



Conference Board of Canada
Public Sector Shared Services Conference
Ottawa, Ontario
November 16, 2006

Introduction



⇒ Challenges

- ◆ lack of trust
- ◆ concern about a takeover by the large hospitals
- ◆ unique needs of each hospital
- ◆ history of false starts
- ◆ resistance to change

⇒ Business Model

- ◆ governance structure
- ◆ financial model

⇒ Operating Model

- ◆ change management
- ◆ risk
- ◆ organization
- ◆ Information technology

Overview



- ⇒ Created as a not-for-profit corporation

- ⇒ Business model developed and agreed upon by members
 - ◆ shared service
 - sharing formula for investment and distribution of savings
 - ◆ phased implementation

- ⇒ Became operational on April 1, 2006
 - ◆ acquired Hospital Logistics Inc. and Shared Healthcare Supply Services

Mission



HBS relentlessly seeks out opportunities to provide leading edge business support solutions to Ontario's healthcare sector that increase funds available for investment in direct patient care.

Values



- ⇒ We will be accountable
- ⇒ We will focus on results and deliver value
- ⇒ We will rigorously evaluate our performance
- ⇒ We will be transparent
- ⇒ We will inspire our people
- ⇒ We will find innovative solutions for our customers
- ⇒ We will act with integrity and respect
- ⇒ We will be flexible and responsive

Priorities



- ⇒ Achieve economies of scale through the standardization and integration of processes and through group purchasing
- ⇒ Invest in leading Information Technology infrastructure
- ⇒ Reduce the operating costs for all participants
- ⇒ Implement leading practices and achieve continuous improvement through standardization and performance measurement
- ⇒ Deliver timely and relevant information to allow for better decision-making

Phased Implementation



⇒ Phase 1 (April 2006)

- ◆ Supply chain services (strategic sourcing, contract management, logistics)
- ◆ Finance Pilot and planning for Phase 2
- ◆ Savings initially retained to fund Phase 2 transformation
 - focus on long term transformation
- ◆ HBS manages in-scope member staff

⇒ Phase 2 (April 2008)

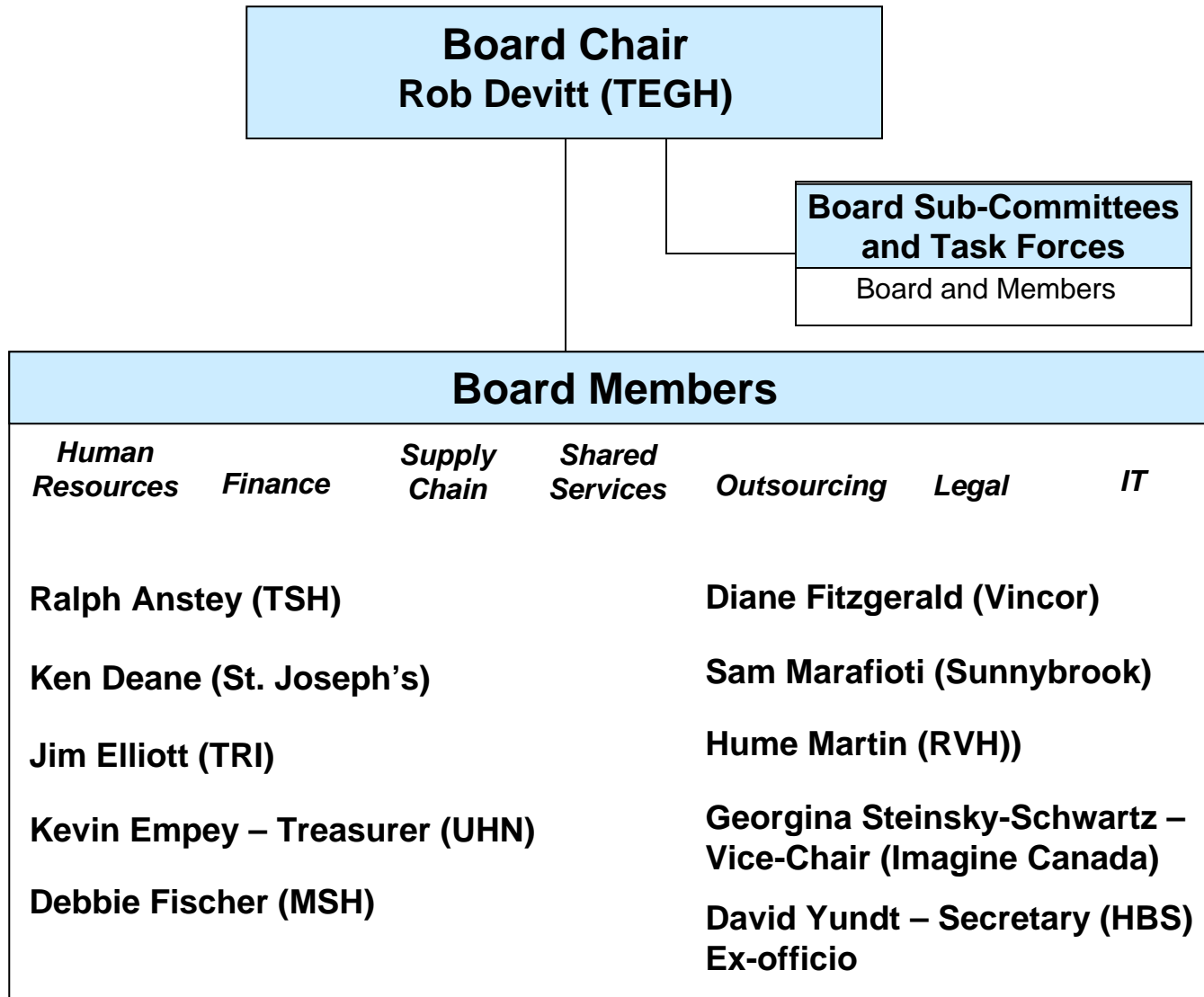
- ◆ Finance and Accounting Services
- ◆ Payroll and HR Services
- ◆ IT infrastructure to support business

