Improving Transfusion & Transplantation in Canada

Final Response Report to Performance Review 2013
Provided to Canadian Blood Services
Corporate Members
March 2014
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## Acronyms and Common Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AABB</td>
<td>International (formerly only American) Association of Blood Banks</td>
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<td>ABO</td>
<td>Alliance of Blood Operators - can also refer to A, B, O Blood Groups</td>
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<td>ADM</td>
<td>Assistant Deputy Minister</td>
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<td>AGMs</td>
<td>Annual General Meetings</td>
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<td>ARCBS</td>
<td>American Red Cross Blood Service</td>
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<td>BI</td>
<td>Business Intelligence</td>
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<td>CBS</td>
<td>Canadian Blood Services</td>
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<tr>
<td>CBSE</td>
<td>CBS Captive Insurance Company Limited</td>
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<tr>
<td>CBSI</td>
<td>CBS Insurance</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CMWG</td>
<td>Cost Management Working Group</td>
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<tr>
<td>DM</td>
<td>Deputy Minister</td>
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<tr>
<td>ERM</td>
<td>Enterprise Risk Management</td>
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<tr>
<td>FRAG</td>
<td>Facilities Redevelopment Advisory Group</td>
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<tr>
<td>GMP</td>
<td>Good Manufacturing Practices</td>
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<td>ISBT</td>
<td>International Society of Blood Transfusion</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>KPIs</td>
<td>Key Performance Indicators</td>
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<td>LHU</td>
<td>Labour Hours per Unit</td>
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<tr>
<td>LIS</td>
<td>Laboratory Information System</td>
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<td>LVP</td>
<td>Large Volume Platelet</td>
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<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>MSM</td>
<td>Male who has had Sex with a Male</td>
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<td>NBA</td>
<td>National Blood Authority</td>
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<td>NCR</td>
<td>Non-conformance report</td>
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<td>NFRP</td>
<td>National Facilities Redevelopment Program</td>
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<td>NNCD</td>
<td>National Non-conformance Database</td>
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<tr>
<td>OTDT</td>
<td>Organ and Tissue Donation and Transplantation</td>
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<td>PEP</td>
<td>Productivity and Efficiency Program</td>
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<tr>
<td>PMBoK</td>
<td>Project Management Body of Knowledge</td>
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<tr>
<td>PPE</td>
<td>Property, Plant and Equipment</td>
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<tr>
<td>PPP</td>
<td>Plasma Protein Products</td>
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<tr>
<td>P/T</td>
<td>Provinces and Territories; provincial and territorial</td>
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<tr>
<td>PTBLC</td>
<td>Provincial and Territorial Blood Liaison Committee</td>
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<td>RBDM</td>
<td>Risk-based Decision Making</td>
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<tr>
<td>RFQ</td>
<td>Request for Quote</td>
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<tr>
<td>SLA</td>
<td>Service Level Agreement</td>
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<td>SSEC</td>
<td>Science, Safety and Ethics Committee</td>
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<td>TP</td>
<td>Transfusable Products</td>
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<td>TPAD</td>
<td>Transfer Payment Accountability Directive</td>
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<td>WMDA</td>
<td>World Marrow Donor Association</td>
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In regard to financial information, the following terms are used:

- **Budget**: Reflects post-negotiation allocation of cost/revenue elements.
- **Forecast**: Reflects the current forecast for cost/revenue elements for the plan year and beyond.
Acknowledgements

Canadian Blood Services would like to acknowledge Ernst & Young for their diligent effort in producing the 2013 Performance Review. Thanks go to the government participants, and the members of the expert Medical and Industry Advisory Panel, the Steering Committee and the Working Committee, all of whom made valuable contributions throughout this Performance Review.

Purpose

This document is written in response to the Canadian Blood Services Performance Review Final Report of May 2013. This response does not try to duplicate what is written in the report. For a full understanding of the findings, recommendations and this response from Canadian Blood Services, readers should read the Canadian Blood Services Performance Review Final Report first.

Introduction

Canadian Blood Services is the national, not-for-profit organization that manages the supply of blood and blood products in all provinces and territories outside Québec. Our organization also oversees the OneMatch Stem Cell and Marrow Network, and provides national leadership for organ and tissue donation and transplantation (OTDT).

Canadian Blood Services came into existence in September 1998, taking over from the Canadian Red Cross Society. A Memorandum of Understanding (MOU) was the founding agreement for our mandate. It records the roles and responsibilities of the National Blood Authority (later named Canadian Blood Services), the federal Minister of Health, and the provincial and territorial Ministers of Health, specifically related to their roles as Members. The MOU outlined the principles of the then new national blood system, and provided for our creation. Being Member-funded, federally regulated and national in scope, we are unique in Canada’s healthcare system.

Annexes in the MOU outline our functions, responsibilities and governance model. Annex A of the MOU stipulates that we develop a three-year business plan each year, based on a three-to-five-year strategic plan that includes our long-range vision, goals and objectives, and products and services. This plan is known as the Corporate Plan.

Annex B provides the following governance structure for Canadian Blood Services:
• Canadian Blood Services will be established as a corporate body in accordance with Part II of the Canada Corporations Act (as a not-for-profit) with the provinces and territories (P/Ts) as the corporate members, who have powers and functions as Members which are in addition to their ongoing roles and responsibilities as Ministers;

• Canadian Blood Services will be established in a manner which permits its subsequent registration as a charity (e.g., as a not-for-profit with charitable objectives);

• Canadian Blood Services will be funded through grants and contributions from Members; therefore, governments must have appropriate safeguards to ensure fiscal responsibility;

• The Canadian Blood Services’ Board of Directors will be responsible for the budget (although the P/Ts remain accountable for the use of public funds).

Annex B also provides that the P/T Ministers are responsible for:

• funding the requirements of Canadian Blood Services as approved by the Members;
• setting broad health policy objectives;
• serving as Members of Canadian Blood Services;
• ensuring the overall integrity of the blood system;
• exercising their on-going powers and responsibilities as Ministers under existing health legislation; and
• maintaining the effectiveness of the blood supply system as an integral component of the provincial/territorial healthcare delivery system.

