

Health Shared Services Saskatchewan

Statement of Cumulative Savings

For the seven-year period ended March 31, 2017

Independent Auditor's Report

To the Board of 3sHealth:

We have audited the Statement of Cumulative Savings of Health Shared Services Saskatchewan (3sHealth), for the seven-year period ended March 31, 2017. The Statement of Cumulative Savings has been prepared by management of 3sHealth based on its Savings Calculation Framework.

Management's Responsibility for the Statement of Cumulative Savings

Management is responsible for the preparation and fair presentation of the Statement of Cumulative Savings in accordance with its Savings Calculation Framework, and for such internal control as management determines is necessary to enable the preparation of the Statement of Cumulative Savings that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement of Cumulative Savings based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement of Cumulative Savings is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement of Cumulative Savings. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement of Cumulative Savings, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement of Cumulative Savings in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the reasonableness of savings estimates made by management, as well as evaluating the overall presentation of the Statement of Cumulative Savings.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement of Cumulative Savings for the seven-year period ended March 31, 2017 is presented fairly, in all material respects, in accordance with the Savings Calculation Framework.

Emphasis of Matters - Basis of Calculating Cumulative Savings and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the Statement of Cumulative Savings, which describes the basis of calculating cumulative savings. The Statement of Cumulative Savings is prepared to assist 3sHealth to monitor savings achieved through its activities. As a result, the Statement of Cumulative Savings may not be suitable for another purpose.

Regina, Saskatchewan

June 16, 2017



Chartered Professional Accountants

HEALTH SHARED SERVICES SASKATCHEWAN
Statement of Cumulative Savings
For the seven-year period ended March 31, 2017

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
ANNUAL SAVINGS							
New Contracts (Note 2)	\$3,436,417	\$6,844,648	\$ 6,413,599	\$6,843,495	\$8,850,414	\$5,863,320	\$5,107,548
One-Time Savings (Note 3)							
Rebates	300,151	1,236,958	1,859,559	3,271,400	4,252,880	4,213,399	5,253,713
Contract	-	-	254,996	976,953	1,897,880	2,216	411,702
Operations	-	-	-	-	-	1,199,850	5,598,750
Capital	-	-	-	11,674,309	-	34,760,520	3,836,903
TOTAL ANNUAL SAVINGS	3,736,568	8,081,606	8,528,154	22,766,157	15,001,174	46,039,305	20,208,616
CUMULATIVE SAVINGS							
Annual Savings	3,736,568	8,081,606	8,528,154	22,766,157	15,001,174	46,039,305	20,208,616
Recurring Savings (Note 4)							
Contracts	-	3,436,417	10,281,065	16,694,664	23,538,159	32,388,573	38,251,893
Prior Year Cumulative Savings	-	3,736,568	15,254,591	34,063,810	73,524,631	112,063,964	190,491,842
TOTAL CUMULATIVE SAVINGS (Note 5)	\$ 3,736, 568	\$ 15,254,591	\$ 34,063,810	\$ 73,524,631	\$ 112,063,964	\$ 190,491,842	\$ 248,952,351

See accompanying notes

1. BASIS OF PRESENTATION

This Statement of Cumulative Savings has been prepared by management of 3sHealth based on its Savings Calculation Framework.

2. NEW CONTRACT SAVINGS

New contract savings are calculated based on the following formula:

*Current volumes * (old price + expected price increase – new price)*

Current Volumes is the amount of a supply or service that is currently being used.

Old Price is the unit price that was charged under the old (usually regional) contract.

Expected Price Increase is determined using data from the Canadian Institute for Health Information (CIHI) as a benchmark for healthcare expense patterns. To be conservative, 3sHealth uses 50% of the CIHI - based expense growth rate. CIHI is a national independent, not-for-profit organization that provides essential information on Canada's health systems and the health of Canadians.

New Price is the unit price under the new (provincial) contract.

3. ONE-TIME SAVINGS

One-time savings are savings realized by the system that do not fall within the standard contract savings calculation noted above. These savings will only be realized in the year which they were received or realized. Examples are as follows:

a.) One-Time Rebate Savings:

Rebates are funds received from the supplier on a scheduled basis (annual, semi-annual etc). The rebate may be a fixed amount or a percentage of purchases. In some cases, rebates are sent to 3sHealth for distribution to member agencies (regional health authorities/ Saskatchewan Cancer Agency) and in other cases rebates are sent directly to member agencies.

b.) One-Time Contract Savings:

One-time contract savings are savings outside of the standard contract savings calculation, including, but not limited to, signing bonus, cash incentive, single year additional price reduction, one-time one-year contract savings.

c.) One-Time Operational/Capital Savings:

The savings presented on the Statement of Cumulative Savings represents operational and capital cost avoidance savings related to establishing a provincial health care linen service.

Capital cost avoidance was calculated taking the full value of estimated required capital spending per facility condition index reports prepared for each pre-existing laundry facilities. These savings were reported at the time each facility closed.

4. RECURRING SAVINGS

Recurring savings come from contracts that were signed in previous years, and continue on for multiple years and generate savings to be realized in future years. The implementation of a provincial contract lowers the cost curve for a good or service. Each year this number grows as 3sHealth adds more contracts. Recurring savings is sum of “new contracts” for prior years.

5. CUMULATIVE SAVINGS

The total savings each year including recurring savings from previously negotiated contracts as well as new contract savings realized each year.

Cumulative Savings is made up of 3 parts:

- Prior year’s total cumulative savings.
- Annual Health System savings from the current year,
- Recurring Savings.