

HEALTH CARE PROTECTION ACT REPORT TO ALBERTANS

Subject: Renewal of Surgical Service Agreement under the *Health Care Protection Act* (HCPA)

Region: Calgary Health Region

Facility: Health Resource Centre – Calgary (HRC)

Surgical Service: Insured Inpatient Orthopedic Surgical Procedures

Term: February 1, 2007 to March 31, 2012

Background:

The Calgary Health Region (CHR) has had a service agreement with Health Resource Centre (HRC) to provide insured inpatient orthopedic surgical services (primary hip and knee arthroplasty procedures) since November 2002. The existing contract expires January 31, 2007. Contracting with HRC has provided CHR with additional operating room capacity in the region, increased access and has assisted with reducing wait lists.

Proposal:

CHR submitted a proposal for renewal of their existing service agreement with HRC for the following insured inpatient orthopedic procedures.

- Primary Total Hip Arthroplasty – uncomplicated
- Primary Total Knee Arthroplasty – uncomplicated
- Variety of Foot and Ankle Procedures

- The term of the proposed agreement is February 1, 2007 through March 31, 2012.

- The associated volume is for an estimated combination of 1,000 procedures per year up to a combined maximum of 3,500 procedures. The anticipated mix is approximately 70 per cent arthroplasty procedures and 30 per cent foot and ankle procedures.

- The funding model proposed is based on CHR's actual experience with HRC over the past several years. The price per procedure is also related to the number of procedures performed; a higher volume results in a lower price.

- The expected average cost of a hospital stay per arthroplasty performed in a hospital in the CHR is \$9,263 – excluding physician fees and prosthesis costs. The comparable contracted price for arthroplasties performed at HRC is \$7,724 per procedure for the first 1,000 procedures and \$7,442 for 1,001 to 1,500

procedures. CHR's calculations indicate that it costs the region approximately \$1,539 less per procedure to perform arthroplasties at HRC.

- The expected average cost of a hospital stay per foot/ankle procedure performed in a hospital in the CHR is \$6,656 – excluding physician fees. The comparable contracted price for foot/ankle procedures performed at HRC is \$7,491 for the first 1,000 procedures and \$7,155 for 1,001 to 1,500 procedures. CHR's calculations indicate that it costs the region approximately \$956 more per procedure to perform foot/ankle procedures at HRC.
- Although the foot/ankle procedures cost more, the costs are offset by the following: the service agreement provides increased access and reduced wait lists for these procedures; and significant savings realized for the arthroplasty procedures.
- The maximum budget that the region may make available for services performed between February 1, 2007 and March 31, 2008 shall be \$13 million. The maximum budget for services for each subsequent fiscal year shall be \$25.5 million. Costs are directly related to the number of procedures performed. For year one (February 1, 2007 to March 31, 2008), HRC may perform a maximum of 1,167 procedures.

Assessment Summary:

In reviewing proposals, Alberta Health and Wellness considers whether there is a negative impact on the publicly funded health care system and whether public interest is being served.

The CHR's relationship with HRC with respect to these insured surgical services has been successful to date. Renewal of the service agreement benefits the public by providing an alternate surgical site to meet the continued growth of demands for joint replacements and other related surgical procedures. It continues to provide the CHR with the ability to increase regional operating room capacity to meet the health needs of the population, increase accessibility and reduce wait lists within the region.

Rationale:

The approach taken by CHR benefits the public health care system. The service agreement with HRC provides the opportunity for a private facility to "work" for the public sector. This is about using the private sector to increase surgical capacity to meet the public system's demands. In addition, HRC has given CHR assurance that the public system patients will get priority when booking procedures.

The funding method used by CHR is based only on the costs of services provided to publicly funded patients. CHR is not paying a premium to HRC to perform insured surgical procedures. Their service agreement with HRC demonstrates that publicly funded health care services can be delivered cost effectively in settings other than our public hospitals. This type of arrangement strengthens the public health care system

by providing an additional surgical site to meet the growing demands of Alberta's population.

The CHR's request to enter into a service agreement with HRC has been approved. The following conditions are associated with this approval.

- An existing condition with respect to HRC providing information to the Minister for verifying records and ensuring compliance with the *Health Care Protection Act*, the service agreement and their designation is continued.
- CHR will obtain the Minister's consent for total service fees per procedure on an annual basis or for procedures greater than fifteen hundred (1500) per fiscal year.
- Where practical and cost effective, Calgary Health Region will minimize unused surgical capacity by making such capacity available to patients from other regional health authorities.

Paddy Meade
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Alberta Health and Wellness