.9M	8 047	$0.9 M
CSC	12 671	$0.69M	12 700	$0.76M
DND	94 056	$1.65 M	96 603	$2.05 M
HC	779 950	$25 M	789 650	$24.3 M
RCMP	20 360	$1.42 M	21 065	$1.31 M
VAC	134 000	$6.2 M	133 300	$5.5 M

[22] As a result of the amendment of reporting dates in the annual report, the expenditures for the last quarter (Jan – Mar 2006) have been reported twice in this section.
[23] VAC expenditures reported for fiscal year 2006/2007.

Annex B – FHP Performance Indicators Table

The FHP Secretariat is responsible for monitoring the performance of the joint activities of its member organizations, and reporting on them to Treasury Board of Canada Secretariat. FHP follows an accountability and performance measurement structure which articulates key outcomes for FHP, identifies performance expectations and follows a performance indicators approach for each of the planned activities.

The key *Strategic Outcomes* of FHP are to:

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

Towards the realization of these strategic outcomes, the partner organizations ensure the undertaking and implementation of a number of activities. The outcomes of the activities in each business line are compared against a number of performance indicators as follows.

It must be noted that this document is currently under review and redevelopment. It is anticipated that the new document will be available sometime in 2008.

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

Business Line	**Outputs**	**Target population/ Reach**	**Short-term effects**	**Long-term impacts**
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

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 pharmacare, dental care, vision care, audiology, oxygen Federal P & T Committee and Federal DCAC	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	Departments and their clients	Sharing of information Better input to departmental decisions More consistent policies between	Increased co-ordination between all FHP Partners

Business Line	**Outputs**	**Target population/ Reach**	**Short-term effects**	**Long-term impacts**
Standardized claims processing Electronic health records, equipment recycling	inventory of medical equipment Policy recommendations		departments	
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