Members

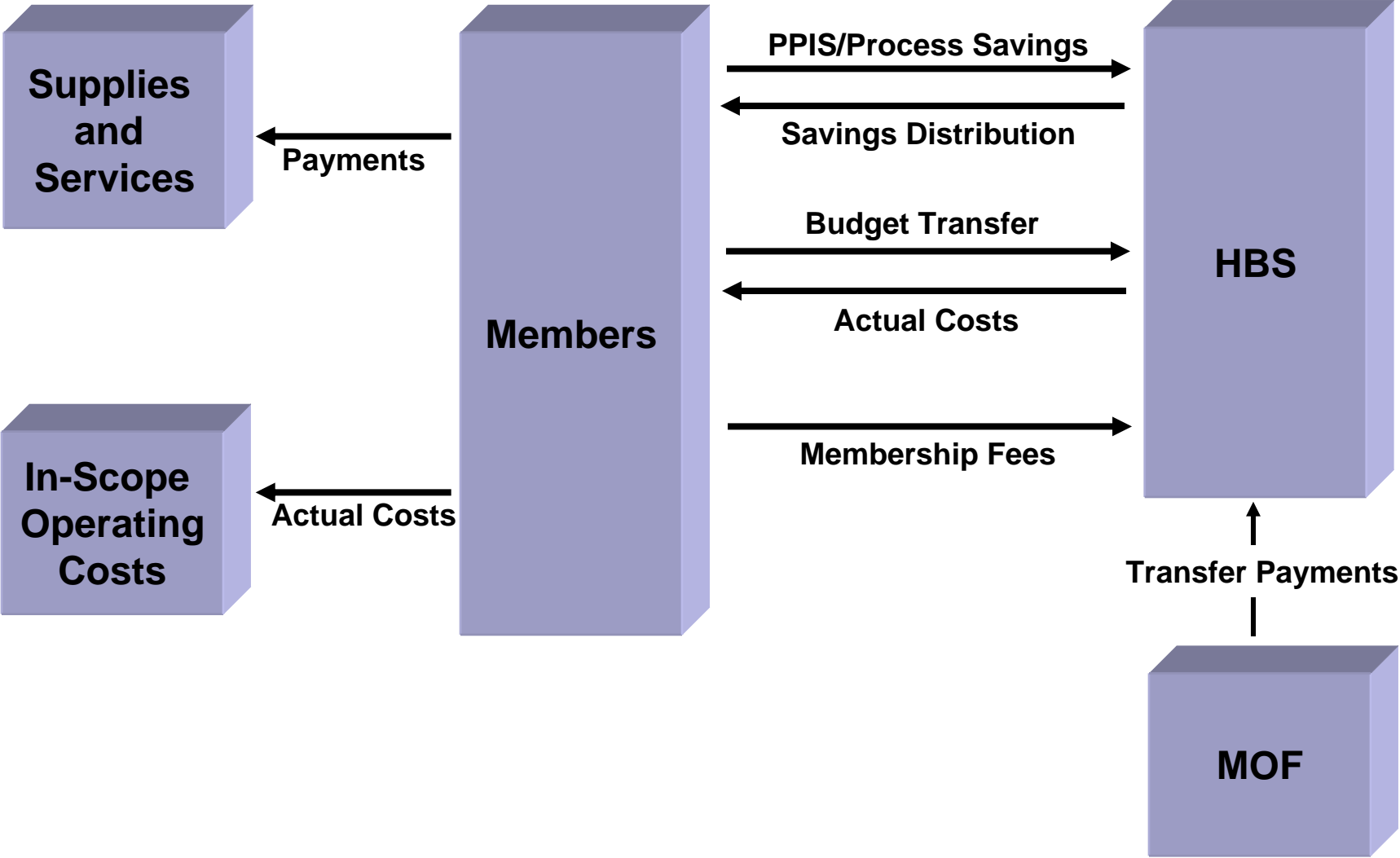


Bloorview Kids Rehab
Lakeridge Health Corporation
Mount Sinai Hospital
North York General Hospital
Rouge Valley Health System
The Scarborough Hospital
St. Joseph's Health Centre
Sunnybrook Health Sciences Centre
Toronto Rehabilitation Institute
Toronto East General Hospital
University Health Network
Women's College Hospital

Board Governance



Financial Model



Mission

To facilitate and accelerate the widespread implementation of integrated supply chain management leading practices in Ontario's Broader Public Sector

Secretariat Role

- Champion leading practices
- Fund and oversee supply chain transformation projects
 - Broad geographic and sector participation
 - Functionally comprehensive...“Plan-to-Pay”
- Measure & report on performance against benchmarks

