

## BACKGROUNDER

Cost Savings Areas	Cumulative Savings
<b>Joint Contracting (new savings)</b>	<b>\$ 98,312,460</b>
Diagnostic Imaging Supplies	\$ 228,723
Dividends & Rebates	\$ 9,473,857
Food	\$ 101,489
Insurance	\$ 1,836,912
Lab Supplies	\$ 3,596,918
Maintenance	\$ 17,889
Medical/Surgical	\$ 33,938,317
Office Supplies	\$ 2,252,996
Pharmacy	\$ 44,201,871
Services	\$ 147,948
Utilities	\$ 2,515,539
<b>Linen (previously announced)</b>	<b>\$ 12,147,309</b>
Capital Cost Avoidance	\$ 11,674,309
Quick Wins	\$ 473,000
<b>Other (new savings)</b>	<b>\$ 142,120</b>
Payroll Services	\$ 142,120
<b>Grand Total</b>	<b>\$ 110,601,889</b>

The cost savings have been calculated using a formula and methodology validated by accounting and consulting firm Meyers Norris Penny LLP, a national accounting and business advisory firm, in June 2013.

3sHealth assembles supporting documentation for cost savings throughout the year, and those totals are audited annually by Internal Audit.

The cost savings come from different types of cost avoidance. In the case of joint contracting, product contracts are negotiated on the behalf of the entire province through a competitive process. This often results in lower product prices within the contracts, which produces savings from money that no longer needs to be spent.

Health system partners, including physicians and front-line staff from across the province, work with 3sHealth to prioritize contracts based on existing contract expiry dates and anticipated savings potential. Healthcare workers are encouraged to participate on sub-committees as subject matter experts throughout the contracting process.