CUPE | Canadian Union of Public Employees

THE FACTS ON SHARED SERVICES IN HEALTH CARE

Shared Services on the Way

On March 25, 2010 the Saskatchewan Association of Health Organizations (SAHO) informed CUPE that they were moving forward to set up a provincial shared services organization.

What is a provincial shared services organization? Why is it being proposed? How will this affect CUPE members?

CUPE wants to educate our members about the coming shared services model and how it may affect them. While SAHO and the SaskParty government are saying a provincial shared organization will bring cost savings and more efficient ways to deliver non-clinical services, there are reasons to be concerned.

Patients and communities stand to lose with a centralized model because services, like laundry or food services, may no longer be provided locally. CUPE members stand to lose if jobs are cut or transferred elsewhere.

The Patient First Review

The idea for a provincial shared services organization came from the final report of The *Patient First Review*, released on October 15, 2009. The report recommended that all Health Regions, SAHO and the Saskatchewan Cancer Agency join together to form a shared services organization to reduce costs and create efficiencies. Bulk purchasing of medical supplies and services could produce up to 20% in savings if done centrally, the report argued.

Is This Just About Bulk Purchasing?

Bulk purchasing makes sense and can create savings. Suppliers will provide tremendous discounts for large bulk orders of medical supplies, equipment or pharmaceuticals. Health regions have done bulk purchasing for years.

The proposal for a provincial shared services organization, however, goes far beyond purchasing goods or supplies. The *Patient First Report* suggests that non-clinical services also be covered by shared services.

Non-clinical services, sometimes referred to as "back office functions," covers anything that is not related to direct patient care. It includes purchasing, warehousing, information technology, telecommunications, human resources, payroll, finance, laundry and housekeeping.

The centralization of these services will have a huge impact on CUPE members because our members work in the targeted areas. Jobs may be cut or transferred to the shared services organization. Services to patients or long-term care residents may deteriorate.

Once services are centralized, there is also a greater risk of privatization. Private companies are more interested in bidding on services that are consolidated rather than fragmented in dozens of locations.

Shared Services Organizations (SSO) In Other Provinces

New Brunswick

In March 2008, New Brunswick created a SSO called *FacilicorpNB,* which has been set up as a public agency. At the same time, the government reduced the number of health regions from 8 to 2. The government stated they needed to merge non-medical functions, or "back office operations," to save millions of dollars.

FacilicorpNB provides the two health regions with centralized services such as: materials management, clinical engineering, information technology and telecommunications. Laundry services are slated to be moved to the provincial organization but have been postponed for financial reasons.

CUPE members have been impacted by the centralization of services. Employees have had to relocate to other parts of the province, work shifts or travel further to work.

Ontario

In Ontario there are a series of shared services organizations that have been set up along regional lines. One such organization is Plexxus, which provides shared services such as supply chain, accounts payable, HR/payroll and financial reporting to 12 hospitals in the Greater Toronto Area. Another is Mohawk Shared Services Organization which supplies services to 22 health care facilities in southern Ontario, including Niagara, Kitchener-Waterloo and Greater Hamilton. Mohawk Shared Services provides services in the area of supply chain, linens, diagnostic image repository and employee assistance programs.

The promotion of shared services came from the Ontario government's 2004 budget when it launched *OntarioBuys*, an initiative to push for lower procurement costs in the broader public sector. The main targets for *OntarioBuys* have been hospitals, school boards, colleges and universities.

The creation of health care shared services organizations in Ontario has resulted in the centralization of services, such as purchasing, accounts payable, food services, warehousing, laundry, housekeeping, human resources, and hospital laboratory services. There has been some privatization (warehousing and cleaning), but the main impact of centralization has been the loss of jobs. The CUPE hospital agreement has language that prevents layoffs as the result of contracting-out. Most of the job reduction, therefore, has been through attrition and early retirement incentives.