HBS Evolution – Phase 1



Finance/HR

Phase 2 Planning

Finance Pilot



Supply Chain

Grow/Expand

Identify New Opportunities

Transformation Design

Transformation Implementation

Integrate Operations

Optimize Operations

Business Start-up



FY07
Q1 Q2 Q3 Q4

FY08
Q1 Q2 Q3 Q4

FY09
Q1 Q2 >>>>

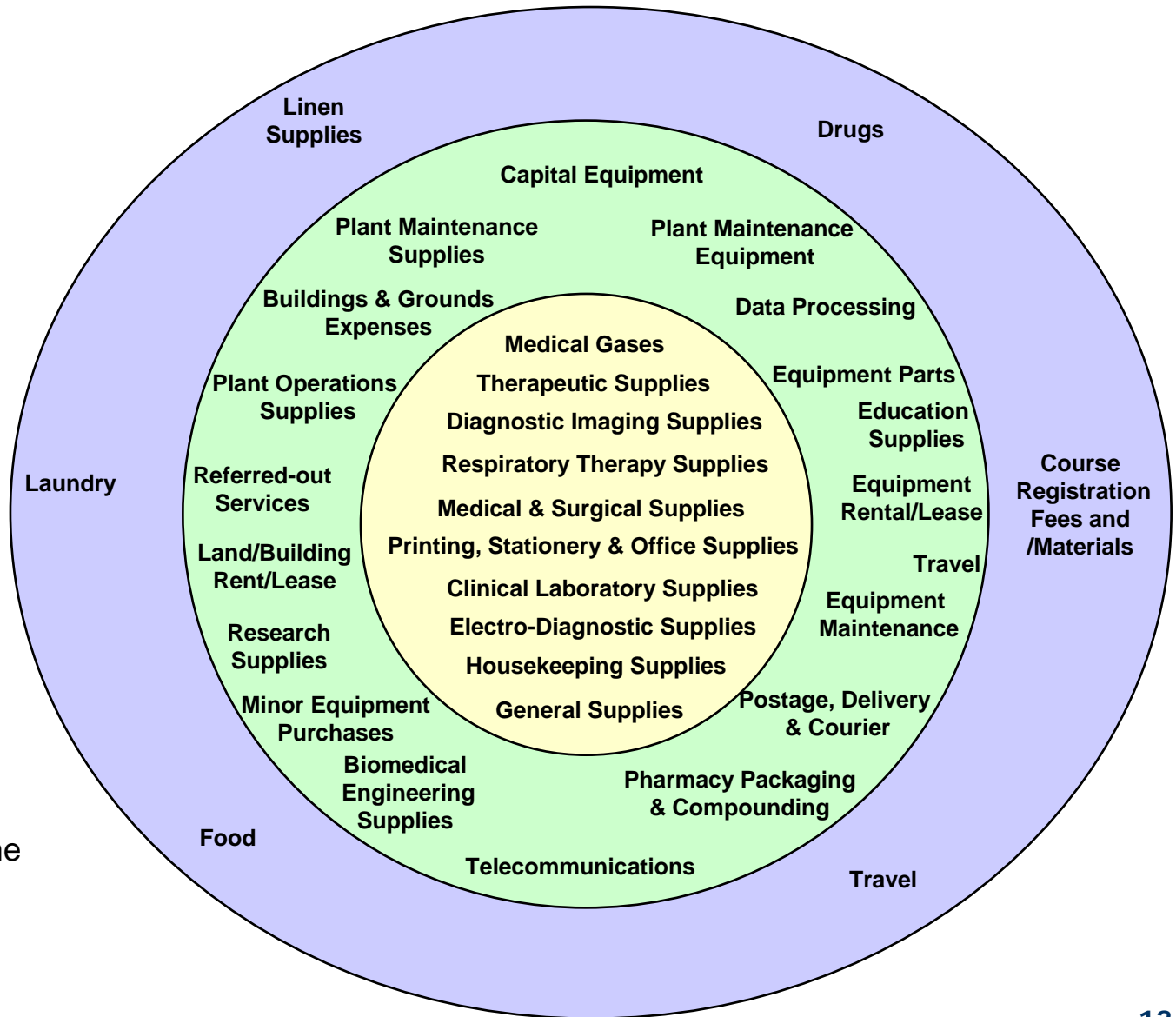
Scope of Supply Chain



Approximately :