The P/T Ministers, as Members of Canadian Blood Services:

• establish and maintain the mission and mandate of Canadian Blood Services;
• have the authority to approve Canadian Blood Services’ Corporate Plan, which reflects the regional nature of the country in collection, testing, and distribution and related infrastructure, and includes annual global budget, performance objectives, and a plan to allow for a Contingency Fund for emergencies, and where necessary, to provide guidance to the Contingency Fund Plan, and where necessary, to provide guidance to the Board on the contents of the plan;
• select the members of Canadian Blood Services’ Board of Directors; and
• oversee the expenditure of public funds by Canadian Blood Services in delivering the blood program.

The MOU makes clear that Members do not have the power to direct operational decisions of the Canadian Blood Services’ Board of Directors, or staff, and that Canadian Blood Services must be able to exercise complete management discretion over all operational blood system decisions. Further, the MOU stipulates that the Chief Executive Officer retains the authority to make timely decisions concerning the expenditure of funds for emergency safety response—in this regard, Canadian Blood Services has the capacity to function in a true “arm’s length”
fashion effectively discharging its responsibility to ensure national access to a safe supply of blood and blood products.

The MOU provides an essential understanding of the responsibilities regarding Canada’s blood system. However, since the creation of Canadian Blood Services, many changes that may not have been contemplated at the time of writing the MOU have taken place. For example, our proposal to create a National Public Cord Blood Bank was approved. As well, at the request of Members, we took on responsibilities relating to organ and tissue donation and transplantation—such as building and maintaining three organ patient registries and developing a plan for an integrated OTDT system in collaboration with the OTDT community—in order to explore ways to improve system performance in Canada.

**Background**

Conducting regular performance reviews, in general, is consistent with our principles of transparency, accountability, continuous improvement and good governance. As such, we would like to see performance reviews conducted more frequently in the future. Given our many new and evolving activities, and taking into account that our last full performance review was conducted in 2002, Canadian Blood Services felt strongly that it was appropriate and timely to conduct a second performance review. The Chair of the Board of Directors made the request of Members in the fall of 2011 to conduct a collaborative review, and they agreed.

As a result, Canadian Blood Services was pleased to collaborate in the Performance Review (from here, simply called the Review), in which a third party, Ernst & Young, identified various challenges and opportunities for consideration. The Review assesses the current and projected performance of Canadian Blood Services as it relates to governing documents and agreements such as the MOU, and all business lines and activities.

The entire purpose of the Review is to help bring about improvements in the system. As such, we welcome the resulting recommendations.

**Method**

A joint Steering Committee, comprising representatives from government and Canadian Blood Services, was formed to oversee the Review. Chaired by the Deputy Minister of Health from Newfoundland and Labrador, the Steering Committee also included Ontario’s Deputy Minister of Health, the Associate Deputy Minister from New Brunswick, and Canadian Blood Services’ Chief Executive Officer and Chief Financial Officer. The Steering Committee created a joint Working Committee to manage the Review’s day-to-day activity. Co-chaired by officials from Newfoundland and Labrador and Canadian Blood Services, the Working Committee also included officials from Ontario and New Brunswick.
In August 2012, the Working Committee created a request for proposals (RFP) and invited proposals to conduct the Review. Ernst & Young was selected in October 2012. The Review started the same month and concluded in April 2013. An independent Expert Medical and Industry Advisory Panel advised the Ernst & Young team throughout in technical aspects such as system structure and delivery, quality and safety, supply and demand management, technology enablement, industry trends and future outlook.

The Review covers the period from April 1, 2008 to March 2012 as well as plans for the period between 2013 and 2016, with an emphasis on 2013. Its scope includes:

- an assessment of the current and projected performance of Canadian Blood Services;
- all existing business lines and their activities;
- the National Facilities Redevelopment Project (Phase I);
- Organ and Tissue Donation and Transplantation; and
- the National Public Cord Blood Bank.

Although the final report covers the items described above, the Review was not a financial audit of the organization, nor was it a safety inspection or regulatory audit. The Review does not include Canadian Blood Services’ captive insurance corporations, Canadian Blood Services Insurance and Canadian Blood Services Captive Insurance Company Limited, or Research and Development, all of which were recently covered in separate reviews.

As part of our commitment to good governance and transparency, we shared the Review—and our initial response to the Review—on www.blood.ca after both were tabled at the Annual General Meeting of Members of October 3, 2013.

**Overview of Recommendations**

From our perspective, the Review’s most important finding is the notion of restored trust in the blood system. Canadians trust that their blood supply is safe and that Canadian Blood Services acts in their best interests. Ernst & Young pointed out several other areas where we are excelling, including hospital satisfaction, safety and supply of products, stakeholder engagement and transparency, and achievement of efficiencies—we are proud of our accomplishments.

In total, Ernst & Young made 79 recommendations. Many of these are externally focused—they pertain to relationships or activities outside Canadian Blood Services. These recommendations include agreements with governments, better collaboration for system performance improvement and continuing our focus on donor recruitment for stem cells.

Other, internally focused, recommendations pertain to increasing the effectiveness and efficiency of the organization and include:
• the functioning of the Board of Directors;
• compensation practices;
• organizational structure;
• operating our National Fundraising Office;
• internal audit; and
• managing inventory, projects and purchasing.

We are pleased that the Review found the blood system and related activities to be safe and well run, and that Canadians continue to have trust and confidence in the system.

At the same time, the Review highlights areas for improvement. We agree broadly with these findings and recommendations, and are committed to continuing to work with governments to improve the entire system.

**Approach to Our Response**

In order to respond effectively to the report, we have grouped related recommendations into the following categories:

• agreements with governments;
• collaboration for improved system performance;
• safety;
• risk-based decision making;
• donor recruitment;
• performance and risk management;
• the Board of Directors;

• organization structure;
• compensation;
• the National Fundraising Office;
• project management;
• internal audit function;
• inventory management;
• purchasing; and
• efficiencies.

Discussion of the recommendations is packaged into these categories for readability. Some similar or related recommendations are grouped together for the purpose of our response. Appendix A offers a summarized recommendation-by-recommendation response.

Canadian Blood Services’ initial response to the Review was tabled at the Annual General Meeting of October 3, 2013, and subsequently published on the organization’s website. This final response report of March 2014 maintains the responses originally provided. These are now identified with the label “Interim Response” beneath each recommendation. Immediately following the interim response is our “Final Report Response” as provided to Members in March, 2014.


