

SASKATCHEWAN HEALTH SYSTEM SHARED SERVICE SAVINGS

3sHealth reports on the annual and cumulative health system savings as a result of shared services. Savings happen when we consolidate purchasing contracts from regional to provincial scope; and when new provincial service lines are implemented.

The contract savings are calculated based on the following formula:

$$\text{Current Volumes} * (\text{old price} + \text{expected price increase} - \text{new price})$$

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, we use 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.¹

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

Savings are calculated when:

1. New provincial contracts are signed that consolidate previous smaller (regional) contracts and capture economies of scale resulting in reduced prices, and
2. 3sHealth provincial contracts that expire are renewed and result in further savings.
3. We receive rebates from our suppliers as a result of our participation in national contracts.

The calculated savings are realized as regions purchase product on the new contract. By lowering the cost of supplies, funds are then available for redirection to meet patient care needs through direct patient service.

Implementing new service lines produce savings from operations and in some cases, avoiding capital investments. For example, the new provincial linen service line provided savings from a reduced cost per pound of processed laundry as well as removing the need to maintain the old linen plants.

Cumulative Savings are the total of savings each year. It includes annual recurring savings from multi year contracts as well as net new savings realized each year. They help to show the true impact of the health system's work in "bending the cost curve" of healthcare in Saskatchewan.

From 2010/11 to 2015/16, health shared services initiatives have resulted in total cumulative system savings of \$191 million; 3sHealth is forecasting savings will reach \$244 million by the end of the 2016/17 fiscal year. These savings can be used by the system to improve the quality of healthcare for Saskatchewan residents.

¹ From www.CIHI.ca