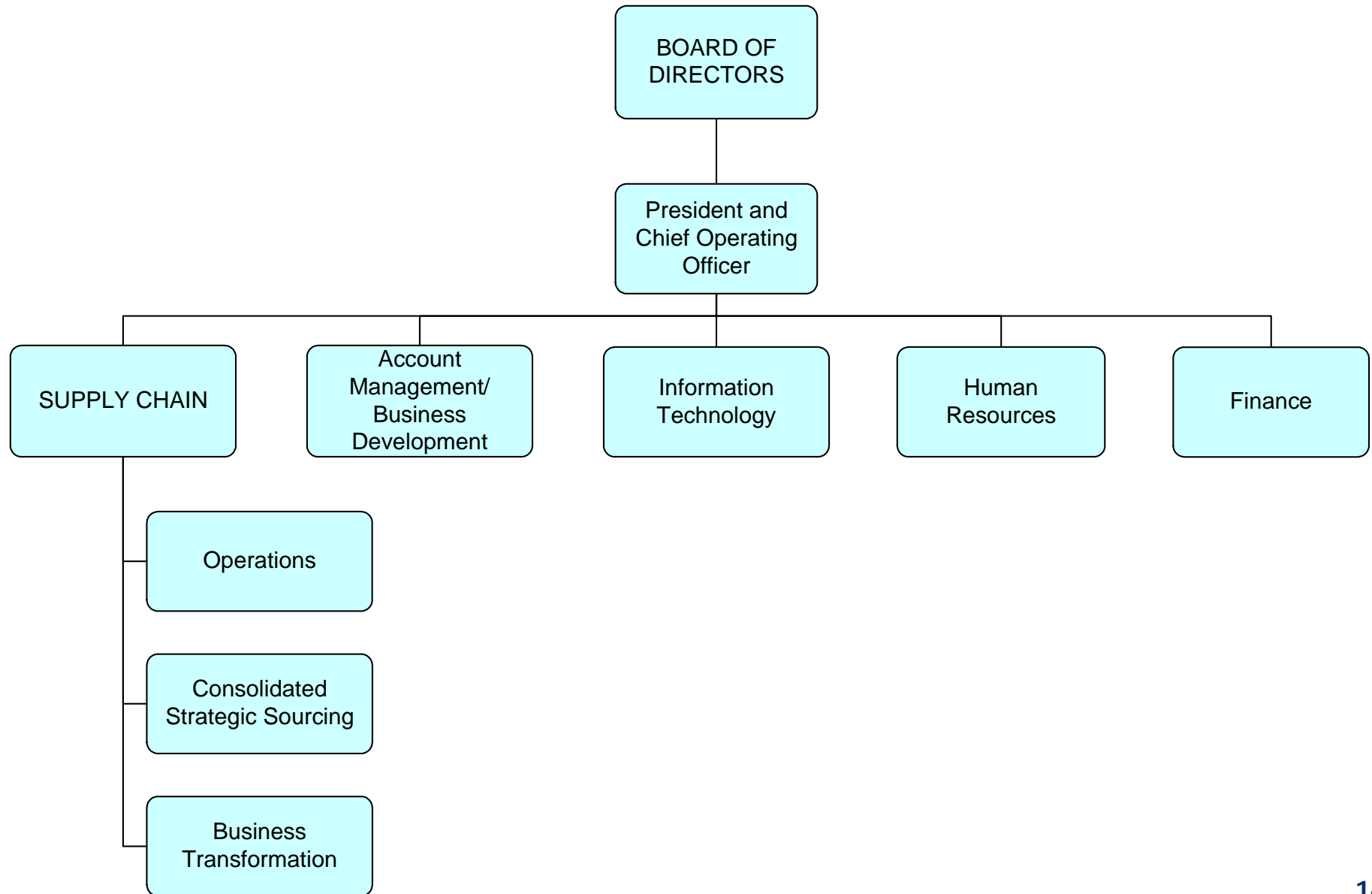
375 FTE's

\$525M annual spend



- Currently out of scope
- Currently in scope for some
- Currently in scope for all

Organizational Model



Progress to Date – Start-up



- ⇒ Start-up activities almost complete
- ⇒ HBS is now responsible for management of the in-scope supply chain employees and providing supply chain services

Progress to Date - PPIS



- ⇒ Focus on creating Purchase Price Improvement Savings (PPIS)
- ⇒ Team from across the member hospitals is involved in identifying opportunities for consolidated purchasing
- ⇒ To date have successfully negotiated agreements generating savings of \$1.5 million annually
- ⇒ Savings will initially be used to fund transformation activities in Phase 2
- ⇒ Savings will ultimately flow back to member hospitals based on sharing formula

Progress to Date - CMS



- ⇒ Ariba Contract Management System (CMS) implementation underway
- ⇒ System provides state-of-the-art functionality
- ⇒ Will allow web-based access to detailed contract information for all member hospitals
- ⇒ Went live at four hospitals in October
- ⇒ Will be implemented at remaining hospitals by March 31, 2007

Finance Pilot



- ⇒ Common purchasing and accounts payable system will be implemented in four member hospitals in 2007
- ⇒ Pilot hospitals will be selected over next 1-2 months
- ⇒ HBS will begin to provide Accounts Payable services
 - ◆ A/P employees will become in-scope
- ⇒ First step in implementing integrated system that will be eventually used by all hospitals

Integrated Technology Solution



- ⇒ Request for Proposal (RFP) issued for future system to be used by HBS to provide services
 - ◆ Finance Pilot will be first to be implemented