1.0 Increasing Contribution to Transfusion and Transplantation in Canada

More than a quarter of the recommendations concern the governance of Canadian Blood Services. Many have to do with establishing agreements between the organization and its Members.

1.1 Agreements with Members

General Comment: Clarity of roles and responsibilities form the foundation of a transparent and accountable relationship between Canadian Blood Services, its Members and the general public. Given our increasingly diverse and complex activities—some of which were never contemplated in the development of the Memorandum of Understanding (MOU) that established Canadian Blood Services—we welcome these recommendations.

National Accountability Agreement

General Comment: The Review recommends developing a single, national accountability agreement that meets the legislative requirements of the provincial and territorial governments. In developing a national accountability agreement we will collaborate with the provinces and territories (P/Ts) and build from various existing agreements including the MOU.

In concert with the broader national accountability agreement, the Review also recommends the need for a single, national service level agreement (SLA) that clearly defines the roles and responsibilities of Canadian Blood Services and its Members. The items identified under the SLA recommendation, for the most part, would be considered within a national accountability agreement, in order to capture details such as: performance metrics, reporting and information requirements, how contingency funds are to be used and replenished, and provisions for audits and performance reviews, and mechanism for amendments as and when the Members and Canadian Blood Services agree to alter roles, responsibilities, or any other aspect of the agreement. Clarity of roles for both Canadian Blood Services and members of the Provincial and Territorial Blood Liaison Committee (PTBLC) will contribute to more effective and timely decision making.

Most importantly, within a new national agreement, decision-making processes must be clear. The concepts of “operational independence” and “arm’s length” as described in the MOU would benefit from better clarification and understanding to ensure the safety and supply of the blood system. The MOU states that Canadian Blood Services is not an agent of government and must be able to exercise complete management discretion over all operational blood system decisions. At the same time, we fully recognize that Ministers of Health have overall responsibility for healthcare in Canada, and provide funding for our activities and programs.

The Review also recommends that Canadian Blood Services and its Members work together to determine the status of Diagnostics Services and the extent to which Canadian Blood Services
continues to provide such services in the future. Canadian Blood Services currently provides Diagnostic Services in Western Canada and Ontario, although the scope of the services provided in each province differs. We deliver the majority of such services in Manitoba (53%), Alberta (25%), British Columbia (14%), Saskatchewan (5.5%) and Ontario (2.5%) account for smaller portions of testing.

**Recommendation #1:** The Members should work together, as well as with CBS, to develop a single, formal SLA or similar document between the Members and CBS. As clearly stated in the MOU, the provincial and territorial governments must have appropriate safeguards to ensure fiscal accountability. This agreement should align with the collective nature of the governance structure of the national blood system and define:

- Respective roles and responsibilities of the parties, including ownership for specific decision-making
- Term during which the agreement will be in effect
- Frequency with which CBS is required to provide operational and financial reporting to the Members, the required content of those reports as well as the expected timelines
- Specific operational and financial performance metrics that CBS will be required to measure and report against
- Streamlined decision framework for overall business planning, including who must be consulted, the extent to which they must be consulted, and at what point(s) in the process they must be consulted
- A process that CBS can use to solicit feedback on the information provided to the provinces and territories
- Appropriate funding level of contingency fund, what it can and cannot be used for, as well as a replenishment plan
- Provisions for audits and/or operational reviews
- Dispute resolution procedures
- Procedures for amending the agreement

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Good governance, public accountability and system transparency have been the cornerstones of Canadian Blood Services since its creation in 1998. Canadian Blood Services is committed to enhanced accountability through a single, national accountability agreement that:

- defines the roles and responsibilities of each party, including ownership for specific decision-making, while honouring the MOU imperative that the national blood system must have operational independence to ensure the safety and security of the blood supply. This agreement should also recognize the need for more regular and ongoing senior level discussion among those in authority (e.g., Canadian Blood Services Board and Corporate Members; Canadian Blood Services CEO and Deputy Ministers) to
address various system and governance complexities with respect to mandates and deliverables in the area of transfusion and transplantation.

- identifies the term during which the agreement will be in effect.

- confirms the frequency with which Canadian Blood Services provides operational and financial reports to the Members and the required content of those reports. Canadian Blood Services currently works with officials to better understand and meet reporting needs, while maintaining an already robust reporting structure (e.g., Corporate Plan process; quarterly reports and contributions forecast to Members; monthly reports of contributions due and cash received; access via portal to fresh blood and plasma protein products utilization reports; monthly meetings of officials, and AGMs).

- develops specific operational and financial performance metrics to measure and report against, noting this will benefit both the organization and governments and further enhance the transfusion and transplantation system.

- documents a streamlined decision framework for overall business planning, including a list of who must be consulted, the extent to which they must be consulted, and at what points, noting that Canadian Blood Services is committed to improving business planning to ensure governments have timely information and appropriate involvement as approved projects take shape and develop.

- clarifies the process for soliciting feedback on the information provided to the P/Ts, again recognizing the need for more regular senior level involvement of all parties to address complexities.

- establishes an appropriate contingency fund, defines how that fund may be used, and builds a fund-replenishment plan. This exercise must recognize the MOU imperative for the national blood system to have autonomy to act without delay with respect to any threats to blood safety and security, noting the absence of timely government decision-making and readily accessible funds contributed to the tainted blood tragedy.

- allows for audits and operational reviews that respect the collective nature of the Canadian Blood Services’ governance structure and ensure collaboration, coordination and capacity regarding appropriate timing and scope of such audits and reviews.

- implements dispute resolution procedures that respect Canadian Blood Services’ governance structure.

- develops procedures for amending the agreement that respect Canadian Blood Services’ governance structure.
Final Report Response:
To ensure clarity and to minimize confusion, Member governments and Canadian Blood Services have discussed the importance of having one national accountability agreement that captures all relevant clauses, and not a separate Service Level Agreement (SLA) and national accountability agreement. The parties have begun various dialogues on the items outlined in the above response to determine what a national accountability agreement should and would entail. Recognizing the need for senior level subject matter expertise on governance and accountability, Members have created an ADM Committee, with a DM Steering Committee made up of deputies from Newfoundland, New Brunswick and Manitoba, to engage with Canadian Blood Services on the details of a national accountability agreement. The goal, which is dependent on a collaborative process, is to have this work completed by spring 2015, which is within eighteen months of the tabling of the Performance Review at the October 2013 Annual General Meeting of Members.

