Chapter 10
Health

1.0 Main Points

This chapter reports the results of our annual audit of the Ministry of Health (Health) and some of its agencies. We report that Health and its agencies complied with authorities governing their activities relative to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing. Health agencies reported in this chapter had reliable 2012 financial statements. Health and its agencies had effective rules and procedures to safeguard public resources except Health needs to improve its processes in the following areas:

Health did not always comply with tendering processes required by the *Financial Administration Manual* when entering into contracts for services. The lack of documented due diligence and the lack of consideration of alternatives increases the risk that decision makers may not have all relevant information about other innovative and financially competitive proposals.

Health does not seek confirmation from patients receiving medical services from doctors. Verifying doctor services could help ensure that doctors bill Health correctly, and could help Health recover any incorrect billing.

Health uses third party agencies to deliver health services on its behalf. Health has a process to assess the risk that these agencies may not spend money for the intended purposes. Agencies assessed as high risk should be monitored more closely. Health has not made this risk assessment for a number of years.

2.0 Introduction

Health oversees the provincial health care system. Health also regulates the delivery of health care. To ensure the provision of essential and appropriate services, Health establishes provincial strategy and policy direction, sets and monitors standards, and provides funding. It oversees a health care system that includes 12 regional health authorities (RHAs), the Saskatchewan Cancer Agency (SCA), the Athabasca Health Authority,[1] affiliated health care organizations, and a diverse group of professionals. Health works with the RHAs, the SCA, and other stakeholders to recruit and retain health care providers, including nurses and physicians.[2]

Health's annual report includes information about its expenses (annual report is available at www.health.gov.sk.ca).

[1] The Athabasca Health Authority operates under an agreement between the Province, Canada, and six northern First Nations. The Ministry of Health funds the Authority for acute care expenses.
[2] Ministry of Health, 2011-12 Annual Report.

2.1 Government Spending on Health

Figure 1—Total Health Sector Costs by Program for the years ended March 31

	2012	2011	2010*	2009*	2008*	2007*	2006*	2005*	2004*	2003*
	(in millions of dollars)									
Regional Health Authorities										
Inpatient and Resident Services	$1,353	$1,252	NA	NA	NA	NA	NA	NA	NA	NA
Physician Compensation	240	214	NA	NA	NA	NA	NA	NA	NA	NA
Ambulatory Care Services	208	186	NA	NA	NA	NA	NA	NA	NA	NA
Diagnostic and Therapeutic Services	369	351	NA	NA	NA	NA	NA	NA	NA	NA
Community Health Services	472	440	NA	NA	NA	NA	NA	NA	NA	NA
Support Services	736	720	NA	NA	NA	NA	NA	NA	NA	NA
Ancillary	15	16	NA	NA	NA	NA	NA	NA	NA	NA
RHA sub-total costs	3,393	3,179	$3,057	$2,708	$2,540	$2,295	$2,207	$2,040	$1,894	$1,780
Medical services and education	727	726	685	639	590	585	533	496	455	446
Prescription drugs	350	354	338	316	294	246	229	212	194	173
Provincial health services	341	316	313	272	234	205	190	175	162	144
Central Support Services	58	40	51	49	53	49	50	44	46	23
Other	10	9	41*	37*	37*	31*	30*	26*	34*	44*
Pension (surplus)/liability**	27	58	88	33	(25)	(7)	22	(4)	10	-
Timing Differences***	(14)	(5)	(53)	(25)	(72)	(59)	(39)	(45)	(50)	(52)
Total costs**	$4,892	$4,677	$4,520	$4,029	$3,651	$3,345	$3,222	$2,944	$2,745	$2,558

Source: *Public Accounts 2011-12: Volume 2: Details of Revenue and Expenditure* (see www.finance.gov.sk.ca/public-accounts) and March 31, 2012 financial statements of the RHAs and other Crown agencies.
* Regional Health Authorities have reclassified their expenses into new categories. The reclassification information is not readily available for years prior to 2011.
** Source: *Public Accounts 2011-12: Volume 1: Main Financial Statements:* The Government participates in the Saskatchewan Health Employees' Pension Plan (SHEPP), a joint defined-benefit plan for employees of health agencies. The expense/(revenue) reflected is the change in the pension debt from the prior year. Agencies recorded a pension expense of $134 million for 2011-12 in their financial statements; note amount for the 2003 year is not readily available.
*** Timing differences represent the recognition of revenues and expenses at different times by Health entities.
****The total cost equals the amount recorded in the Government's summary financial statements for each year.

Figure 1 shows health sector costs by program totalling $4.89 billion for the year ended March 31, 2012. The costs in the table do not include health services paid directly by the Government of Canada, nor the costs that individuals and private sector organizations pay directly for health services.

Health received $4.4 billion in revenue from the General Revenue Fund. The health sector raised a further $420 million of other revenues including $249 million in health care fees. The Government received transfers from the Federal Government of $847 million for the Canada Health Transfer program.