- ⇒ Scope includes requirements for both Phase 1 and 2 services to ensure best solution chosen

- ⇒ Advisory Committee with representative from all member hospitals created to participate in selection process

- ⇒ Expect to have solution selected early in 2007

Physical Distribution Network



- ⇒ HBS member hospitals utilize a variety of methods to store and distribute products
 - ◆ HBS central warehouse with just-in-time delivery
 - ◆ 3rd party supplier provided just-in-time delivery
 - ◆ In-hospital stores operation

- ⇒ Alternatives are being analyzed to determine optimum model
 - ◆ Provide high levels of service
 - ◆ Provide most cost effective solution

- ⇒ Direction will be confirmed in November

GPO Evaluation



- ⇒ Group Purchasing Organizations (GPO) provide contracting management services to Canadian hospitals
 - ◆ HealthPro
 - ◆ Medbuy

- ⇒ Member hospitals currently use the GPO's in different ways

- ⇒ HBS is evaluating how these GPO's will be used in the future

- ⇒ Expect to make a decision by end of 2006

Organizational Considerations



- ⇒ Evolving organization through transition and transformation
- ⇒ Communication
 - ◆ 14 organizations, each with differing cultures and communication processes
 - ◆ established HR/Communications working group
- ⇒ Re-branding
 - ◆ establish a cohesive new “look and feel” for HBS
 - ◆ develop an internal “brand culture” for in-scope employees
- ⇒ Career opportunities/challenges
- ⇒ Stakeholder management

Summary/Conclusions



- ⇒ Many challenges have been overcome
- ⇒ Business is still in early stages of development
- ⇒ Continue to focus on goal of long term transformation
- ⇒ Maintain flexibility and adapt as we learn

Questions

