

Background

Alberta Health Services (AHS) in partnership with Alberta Precision Laboratories (APL) have issued a Request for Proposals (RFP) seeking private third-party proposals to provide community lab services across Alberta. The RFP will close in early 2021, and a contract is expected to be awarded in spring 2021, with full transition of community lab work transitioned to the successful proponent(s) in 2022.

Why is AHS moving forward with contracting community lab services in Alberta?

AHS and APL do all we can to operate as efficiently as possible, while ensuring high quality laboratory services, for all Albertans. While the healthcare budget has remained stable, Alberta's growing and ageing population means we need to be more efficient and focused in terms of healthcare spending.

We have to consider doing things differently. This decision is about seeking out innovation and new partnerships in the delivery of lab services in Alberta. The RFP process is about finding partners who can help us deliver high-quality laboratory services for all Albertans, sustainably and efficiently.

Contracting of community lab services is an opportunity for innovation and cost savings identified by the AHS Performance Review. Issuing an RFP is part of the implementation plan for the Performance Review that was approved by the Government of Alberta earlier this year.

What is the scope of the RFP?

Approximately 65 per cent of provincial lab work, or 50 million tests per year, is generated from the community and will be transitioned from APL and the incumbent private provider to the successful proponent(s).

The RFP includes the contracting of community-related laboratory collections, logistics and testing in urban centres and large rural communities in: Calgary, Edmonton, Red Deer, Lethbridge, Medicine Hat, Fort McMurray, Grande Prairie, Brooks, Lloydminster, Camrose, Airdrie, Cochrane, Okotoks, Strathmore, Leduc, Sherwood Park, Spruce Grove, St. Albert and Stoney Plain. The private provider(s) would also support some hospital lab testing for those tests not performed on-site at hospitals.

APL will set the standards and policies for the community laboratory services provider(s) and will implement a governance structure to ensure the standards and policies are being met.

What are the expected cost savings associated with contracting community lab services?

It is estimated that \$18 million to \$36 million in annual savings may be realized by contracting community lab services to private-sector partners through competitive procurement and negotiation. Actual cost savings will not be known until the RFP process is complete.

The cost savings estimate was based on the difference in cost between community tests being done by APL compared to our current private-sector provider in northern Alberta, which also employs unionized staff. Approximately 30 per cent of community lab tests are currently provided by private-sector partners, including 73 per cent in the Edmonton and North zones.

What are the next steps in the process?

We have secured a third-party sourcing facilitator that led the development of the RFP and will assist with the selection process. The sourcing facilitator will lead the procurement process as well as provide advice, strategic planning and project facilitation as part of conducting a fair and transparent process, while ensuring successful engagement with all appropriate stakeholders is handled in a structured, professional and timely manner. The evaluation of proposals we receive from private-sector proponents will include a detailed analysis by a panel that includes medical/scientific experts, laboratory operations professionals and financial analysts.

What is the length of the contract being considered?

The initial term is to be 15 years, with the option to extend the agreement for up to two additional terms of up to five years each.

What is the anticipated staffing impact of contracting community lab services?

The RFP is designed to minimize impact on APL's workforce during the potential transition. The successful proponent(s) will be required to assume all impacted unionized, non-unionized and medical staff on the same or similar terms and conditions as exist prior to transition.

Laboratory testing is critical to the diagnosis and management of patient health that requires highly trained technical staff and medical experts. APL staff have played a critical role in Alberta's response to COVID-19, and their expertise will be important in ensuring the quality and consistency of lab service is maintained across the province.

Unions were notified about the RFP shortly before it was issued. We will continue to ensure our staff, union partners and the public are aware of our plans as the process moves ahead.

Will hospitals continue to perform community collections in rural locations?

We want to continue to deliver high-quality laboratory service across the province as efficiently and effectively as possible. We expect the majority of rural collections will continue to be performed at existing healthcare centres. In some larger communities, we expect new community Patient Service Centres will be opened, which will improve service and reduce traffic in regional hospital sites.

Will any community lab sites be closed? What about the small rural collection centres?

The goal of the RFP process is to maintain and enhance laboratory services for all Albertans. No patient service centres are expected to be closed as a result of contracting community lab services to private-sector partners. In order to ensure that small rural and remote communities continue to receive the service they need, hospital sites that currently handle less than 25,000 community blood test collections per year will continue to do so by APL.

Will there be any changes to where lab tests are sent and processed?

Lab testing of community and non-urgent hospital tests are in the scope of the RFP to be provided by private-sector partners. This could lead to some adjustments and consolidation of lab testing infrastructure over the longer term, depending on the proposals we receive from proponent(s). Our expectation is that the transition to private-sector providers will result in new and improved lab facilities, which will benefit Albertans through increased efficiency and enhanced quality.

Importantly, a condition of the RFP is that all lab testing facilities must be located in Alberta, and no offshoring of lab work will be considered.

Will private companies be taking over existing community lab equipment and locations?

Private providers will be responsible for supplying all necessary infrastructure and equipment to deliver community lab services. The transition may involve the sale of existing government-owned assets, but this is not a requirement of the RFP. Any potential sale or transfer of APL assets will be part of the negotiations with successful proponent(s).

Will community lab capacity increase as a result of contracting it to the private sector?

The RFP scope was developed using current annual testing volumes and assumes up to six per cent growth annually, which is expected to be absorbed through efficiencies. If testing volumes exceed or drop below six per cent of the baseline, both parties will have the opportunity to negotiate compensation accordingly.