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Patient Care Remains Priority as Second Stage of Deficit Elimination Framework Begins

The next phase of a multi-year framework to develop a sustainable, balanced budget for Alberta Health Services begins in September.

AHS entered the 2009/2010 budget year last April with a projected deficit of \$1.3 billion. During the first phase of cost reduction, \$650 million in potential annualized cost savings were identified. These are underway or can be implemented over the next two months.

In the second phase, AHS will consult with staff over the next two months to identify a further three per cent in annualized cost savings. Decision-making will take place in November and December this year, for implementation beginning in January 2010. This will lead to about \$315 million in annualized savings. *(See note below regarding annualization of savings.)*

These are not across-the-board cost reductions.

“Our first priority is the protection of patient care. It is expected that non-clinical savings, including administration costs, duplication of services and process improvements, will be the initial focus of this second phase. Only then will we look at clinical services,” said Alberta Health Services President and Chief Executive Officer, Dr. Stephen Duckett.

“We are confident we can find further, significant cost savings within our \$10.9 billion budget. That said, 65 to 70 per cent of our budget is related to human resources and we recognize the need to take a close look at the size of our workforce and where and how our staff can have the greatest impact.”

Effective immediately, Alberta Health Services will work with its unions to develop a voluntary early retirement program. Details of the program will be negotiated with unions and announced in a few weeks. It will be open to all management and staff.

“Our current spend is not sustainable,” added Dr. Duckett. “In order to meet our access and quality improvement targets over the next three years, including the reduction of wait times in emergency departments and for some high-demand surgeries, we must control our costs and reduce spending elsewhere in the health system. We need a stable financial platform on which to expand access and quality improvement in other areas in the years ahead.”

Alberta Health Services' partners and suppliers are also being asked to reduce costs by three per cent, effective December 1, 2009. "We recognize that this will require difficult decisions on their part as well, which we see as a shared responsibility," said Dr. Duckett. "We are asking our partners to join us in ensuring minimal impact on patient care."

Alberta Health Services' partners and service providers include Covenant Health, long-term care and assisted living providers, and private surgical centres.

Deficit elimination and debt reduction will be a multi-year process. Phase three in 2010 will start by focusing on the alignment of growth in capital and operating costs with available resources to ensure that the annual deficit does not continue increasing. Phase four can begin once the budget is balanced, with a scheduled repayment of accumulated debt.

"I know that we will be criticized for not having all of the answers today," added Dr. Duckett. "I accept that because I think it is more important to be transparent about the challenges we face and share ideas with health leaders and frontline staff over the next few weeks about how we accomplish this task.

"As is the case with every other health system in Canada, perhaps around the world, we are faced with increased costs and limited resources in a difficult economy. It would be irresponsible for us to avoid taking steps now, only to be faced with even more difficult decisions in the future."

Alberta Health Services is the provincial health authority responsible for planning and delivering health supports and services for more than 3.5 million adults and children living in Alberta. Its mission is to provide a patient-focused, quality health system that is accessible and sustainable for all Albertans.

(Note: Annualized savings are the amount that can be saved over a full year as spending reductions come on stream. Examples of reductions underway include centralized procurement and bulk buying and improved energy management, not filling vacant positions, and reducing duplication in administration from the former health regions.)

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