**Recommendation #2: CBS and its Members should work together to define the concept of “arm’s length,” which was an important principle recommended by the Krever Commission. Together, they should determine which types of decisions should be made at CBS’ sole discretion, which decisions might be shared between CBS and its Members and those that should be made by Members. For example, decisions related to supply and safety of blood products should, as stated in the MOU, be made solely by CBS. Budget decisions, for their part, could be made jointly as is currently the case. The agreement discussed in Recommendation #1 could include the specifics surrounding the “arm’s length” relationship.**

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Canadian Blood Services welcomes discussion on the concept of an arm’s length relationship within the context of a national agreement. It is important to clarify what constitutes shared governance decisions for enhanced accountability and what are autonomous operational decisions necessary to ensure the safety and security of the system. Reaching an exact definition of this key term may prove challenging, but experience shows governments and Canadian Blood Services have been able to successfully navigate through similar ambiguities in the past.

Final Report Response:
Canadian Blood Services and Members have begun a dialogue on the concepts of arm’s length and operational independence within the discussion of a national accountability agreement. Decisions around these concepts should be informed by appropriate third party expertise to ensure the integrity of the Krever Commission recommendations remain intact. These include:

- recognizing the imperative for creating the blood operator as an arm’s length entity following an independent inquiry into the failings of the blood system before the creation of Canadian Blood Services;
Recommendation #3: CBS should continue to work with the provinces and territories to develop a single, national accountability agreement under which it will operate and that meets legislative requirements of the provincial and territorial governments. As effective public accountability requires a shift from compliance to collaboration, CBS and the Members should be working together early and often to ensure that each side understands the other’s operating context so the needs of their respective stakeholders can be met.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Canadian Blood Services supports codifying enhanced accountability to our funders through a collaborative, single, national agreement that outlines the elements in recommendation #1 and respects and is aligned with Canadian Blood Services’ collective nature and governance structure. Canadian Blood Services also agrees with a recognized need for more regular and ongoing senior level discussion of those in authority to address various system and governance complexities with respect to mandates and deliverables in the area of transfusion and transplantation.

1 Quote taken from the MOU.
The recommendation also notes Canadian Blood Services and Ontario health and legal officials recently drafted an accountability agreement to meet that province’s specific legislative requirements for the Transfer Payment Accountability Directive (TPAD). The TPAD agreement is a mechanism through which Canadian Blood Services receives funds from Ontario to run programs. The agreement has four schedules that provide a broad description of the programs run by Canadian Blood Services, the annual budget for Ontario's share of funding, an annual payment plan for the funds, and a reporting schedule.

To better align with the organization’s governance structure, and recognizing it is impractical and costly for Canadian Blood Services to operate under different accountability agreements with individual provinces, Canadian Blood Services is committed to working with the provinces and territories to incorporate TPAD requirements into a single, national accountability agreement. Such an agreement will require senior level government involvement with those in authority to navigate the complexities of a national agreement in a comprehensive, collaborative and timely manner. To this end, Canadian Blood Services senior executives are pleased to collaborate with the Associate/Assistant Deputy Minister (ADM) Committee proposed to oversee and manage this work, and, recognizing the significant effort involved for both Canadian Blood Services and governments, is committed to finalizing an agreement within 18 months of tabling this response with Members.

Final Report Response:
Member governments and Canadian Blood Services have begun various dialogues on the items outlined in the above response to determine what a national accountability agreement should and would entail. Recognizing the need for senior level subject matter expertise on governance and accountability, Members have created an ADM Committee, with a DM Steering Committee made up of deputies from Newfoundland, New Brunswick and Manitoba, to work with Canadian Blood Services on the details of a national accountability agreement. The goal is to have this work completed by early spring 2015 which is within eighteen months of the tabling of the Performance Review at the October 3, 2013 Annual General Meeting of Members.

**Recommendation #4:** In order to facilitate a national, collective, and consistent approach, the Members should establish role descriptions for the PTBLC representatives, including skill set requirements and the decision-making authority of the representatives and those of other senior levels within the health ministries.

Accountable Lead: Members

Interim Response: Proceeding with this recommendation will help Members and Canadian Blood Services ensure the leadership, decision-making and subject-matter expertise necessary for the increasingly complex matters specific to Canadian Blood Services’ operations within the healthcare system.
Final Report Response:
Canadian Blood Services continues to agree that proceeding with this recommendation will help ensure the necessary level of expertise, decision-making and leadership at the table to provide effective Member stewardship for the increasingly complex matters being discussed, navigated and approved at the PTBLC table.

**Recommendation #5:** The Members and CBS should work together to develop terms and conditions governing new business lines. The agreements should clearly and specifically outline the respective roles and responsibilities of CBS and the Members, as well as define a funding model for the new business lines. They should be incorporated in the SLA discussed in Recommendation #1.

**Accountable Lead:** Members, with Canadian Blood Services

Interim Response: Canadian Blood Services is committed to improving overall business planning with governments as new mandates, programs or initiatives develop and evolve. Defining respective roles and responsibilities, terms and timing of funding agreements and decisions, and shared expectations and commitments is essential to the successful implementation and execution of new mandates or initiatives. Once terms and conditions have been clearly defined, Canadian Blood Services would fully integrate new business lines into its regular operations and include annual funding requirements within the existing corporate planning process.

Final Report Response:
Canadian Blood Services continues to agree with this recommendation and its inclusion in a national accountability agreement.

**Recommendation #6:** The Members should establish a practice to require regular operational audits/reviews of CBS and incorporate it into the document discussed in Recommendation #1.

**Accountable Lead:** Members, with Canadian Blood Services

Interim Response: In the pursuit of the organization’s goals of efficiency, accountability and demonstrable good governance, the Chair of Canadian Blood Services’ Board of Directors called for this collaborative Performance Review. It was the second such review in the organization’s history. The MOU governing Canadian Blood Services contemplates a regular performance review of the organization’s operations. Incorporating such a review into a national agreement will respect the collective nature of our governance structure and ensure collaboration, coordination and capacity regarding timing and scope of audits and operational reviews.

Final Report Response:
Canadian Blood Services is committed to demonstrable good governance, accountability and transparency, and will continue to lead, coordinate and collaborate on regular reviews of the organization’s operations.

