



Context

Shared service practices involve the integration of service activities across various areas of an organization, or across different organizations, into a single entity.¹ The main purpose of shared services is to improve efficiencies and help manage costs. A shared service can be defined as “the concentration or consolidation of functions, activities, services or resources into one stand-alone unit. The one unit then becomes the provider...to several other client units within the organization.”¹

Shared service practices are used in both the public and private sectors, and are more commonly seen in larger and more complex organizations.² There are various shared service models that can be adopted, with each offering its own benefits and concerns.³ Governments in the United States, Australia, the United Kingdom, and Ireland have successfully implemented shared service initiatives.¹ In response to the increasing demands placed on health care funding, several Canadian jurisdictions – namely Ontario, British Columbia with Alberta as a partner, and New Brunswick – have introduced new approaches to coordinate and integrate the procurement of services and supplies required by their health care systems.

The intent of these “health shared service” models is to maximize the value of expenditures in health care through more efficient practices in the management of resources. The goal is to generate savings that can be reinvested into respective provincial health care systems.

Objectives

The purpose of this report is to provide a general overview of health shared services in Canada that relate to the sharing of non-clinical services. The following questions will be addressed:

- Which jurisdictions operate health shared service practices in Canada?
- What savings have been achieved by jurisdictions that have adopted health shared service models?

Findings

The findings of this environmental scan are not intended to provide a comprehensive review of the topic. Results are based on a limited literature search and communication with key informants. This report is based on information gathered as of March 2011.

Health shared services are part of a larger trend toward managing costs by streamlining “the internal operations of an organization that are not accessible or visible to the general public, such as ... information technology systems,”⁴ and through the adoption of integrated supply chain management strategies.⁵

Supply chain management is defined as “the full range of processes that manage the flow of goods and services, information and dollars between suppliers, customers, and end-users, as well as the supporting infrastructure required to enable these processes.”⁵ If there is more than one agency involved in the processes, there is a requirement for integration. This is

referred to as integrated supply chain management.

There is no prescribed template or model for supply chain management. The arrangement will depend on the circumstances of the particular situation.

Ontario

In 2010, Ontario published a “procurement directive” under the authority of the *Broader Public Sector Accountability Act*.⁶ The directive will become effective in April 2011 for hospitals and community care access centres, and will become effective in January 2012 “for publicly funded organizations that received public funds of \$10 million or more in the previous year from the Government of Ontario.” The broader health sector in Ontario is covered by this policy directive.

The directive states that “publicly funded goods and services, including construction, consulting services, and information technology, are [to be] acquired by broader public sector organizations through a process that is open, fair, and transparent.” Processes are outlined that provide guidance to organizations undertaking procurement activities.

In 2008, the Ontario Ministry of Finance established an office known as the Broader Public Sector Supply Chain Secretariat, with a mandate to “[support] the adoption of leading supply chain and back office practices among the province’s health and education sectors that comprise the broader public sector.”⁷ With the assistance of this office, health shared service organizations have been formed in Ontario. The members of these organizations are hospitals within regions of Ontario which were prepared to collaborate in joint procurement activities. The goal was to maximize resources and generate cost savings through the use of integrated supply chains, thereby generating savings for reinvestment in the health system.

A pilot project was supported by the Broader Public Sector Supply Chain Secretariat to explore the potential to modernize supply chain management in the health care sector. The project originated from a submission from the Healthcare Supply Chain Network and six Ontario hospitals to collaborate and develop a road map for the creation of an automated supply chain. A goal of the project was to provide information for other hospitals in Ontario. Savings were to be achieved through inventory management, standardization, and contract administration. The initial investment to create the electronic supply chain system was estimated to be recovered on an average of 1.5 years. Projected savings were estimated at \$50 million annually.

Clinicians are believed to be in support of the creation of the electronic supply chain, as it will allow them to direct their efforts toward patient care rather than operational matters.⁷

An example of the application of the integrated supply chain for health shared services follows.

- Plexus is a health shared services organization, or network, comprised of twelve hospitals in the Greater Toronto Area. It was initiated in 2002-2003 when two hospital coalitions came together to consider possible economies by joining forces to procure goods and services. This effort was aimed at generating savings “by achieving economies of scale and reducing operating costs in the “back office,” including supply chain, accounts payable, HR [Human Resources]/payroll, the GL [general ledger] and financial reporting.”⁸ The participating organizations noted that there was duplication of functions and activities, and recognized that savings

could be achieved through integration and collaboration.

In 2006, Plexxus was created as a non-profit organization to manage the hospitals' integrated supply chain. The functions were phased in over a period of time, beginning with supplies and services to hospitals, and then incorporating finance and payroll functions. In its 2009-2010 annual report, the CEO announced a \$6.9 million returned to the members for reinvestment in the health care system.⁹

There now exist newer health shared services organizations in Ontario.

- Shared Services West operates from Oakville, servicing hospitals in the region west of the Greater Toronto area, including Mississauga, Georgetown, Milton, Brampton, Etobicoke, and a hospital in Toronto.¹⁰ In its first year of operations, contracts valued at \$46.7 million were negotiated, with \$2.4 million in savings realized.¹¹
- The Shared Support Services Southeastern Ontario, known as "3SO," includes six founding member hospitals that came together to create a separate not-for-profit organization.¹² The goal of 3SO is to achieve savings for investment into patient care through supply chain services involving the six member hospitals. The business case was submitted in March 2006 and the 3SO was registered as a not-for-profit corporation in January 2008. The 3SO provides procurement, warehousing, and distribution services; accounts payable; and support services to its member hospitals. It has also entered into an agreement for an electronic financial management system, with a provider.
- In the Windsor-Chatham area of Ontario, PROcure is a shared health services

organization that services area hospitals.¹³

Following are two other examples of health shared services that have been operational in Ontario for some time.