2.2 Related Special Purpose Funds and Crown Agencies

At March 31, 2012, Health was responsible for the following special purpose funds and Crown agencies (agencies):

Year-end March 31
Twelve Regional Health Authorities
Health Quality Council
North Sask. Laundry & Support Services Ltd.
Physician Recruitment Agency of Saskatchewan
3sHealth
Saskatchewan Cancer Agency
eHealth Saskatchewan
Saskatchewan Health Research Foundation
Saskatchewan Impaired Driver Treatment Centre Board of Governors

Year-end December 31
Saskatchewan Association of Health Organizations (SAHO), Disability Income Plan – C.U.P.E.
SAHO, Disability Income Plan – S.E.I.U.
SAHO, Disability Income Plan – S.U.N.
SAHO, Disability Income Plan – General
SAHO, Core Dental Plan
SAHO, In-Scope Extended Health/Enhanced Dental Plan
SAHO, Out-of-Scope Extended Health/Enhanced Dental Plan
SAHO, Group Life Insurance Plan
SAHO, Master Trust Combined Investment Fund

We provide our audit findings for the following agencies in separate chapters:

- Regional Health Authorities (see Chapters 18, 19, and 23)
- Health Quality Council (see Chapter 11)
- North Sask. Laundry & Support Services (see Chapter 16)
- eHealth Saskatchewan (see Chapter 6)

3.0 Audit Conclusions, Scope and Findings

In our opinion, for the year ended on or before March 31, 2012:

- **Health and its agencies had effective rules and procedures to safeguard public resources except for the matters noted in this chapter**
- **Health and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter**

The Department of Health Act
The Drug Plan Medical Supplies Regulations
The Regional Health Services Act
The Regional Health Services Administration Regulations
The Saskatchewan Assistance Plan Supplementary Health Benefit Regulations
The Saskatchewan Medical Care Insurance Act
The Medical Care Insurance Beneficiary and Administration Regulations
The Medical Care Insurance Peer Review Regulations
The Saskatchewan Medical Care Insurance Payment Regulations, 1994
The Prescription Drugs Act
The Prescription Drugs Regulations
The Health Facilities Licensing Act
The Health Facilities Licensing Regulations
The Mental Health Services Act
The Financial Administration Act, 1993
The Government Organization Act, 2004
The Crown Corporations Act, 1993
The Tabling of Documents Act, 1991
An Act to Incorporate Saskatchewan Health-Care Association
The Cancer Agency Act
The Cancer Agency Regulations
The Regional Health Services Regulations
The Health Information Protection Act
The Public Health Act
Orders in Council issued pursuant to the above legislation

- **The financial statements of Health's agencies listed are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Health's control. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievements of the organization's objectives.

We examined significant programs of Health including medical services and medical education, drug plan and extended benefits, provincial health services, sector wide human resource planning, capital planning, and supervision of regional health authorities.

3.1 Documented Support for Sole-source Contracting Decisions Needed

Health needs to comply with the *Financial Administration Manual* (Manual) when entering into contracts for acquiring services.

The Ministry of Finance created the Manual under the authority of *The Financial Administration Act, 1993*. Section 4510 of the Manual applies to all ministries. This section sets out the requirements for entering into contracts for services.

The Manual allows ministries to use a formal or informal contracting process.

The Manual requires a formal process where a formal tender or an invitation to bid are used when the exact requirements for a contract are known, and price is therefore the primary determinant of the award.

While the Manual allows the ministries to use informal processes under the above conditions, it states, "Ideally, written bids or proposals should still be obtained". The Manual allows the informal contracting process under the following conditions:

- There is insufficient time to conduct a bidding process (i.e., emergency)
- A fair price can be determined and the total cost of the service is immaterial
- Only one contractor is known with the required skills

- The requirement for the resources must be kept confidential
- Professional services are being acquired which do not facilitate tendering or request for proposal (RFP) processes (e.g., some legal and medical contracts)

Notwithstanding what process they use, the Manual requires ministries to advertise the need for services on the SaskTenders website[3] when a need for services is expected to cost more than $75,000. Compliance with the Manual helps ensure that ministries acquire services in the fairest and most equitable manner and in turn, supports a process where the awarding of contracts is open and transparent.

To assess Health's compliance with the Manual, we examined all existing contracts for services over the threshold of $75,000 that Health signed during the past few years. We found that Health did not always advertise its need for services on SaskTenders. Also, we found that about 30% of the contracts that we examined did not follow the formal process nor did it document why the formal process was not used. Accordingly, Health did not comply with the *Financial Administration Manual*.

1. **We recommend that the Ministry of Health comply with the *Financial Administration Manual* when entering into contracts for services exceeding the limits prescribed in the *Financial Administration Manual*.**

During the year, Health entered into a significant, multi-year contract for helicopter air ambulance services with the Shock Trauma Air Rescue Society (STARS). During the year, Health paid about $5 million to STARS for helicopter air ambulance services. Health could, under the contract, pay more in subsequent years when STARS is fully operational. The contract Health signed with STARS includes all necessary elements of good supervision and accountability.