Canadian Blood Services further agrees that the nature, frequency and governance of such reviews/activity should be codified in the national accountability agreement to the extent possible and practical.

**Recommendation #32:** The provincial and territorial governments should work with CBS to investigate opportunities to decrease costs.

*Decreasing costs may be achieved through centralization of testing or divesting testing services performed by CBS to local hospitals. Centralization may be possible for prenatal testing, which represents the majority of red serology procedures. Platelet immunology testing was centralized in the Winnipeg site and, during the period under review, the cost per unit for this procedure decreased by 6%, demonstrating the potential cost benefits of centralization. A centralization strategy may need to be led by CBS with the approval and collaboration of the provincial and territorial governments using the service.*

Accountable Lead: Canadian Blood Services, with Members

Interim Response: Centralization of services leverages existing investments, results in efficiencies, and makes meaningful improvements that would otherwise not be possible. In recent years, Canadian Blood Services has actively pursued an efficiencies journey to decrease costs while maintaining system safety and security. The organization has realized savings through centralization of services in the past, including consolidation of production and testing facilities in Saskatchewan, Ontario and the Atlantic provinces. Canadian Blood Services recently introduced the Productivity and Efficiency Program (PEP) to bring a more focused approach to process improvements, technology enhancements and cost containment across the organization. As a result of the PEP initiatives, significant change is anticipated across the organization over the next three to five years, which will result in anticipated savings of approximately $50 million.

Final Report Response:
Canadian Blood Services welcomes discussions with Members to explore opportunities for further centralization of Diagnostic Laboratory testing, balancing the opportunity for greater efficiencies with customer needs.

It should be recognized that depending on the nature of such service delivery consolidation, certain investment may be required to implement the change, with the clear intent being a realized positive return on that investment.
**Recommendation #39:** CBS and the Members should work together to redefine information requirements during the budgeting process to streamline the process (see Section 3.4.1).

CBS should provide both year-to-date actual and forecasted expenses for the current year to provincial and territorial governments during the budgeting and planning process.

CBS should implement a costing system to present fixed and variable cost components for budgeted, actual and forecasted spend, to enable greater transparency of resource utilization (see Section 3.4.4).

CBS and the provincial and territorial governments should revisit the allocation of costs related to the collection of plasma that is sent for fractionation to the PPP business line to more appropriately align funding with business line expenses.

**Accountable Lead:** Members, with Canadian Blood Services

Interim Response: Canadian Blood Services, with input from governments, has developed a robust budgeting process and reporting structure, and regularly collaborates with governments to address evolving reporting needs. Currently, Canadian Blood Services reports on the provision of plasma protein and fresh blood products on a monthly basis. Based on an agreed-upon reporting schedule, Canadian Blood Services also provides financial forecasts of Members’ contributions, as well as of the Plasma Protein Products and Diagnostic Services business lines.

Effective immediately, Canadian Blood Services will provide quarterly financial forecasts for its other operations. Further defining and improving the budget process and reporting needs will benefit both Canadian Blood Services and governments.

Canadian Blood Services has undertaken a review of a costing model, which is expected to be finalized early 2014/2015. The model will be built at a cost driver level (i.e., factors which cause a change in the cost of an activity), and aligned with practices of similar blood services organizations and generic costing systems. The costing model will present costs by product and by service. Its initial phase will focus on the allocation of support service costs and a review of the cost to collect plasma used to produce plasma protein products.

During the 2003–2006 Corporate Plan process, Canadian Blood Services proposed to transfer the costs associated with its plasma centres to the Plasma Protein Products business line. In 2009, the organization made a similar proposal via a transfer pricing exercise. In both instances the proposal was not adopted by governments.

**Final Report Response:**

Canadian Blood Services continues to provide funding forecasts as per the agreed-to reporting schedule. The organization provided the Quarter Two financial forecast results verbally at the time of budget negotiations, and scheduled a special meeting of the Finance and Audit
Committee in February 2013 so that Quarter Three financial forecast results could be provided to the PTBLC in advance of the Special Members Meeting in March 2014.

The review of the costing model is expected to be finalized by September 2014. See Recommendation #17 for additional detail.

**Recommendation #40:** CBS and its Members should determine the status of the Diagnostic Services business line.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: At the request of several provinces, Canadian Blood Services provides diagnostic services and they are provided on a cost-recovery basis. Diagnostic Services include managing blood component inventories, accessioning patient samples, testing patient samples, cross-matching and issuing patient-assigned blood components. Testing services include prenatal, pre-transfusion (crossmatch), red cell serology reference (antibody investigations) and human platelet antibody immunology. Results are provided to hospital laboratories and family practitioners across Western Canada and Ontario. The activities differ among provinces based on customer requirements.

The last thorough review of the Diagnostic Services business line took place in 2003, with the recommendations officially adopted in 2004. All of the recommendations were completed in 2010.

Diagnostic Services has a strong, integrated relationship within the provinces where it operates. Canadian Blood Services welcomes discussions with Members on the potential to further leverage this expertise within a cost-shared model.

Final Report Response:
Canadian Blood Services remains open to discussions with Members regarding its Diagnostic Services’ expertise within a cost-shared model.

**Recommendation #63:** A formal process for budgeting and accessing contingency and reserve funds should be implemented to ensure they are used judiciously and for the intended purpose. This will promote planning and delivery in line with requirements rather than budget.

Project contingency funds should be allocated and accessed for the purpose of addressing unexpected cost overruns due to cost estimation variances. Contingency should be explicitly allocated in the budget and released through a formal request for funds approved by an executive oversight committee.

Reserve funds may be allocated to address implementation considerations which were originally out-of-scope of the initial funding approval. Similarly, reserve funds should be released through
**Recommendation #66:** CBS should perform a thorough assessment of requirements when asked to assume new responsibilities to determine whether it possesses the capabilities (e.g., knowledge, people, processes and technology) to fulfill the mandate. It should also secure the key resources from the provinces and territories and other stakeholders required to successfully complete the mandate.

Accountable Lead: Canadian Blood Services, with Members

**Recommendation #70:** When accepting new responsibilities, CBS, together with the Members, should assess long-term impact on the organization and include provisions in the agreement for longer term considerations or a specific timeline for next steps.