- Mohawk Shared Services was established in 1962 as a central laundry service for hospitals in southern Ontario. It has grown to include supply chain management, an employee assistance program, and a repository for diagnostic imagery,¹⁴ servicing 22 health centres in Hamilton, as well as facilities in the Kitchener-Waterloo, Brant, Wellington, Haldimand, and Toronto regions.
- Healthcare Materials Management Services was formed in 1997 as a joint venture between London Health Sciences Centre and St. Joseph's Health Care, London.¹⁵ The health shared service network is focused on achieving economies through joint purchasing, accounts payable, inventory management, and logistics. It services 13 hospitals and medical centres in the surrounding area.

British Columbia

The Health Authority Shared Services Organization (SSO) was established in January 2008 with the support of all six British Columbia health authorities and the British Columbia Ministry of Health. The organization, which began providing services in February 2009, is now known as Health Shared Services BC (HSSBC).¹⁶ The goal of the organization is to achieve efficiencies across the health authorities by providing support services, and by promoting standardization and leveraging collective purchasing power. By working collaboratively on common services, HSSBC aims to ensure health authorities get the most value for every dollar spent.

The focus is on non-clinical services: ¹⁷

- Supply chain (procurement, inventory and warehousing, logistics, and accounts payable)
- Technology services (workstations, service desk, storage/servers, network/voice services, architecture, and security)
- Accounts receivable
- Payroll.

As of March 2011, HSSBC negotiated a number of significant province-wide contracts to provide computer software and related services, home oxygen, renal dialysis, cardiac and operating room supplies to health authorities. The total cumulative savings for HSSBC's first five years of operation (until March 2014) are now projected to reach \$188 million, which surpasses the \$150 million in savings initially identified by the HSSBC.

Examples of finalized contracts:

- On behalf of the six health authorities, HSSBC has entered into a contract to extend an existing arrangement with IBM to provide enhanced desk-side support and to refresh workstations, which is projected to save \$100 million over 10 years. ¹⁸
- HSSBC entered into a contract with Medtronic to procure cardiac supplies at a savings of \$21 million over three years. ¹⁹ After twenty-one months in operation, HSSBC has saved \$153 million, exceeding the five-year target of \$150 million.

In 2009, HSSBC and Alberta Health Services entered into a joint purchasing agreement to buy health products and supplies through HealthPRO, a general purchasing organization. ²⁰ The estimated value of the purchases ranges between \$750 million to \$1 billion. ²¹

New Brunswick

In 2005-2006, the Department of Health conducted a study to identify ways to save money and make the most efficient use of the resources committed to health care. The New Brunswick Provincial Health Plan 2008 to 2012²² highlighted the need to manage the demands placed on the health system, including the associated costs.

One key component to the Provincial Health Plan was to enhance efficiency. Specific priorities included the following initiatives: ²³

- Reduce the cost of non-clinical services
- Explore regional purchasing initiatives with other jurisdictions
- Expand the use of new technologies to support health-care planning, management, and delivery
- Promote best practices, monitor system performance, and support meaningful citizen participation in health system transformation.

FacilicorpNB, a public sector company, was established "to manage and standardize the delivery of selected non-clinical services and programs previously managed by the Regional Health Authorities."²⁴ The company works in collaboration with the two Regional Health Authorities and the Ministry of Health. The initial mandate of FacilicorpNB was to transition and to consolidate the following five non clinical services:²⁵

- Materials management
- Clinical engineering
- Information technology and telecommunications services
- Laundry services
- Financial management functions such as accounts receivable, accounts payable, and payroll.

The goal is to generate savings which are reinvested to promote efficiencies in the

health care system, as well as to develop an electronic health record system. In cooperation with the clinicians in both Regional Health Authorities, FacilicorpNB aims to procure goods and services at the lowest overall cost to the health care system.

The types of pharmaceuticals used in hospitals is determined by Regional Health Authorities personnel and purchased through two group purchasing organizations. The procurement function is to be transitioned to FacilicorpNB in the future.

FacilicorpNB estimates that, through its efforts, there have been savings valued at \$15 million for the provincial health care system over an eighteen-month period.

Conclusion

Health shared services represent an effort by provincial governments to maximize the value of public funds allocated to health care. By using business practices associated with supply chain management, such as joint purchasing and integrating procurement activities, it is expected that savings will be generated for reinvestment in the health care system. This approach is consistent with the current focus by governments to enhance accountability and transparency – for example, through using competitive tendering processes when spending public resources.

While health shared services is not a new concept, it is one that has attracted heightened interest, particularly as health care costs continue to rise. Ontario, British Columbia in collaboration with Alberta, and New Brunswick have introduced health shared service models. It is anticipated that each of these models, if they have not already, will realize significant cost savings that can be reinvested into their respective health care systems.

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Canadian Agency for Drugs and Technologies in Health (CADTH)
600-865 Carling Avenue,
Ottawa, Ontario K1S 5S8