British Columbia

In British Columbia, the Health Authorities Shared Services Organization (HASSO) was created in 2009 and expected to find $150 million in savings in the first five years. The six health authorities in B.C. have grouped their purchasing through HASSO and each health authority has representation on the board of the non-profit organization.

Prior to setting up the shared services organization, the provincial government had cut funding to the health authorities by $360 million. Health Minister Kevin Falcon, in a letter to health authorities, said: "We expect a large portion of those savings will be found by cutting your administration and overhead costs and accelerating shared services activities such as joint purchasing and procurement."[1]

This is a similar message that our government has given to health regions in Saskatchewan.

The first area to fall under the scope of HASSO has been supply chain management, which includes all purchasing and warehousing. In July of 2009 HASSO purchased cardiac supplies in bulk at a supposed savings of $57.5 million. In July 2009 the B.C. and Alberta governments announced that they would join forces to bulk purchase health care supplies and services jointly through the company HealthPro. HealthPro is a Canadian, non-profit, member-owned group purchasing company.

Until recently, HASSO had consolidated only its supply chain services but in May 2010 it announced a tender for its pharmacy purchasing. It is expected that more "back office" services will be centralized by HASSO.

[1] "Liberals have no cure for ill health care," *Harbour City Star*, July 17, 2009, page 10.

HEU (Hospital Employee's Union) recently bargained protections for workers impacted by shared services. Workers who were transferred to HASSO will remain under the superior Facilities subsector collective agreement rather than falling under the Community subsector, as proposed by employers. Employees transferred to the shared services organization will be able to transfer their seniority, service and related benefits and will have no interruption of pay or benefits. The new agreement also ensures that the union receive 90 days notice of a transfer in services.

Saskatchewan

In March of 2010 SAHO announced that it was searching for a "strategic partner" to do group purchasing on behalf of all health regions and the Saskatchewan Cancer Agency.

The Deloitte report on administrative savings in health care prepared for the Patient First Review recommended the establishment of a provincial shared services organization. Deloitte recommended that the services to be covered by the shared services organization be implemented in stages:

- *Immediately*: supply chain management and procurement
- *Medium to long term*: human resources and finance
- *Longer term*: other support services such as laundry and housekeeping

The experience from other provinces shows that supply chain is the first area to be covered under shared services, but that other "back office" or non-clinical services are consolidated at a later date. If the above recommendation by Deloitte is implemented, many of the services CUPE members provide will be transferred to a shared services organization.

Protecting Our Members in Health Care

The consolidation of supply chain and procurement across health regions will lead to a loss of jobs in purchasing and warehousing. Once the provincial shared services organization moves into human resources, payroll, finance, laundry, dietary and housekeeping, we can expect to see an even greater loss of jobs, especially in rural areas, and the possible transfer of employees to the new shared services organization.

Warning Signs

Is your job changing? CUPE members should immediately inform their Local executive or the Local's office of any changes being proposed or implemented in how they do their jobs, report information or measure their work. Health regions may be trying to measure the volume of work being done so they can smooth the transition to a shared services organization.

Job Security/Transfer Language

CUPE members should understand their rights under the job security and transfer language of their current collective agreement. The proposals tabled by SAHO in this round of bargaining would facilitate multi-site work and limit bumping rights during layoff. These proposals fit in with the plans for a shared services model.

On May 11, 2010, CUPE, SGEU and SEIU-West tabled the following language with SAHO to protect workers who may be affected by shared services:

> "Based on the recent information received from SAHO regarding a provincial Shared Services Organization, the Provider Unions proposed that any CUPE, SGEU and SEIU-West employee(s) transferred to a provincial shared services organization shall remain a member of his/her respective union and shall be covered by his/her respective collective agreement."

Document the value of your work to the community

The centralization of non-clinical services may result in the loss of jobs in smaller towns and rural communities. CUPE members should begin to document the value of their work to the community such as direct and personal contact with patients, wages spent in the community and the value of any local purchasing.

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