Accountable Lead: Canadian Blood Services, with Members

Interim Response: Canadian Blood Services is committed to improving business planning with governments as new programs develop. Defining roles and responsibilities, terms and timing of funding agreements and decisions, and shared expectations and commitments is essential to the successful implementation and execution of new mandates.

Final Report Response:
Canadian Blood Services remains committed to working with Member governments on defining critical elements of successful business planning when taking on new or expanded mandates.

**Funding the National System**

General Comment: Each year, Canadian Blood Services provides a three-year Corporate Plan to Members that outlines planned activities, associated funding requirements for the first year, and a directional forecast for the second and third years. The Corporate Plan captures customer
needs, product and service targets, emerging requirements, funding for operational capital, and major initiatives. Members contribute approximately 98% of our revenues; the remaining revenues come from federal government contributions, sales of stem cells to other countries, and interest and other income. The amount of money required to finance our operations is driven by expenses associated with products, staff, medical supplies, general and administrative costs, and funding for operational capital.

The three-year corporate plan process commences at the beginning of the fiscal year for the following year’s budget. The proposed one-year budget uses the current year’s approved budget as a baseline, which then is adjusted for anticipated factors impacting costs. For the Plasma Protein Products business line, for example, Canadian Blood Services seeks information from the P/Ts on product use and anticipated trends. The planning process is completed by the end of June and the Corporate Plan is submitted to the provincial and territorial governments by the end of July for implementation in April of the following year.

Following the issuance of the Corporate Plan, the P/Ts have the opportunity to submit questions about the plan, to which Canadian Blood Services provides formal responses. Canadian Blood Services meets with the PTBLC in October to present the Corporate Plan, review key assumptions and provide any further information requested. The organization then meets with the PTBLC again in November to negotiate and finalize the funding request for the upcoming year. During this meeting, Canadian Blood Services details the changes from the original plan stemming from changes in assumptions around key cost drivers, efficiencies, projects and any other information received from the P/Ts.

The Review specifically recommends that Canadian Blood Services assess the opportunity to implement a more robust costing system to enable calculation of complete costs for different products and services. We have already begun this work and recognize that accurate costing of products and services is important.

The Review also recommends that we develop a plan to finance the investments necessary for our PEP. Largely, these are investments in process and technology improvements that will result in lower annual operating costs. In the past, Members have agreed to provide investment funds directly.

**Recommendation #15:** CBS and its Members should work together to revisit funding models for working capital, investments in PPE and other assets, and replenishment of the Contingency Fund. These funding models should be formalized and incorporated in official documentation, such as an SLA, as discussed in Recommendation #1. Approaches and practices used by other blood services organizations could provide valuable suggestions.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Since its inception, Canadian Blood Services has been a trusted steward of public funds that adopts sound financial management practices and accountability. The MOU
articulates the roles and responsibilities of the Corporate Members and the Canadian Blood Services’ Board of Directors with respect to funding. It states that although Members “remain accountable for the use of public funds, the internal Finance Committee will be responsible for preparing [...] budgets for the approval of the Board of Directors”, which is responsible for the “overall direction of the affairs, operational activities and budget” of Canadian Blood Services. In turn, Canadian Blood Services has consistently put forward its Corporate Plan budget each year for approval by Members, including funding of operational capital and planned surpluses, as well as a reconciliation to actual expenses.

Canadian Blood Services agrees with the need to further formalize funding models. Regardless of the funding models, Canadian Blood Services must retain the ability to act without delay in the event of any threats to blood safety and security.

The 2002 Performance Review identified a serious working capital issue as a result of large and growing levels of plasma protein products inventory due to utilization and a large devaluation of the Canadian dollar against the American dollar. At that time, Canadian Blood Services was using restricted funds to cover working capital shortages. The review suggested that Canadian Blood Services and Members explore the option to finance or fund the value of inventory. It also recommended that financing options not be pursued in isolation. A further recommendation communicated to the PTBLC and Members suggested that Canadian Blood Services link the working capital issue to the broader strategic policy context. As a result of this recommendation, Canadian Blood Services and the PTBLC developed an action plan including the issues of working capital. A number of options were presented in the 2003–2006 Corporate Plan:

1. Members can fully fund the inventory of fractionated products;
2. arrange a line of credit to finance the inventory of fractionated products;
3. arrange a line of credit to finance the inventory and fund the inventory of fractionated products by incremental amounts each year (for example $10 million);
4. use $21.5 million from the Contingency Fund to partially fund the working capital and fund the remainder of the shortfall using Option 3;
5. decrease the inventory of fractionated products to the funded levels.

Members were consulted throughout this process. They agreed to fund an additional $5 million per year starting in 2003/2004. Canadian Blood Services also established a line of credit for working capital purposes, which was put in place in 2003/2004. In 2011/2012, Canadian Blood Services proposed to remove the working capital requirement for the inventory of plasma protein products. Thus, since 2012/2013, Canadian Blood Services no longer receives $5 million per year for working capital.

Canadian Blood Services management has developed a Board-endorsed net asset policy with the assistance of outside experts. The organization now has a framework in place to determine the level of financial resources required to support operations on a timely basis, the ability to review its requirements in a consistent and methodical manner and the ability to communicate.
its approach to net assets and requirements to its stakeholders. There has been detailed modelling around plasma protein products inventories that takes into account exchange rate and utilization, as well as around the replenishment of the Contingency Fund. The modeling did not factor in new products or new indications. In addition, there was a commitment to review the policy annually to ensure that it remains relevant.

Canadian Blood Services also conducted a survey of blood operators and healthcare providers and found that different approaches are taken to funding and net assets. It was noted however that most organizations surveyed have means to access additional funds for strategic and safety related investments.

In 2010, Canadian Blood Services reviewed the replenishment mechanisms in place and, through modelling analysis, proposed that the funds be replenished from CBSI surplus capital. The boards of directors of Canadian Blood Services and CBSI endorsed the recommendation to replenish the funds through an insurance policy with CBSI and, as such, an insurance policy was set up in 2012/2013.