Management could not provide any evidence of a request for proposal or request for written bids for providing the air ambulance services. Nor could management provide us with evidence of Health's due diligence and consideration of alternative proposals before signing the contract.

Lack of documented due diligence and consideration of alternatives increases the risk that the decision makers may not have all relevant information about other innovative and financially competitive proposals.

2. **We recommend that the Ministry of Health document its due diligence and consideration of alternatives when awarding contracts.**

[3] Administered by the Ministry of Central Services.

3.2 Verify Medical Services to Patients

We recommended that the Ministry of Health implement a process to verify that patients received the medical services that doctors billed the Ministry for payment. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – We continue to make this recommendation.

Health pays about $457 million annually to doctors for medical services on a "fee for service" basis. Verifying doctor services could help ensure that doctors bill Health correctly, and could help Health in its efforts to recover any incorrect billing.

Prior to 2011, Health compared each doctor's billing to doctors' historical trends and sought confirmation from patients receiving services. For the last two years, Health did not seek confirmation from patients receiving medical services. Comparing doctors' billing to past billing trends alone is not sufficient without seeking periodic confirmation from those who received the services.

In 2011, management indicated that Health was revising its process for verifying medical services that doctors provide to patients and that the new process was expected to be implemented by the end of 2011. Health has not yet done so.

3.3 Update Risk Assessments for Agencies Delivering Health Related Services

We recommended that the Ministry of Health update its risk assessments for agencies delivering healthcare services to help monitor their performance. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

Status – We continue to make this recommendation.

Health makes annual service agreements with health agencies to deliver health-related services. During the year ended March 31, 2012, Health paid $60.1 million to these agencies. To help Health supervise those agencies, the service agreements require agencies to provide Health with certain performance information by specified dates.

Health has established a process to assess the risk that these agencies may not spend money for the intended purposes. For agencies assessed as high-risk, Health follows up to obtain timely information to monitor performance and to determine if those agencies are using money for the intended purposes.

Although Health's processes require annual risk assessments for agencies providing health-related services on its behalf, Health has not updated its risk assessments for all agencies for a number of years. Without up-to-date risk assessments, Health may not identify agencies that it must follow up for monitoring performance.

Recently, Health investigated allegations of misspending at AHA.[4] Health gives AHA about $6 million each year to provide health related services to residents in Northern Saskatchewan. Had Health followed its process and assessed the risk that AHA might not spend the money for intended purposes, it may have taken corrective action earlier.

3.4 Capital Asset Plan Not in Place

We recommended that the Ministry of Health develop a capital asset plan to help ensure that it can carry out its strategic plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 30, 2004)

Status – We continue to make this recommendation.

The health care system uses over $1.2 billion of capital assets (buildings and equipment) to deliver health care.

Health still does not have a capital asset plan. Lack of a capital asset plan increases the risk that the health care system may not have the capital assets it needs to deliver the services citizens require or that it may have idle capital assets that it could use at some other location. A long-term capital asset plan for Health would also help regional health authorities prepare their own capital asset plans.

Health was given certain priorities in the Minister's mandate letter dated November 21, 2007. These priorities included the development of a 10-year capital plan for health care. Health has not yet prepared the plan.

3.5 Business Continuity Planning Needed

We recommended that the Ministry of Health prepare a complete business continuity plan. (2005 Report – Volume 3; Public Accounts Committee agreement March 9, 2006)

Status – We continue to make this recommendation.

Health has drafted a business continuity plan[5] but has not yet approved the draft plan. Health needs to prepare a complete plan and test that plan to ensure its effectiveness.

[4] The Athabasca Health Authority operates under an agreement between the Province, Canada, and six northern First Nations. The Ministry of Health funds the Authority for acute care expenses.

[5] Business Continuity Plan (BCP–Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

3.6 Human Resource Planning in Place

We recommended that the Ministry of Health revise its human resource plan to quantify its human resource needs and provide measurable indicators and targets for all strategies. (2006 Report – Volume 3; Public Accounts Committee agreement June 25, 2007)

Status – Implemented.

In 2011-12, Health updated its human resource plan. The plan includes information on Health's human resource needs and measurable indicators and targets for its human resource strategies.

3.7 Health Sector Human Resource Planning in Place

We recommended that the Ministry of Health should present information on significant shortfalls or surpluses in human resources in its health sector human resource plan. (2006 Report – Volume 1; Public Accounts Committee agreement October 4, 2006)

Status – Implemented.

Health released Saskatchewan's Health Human Resources Plan (Health Sector HR Plan) on December 21, 2011. The plan describes the current state of the health care workforce including the size and demographic breakdown of the various health care occupations. The plan also includes the estimated number of employees that will need to be trained and recruited over the next 10 years for those occupations to meet health care needs.

We recommended that the Ministry of Health should present information on succession planning and development strategies for its current workforce in its health sector human resources plan. (2006 Report – Volume 1; Public Accounts Committee agreement October 4, 2006)

Status – Implemented.

The Health Sector HR Plan describes potential actions that Health and health care providers could use to implement the plan. These actions include providing training and professional development for the current workforce and implementing succession planning by agencies within the health sector.