Canadian Blood Services undertook an analysis of the Contingency Fund in early 2011, assessing the appropriate magnitude of the fund as well as a mechanism to replenish if it fell below the appropriate amount. A number of scenarios were reviewed—in each scenario, the safety or integrity of the blood system was threatened beyond what could be accommodated in the usual budgeting process. At that time, Canadian Blood Services estimated the appropriate magnitude of the fund to be approximately $40 million and that consideration should be given to adjusting the amount over time for inflation (note: had the original Contingency Fund amount been adjusted for inflation, it would have been in the $46 million range in early 2011). As a critical source of funds to address unforeseen emergency safety events, in 2012/2013, a contingent risk indemnification insurance policy was issued by CBSI to insure the CBS contingency policy. This was considered to be a prudent approach to the management of the Contingency Fund as the replenishment if accessed is uncertain.

Canadian Blood Services agrees that these matters should be revisited and will work with the P/Ts to formalize mechanisms.

Final Report Response:
Canadian Blood Services and Members have begun various dialogues on these financial matters. Agreement on future mechanisms will be reached in discussion and collaboration with and between P/Ts and Canadian Blood Services.

**Recommendation #16:** CBS and its Members should assess the opportunity to provide hospitals and health institutions with details on volumes and costs for the transfusable products they receive, similarly to the current practice for plasma protein products. Providing this information would partly meet the Krever Commission’s recommendation on billing hospitals. It would help
hospitals understand the costs associated with their use of blood products. Héma-Québec, the
NHSBT and the ARCBS all provide this type of information, even when payment is made by a
central payer. Since there would be additional costs associated with this practice, a cost-benefit
assessment should be completed prior to making a decision.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Since inception, Canadian Blood Services has provided utilization data on
fresh blood and plasma protein products to the P/Ts. In 2007/2008, Canadian Blood Services
automated its reporting infrastructure through investment in the Inventory Management
Project. Since then, it has provided monthly utilization reports to the P/Ts for the use of plasma
protein and fresh blood products by hospital, as well as a cost per plasma protein product used
via access to Canadian Blood Services’ portal.

In addition, following an agreement reached with Manitoba, Canadian Blood Services started
reporting in August 2008 on utilization and costing information for Diagnostic Services, and has
made the information available on the shared portal.

Although the current system does not report on costs per fresh blood product, Canadian Blood
Services performed a costing valuation for inventory purposes in 2008/2009. That information
was shared with the P/Ts in 2009/2010. As the costing was performed for inventory valuation
purposes under the Canadian Generally Accepted Accounting Principles, and may not reflect
the cost of fresh blood products, Canadian Blood Services began a detailed costing analysis in
late 2012. That process is expected to be completed by June 2014.

Canadian Blood Services agrees that incremental work is required in this area. Once the costing
system has been developed, the organization will review it with the P/Ts and assess the impact
on the funding model at that time.

This recommendation acknowledges that governments have requested our help to manage
utilization, and recognizes the MOU contemplation of the responsibility the country’s blood
authority has in this area. In recognition of its leadership role, Canadian Blood Services has
been working with the P/Ts to monitor and improve usage and management of blood and
blood products in recent years, and welcomes the opportunity to collaborate further, including
providing hospitals with details on volumes and costs for transfusable products.

Final Report Response:
In addition to the response above, Deputy Ministers of Health, in November 2013, invited
Canadian Blood Services’ leadership in blood and blood product utilization throughout
provincial and territorial health systems, and have requested a formal proposal for
consideration of next steps to better manage and/or decrease costs. Canadian Blood Services
looks forward to collaborating with governments to make significant and meaningful gains in
this area.
**Recommendation #17:** CBS should perform a cost-benefit assessment to determine the opportunity for implementing a more robust costing system that can calculate complete costs for its different products and services. This analysis should take into consideration the cost of implementing and operating such a system, the funding models agreed upon with its Members, and its current and future business lines.

Accountable Lead: Canadian Blood Services

Interim Response: Since inception, Canadian Blood Services has provided the P/Ts with details on the volumes of fresh blood and plasma protein products shipped to hospitals in their jurisdictions, as well as costing details on plasma protein products used. Although Canadian Blood Services does not currently have a costing system that can calculate the complete costs for different products and services, the organization implemented a model to value fresh blood products inventory in 2008/2009. This model has since been used as a baseline for product costing in various benchmarking exercises. In addition, since October 2012, Canadian Blood Services has undertaken a study to enable the organization to develop a costing model that is suitable for its need and that follows the industry’s best practices.

The costing model design is underway, with a detailed focus on the allocation of support services costs to all products and services provided by Canadian Blood Services. The organization met with two members of the Alliance of Blood Operators (ABO) operators to assess how their models were created. We will use their good practices and lessons learned while implementing our own model.

Once we obtain a thorough understanding of support services cost allocation, our next step will be to review and calibrate existing supply chain cost allocation and assumptions following the same principles with the goal of aligning to other ABO operators, where feasible.

The target schedule for this initiative is to complete the supporting services cost allocation work and recalibrate the supply chain cost assumptions by June 2014. Automating the cost model will be investigated in 2014/2015. A change in allocation of enabling groups cost may have a significant impact on the provincial funding due to the various funding models in place. As the costing work and related discussions progress, the potential impact to funding will be more evident, and the P/Ts will be provided with a detailed impact assessment during the 2015–2018 Corporate Plan process.

**Final Report Response:**
Canadian Blood Services is on track to complete the detailed costing analysis, with preliminary results to be presented to the Board in September 2014, after which a presentation update will be provided to the Provincial and Territorial representatives. Included in the discussions that follow will be potential changes to future Corporate Plan presentations and funding requests.

**Recommendation #18:** PT governments, together with CBS, should develop a mutually
acceptable written agreement that defines in specific detail how excess of annual funding over costs is to be used. A governance framework should be developed and documented to address the following: use of these funds, minimum levels and release/approval process. These principles should be included in the SLA discussed in Recommendation #1.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Consensus in this area will benefit both Canadian Blood Services and governments. The current Canadian Blood Services’ policy is to request the use of these funds through the three-year corporate plan process, where approval of planned surpluses is sought from the P/Ts. Updates are provided through the forecast process where approval of the use or return of surpluses in excess of the budgeted surpluses is sought.

Recognizing that Members are accountable for the use of public funds, the Board of Directors is responsible for the overall direction of Canadian Blood Services, its operational activities and budget. Within this context, Canadian Blood Services supports further discussions with Members on an agreement with respect to principles around surpluses.

Final Report Response:
In addition to the response above, and with acknowledgement of the observation that it is impractical to envision that the organization could operate under different accountability frameworks with each province\(^2\), Canadian Blood Services was asked to sign a Transfer Payment Accountability Directive (TPAD) agreement with the Province of Ontario in 2013. The TPAD addresses the issue of excess funds and states that if Canadian Blood Services has not spent all of the funds allocated in a funding year as provided for in the budget, the Members may, as applicable:

(a) authorize Canadian Blood Services to apply or defer the funds to a purpose agreed to by all the Members;
(b) adjust the amount of any further instalments of their portion of funds accordingly; or
(c) demand the return of their portion of unspent funds.

The TPAD remains in effect with Ontario until it is replaced by a national accountability agreement.

**Recommendation #19:** CBS and its Members should develop an approach to determine the level of available cash CBS should have to fulfill its responsibilities. This approach should be documented in the SLA discussed in Recommendation #1 and should consider CBS funding models. Members and CBS should develop a plan on how best to use CBS’ excess cash balance, if applicable.

\(^2\) This observation is noted on page 43 of Canadian Blood Services Performance Review Final Report.
Accountable Lead: Members, with Canadian Blood Services

Interim Response: Consensus in this area will benefit both Canadian Blood Services and governments. Canadian Blood Services recognizes that Members are accountable for the use of public funds, while the Board of Directors is responsible for the overall budget of the organization.

On June 30, 2013, cash available to Canadian Blood Services was $187.3 million. Of this amount, $19.4 million was set aside for the Contingency Fund, $27.3 million was restricted for National Facilities Redevelopment Program (NFRP), the National Public Cord Blood Bank, PEP, Diagnostic Services, and ePROGESE, $21.8 million was restricted by external parties and $28.9 million was funding received in advance from the P/Ts. The remaining $90 million represented uncommitted funds, although Canadian Blood Services relates them to items such as funding received from Members to finance inventories, employee future benefits and net assets.

It is important to note that the cash position fluctuates throughout the fiscal year. At June 30, 2013, the amount of unrestricted cash available to Canadian Blood Services represented 33 days in cash on hand and was being used to fund day-to-day operations.

Canadian Blood Services benefits from its cash on hand by generating interest income averaging $1.7 million every year. Interest income is used to reduce funding received from the Members every year. Without such income, our funding requests to Members would increase by the amount of interest income lost.

It will be important to establish principles that will guide the determination of the level of available cash Canadian Blood Services should have to fulfill its responsibilities, recognizing the MOU imperative for the national blood system to have autonomy to act without delay with respect to any threats to blood safety and security. As well, Canadian Blood Services is undertaking an independent review in this area. Findings will be discussed with the Members in December 2013.

Final Report Response:
On November 25, 2013, Canadian Blood Services presented to Deputy Ministers a number of financial matters, including cash, contingency fund, surplus and net assets and premium net assets held by our captive insurance subsidiary. This presentation included a proposed draw down of cash in the amount of $25 million to fund a series of initiatives over a three year period. This draw down would result in reducing operational cash to approximately $45 million, or fourteen days-on-hand. This proposal was further tabled at the PT Blood Liaison Committee 2014/2015 budget negotiations and is pending Member approval on March 26, 2014.

**Recommendation #50:** CBS should develop a funding plan to finance its overall PEP. The funding plan might include a traditional funding approach, such as Members’ grants/contributions, or
other alternatives such as debt or capital leases. CBS might also propose to use part of the $110 million in “unrestricted” cash it had (balance as at 31 March 2013).

Accountable Lead: Canadian Blood Services, with Members

Interim Response: In November 2012, Canadian Blood Services discussed the PEP with the PTBLC and explained the manner in which the organization planned to fund the necessary investments through CBSI. In April 2013, Canadian Blood Services provided the P/Ts with a list of associated initiatives and related impacts to the organization.

In March 2013, Members approved that any surplus in excess of the 2012-2013 budgeted net income of $2.0 million be approved to be spent for ePROGESA and projects under the Productivity and Efficiency Program. After year-end reconciliations, $8.8 million was deferred to fund the PEP initiatives.

Canadian Blood Services’ reported cash position fluctuates throughout the fiscal year. At June 30, 2013, the amount of unrestricted cash available to Canadian Blood Services represented only 33 days of cash on hand and was $90 million compared to $110 million at March 31, 2013. The unrestricted cash is used to fund day-to-day operations, and may not be ideal for strategic investments. Although an analysis of working capital and cash balances is underway, the use of operating funds to offset PEP investments would impact the Members and the funding request in the three-year Corporate Plan. The findings of this review will be discussed with the P/Ts in December 2013.

Incurring debt would result in additional costs to Members via interest charges. Through the use of CBSI surpluses (which amounted to $17.1 million at May 31, 2013), Canadian Blood Services could reduce the funding request to the P/Ts by avoiding the costs associated with issuing debt.

Canadian Blood Services supports developing a funding plan to finance its PEP, and is committed to applying the most cost-effective alternative for the system. Canadian Blood Services introduced the PEP to bring a more focused approach to process improvements, technology enhancements and cost containment across the organization. As a result of the PEP initiatives, significant change is anticipated across the organization over the next five years. To achieve these savings, upfront investment is required. Canadian Blood Services welcomes the opportunity to further discuss with the P/Ts the most appropriate way to finance this essential program.

Final Report Response:
Information sessions were held between October 2013 and December 2013 with various levels of P/T officials (PTBLC, Deputy Ministers) to present and discuss treasury concepts, working capital, cash, unreserved operational cash, deferrals, contingency fund, lines of credit, unrestricted net assets, inventory and captives. This resulted in a proposed draw down of $25 million cash to fund a number of proposed projects/programs, with the majority of funding to be directed to a PEP initiative. See response to Recommendation #19.
1.2 Collaborate for Improved System Performance

General Comment: Canadian Blood Services is one piece of the larger Canadian healthcare system. We recognize that we do not operate in isolation when it comes to system improvement. Many of the recommendations provided will require strong collaboration to determine and implement the necessary actions. We understand the valuable contribution that transparency can make if the right structures, processes and tools are in place to enable information sharing. This has benefits for reasons of fiscal accountability and utilization management purposes.

The Review highlights the opportunity to work with our customers, namely hospitals, to develop standardized data collection and reporting mechanisms for hospital demand and utilization. This will help to better manage system-wide outdated and costs.

Canadian Blood Services will continue to play a leadership role—working collaboratively with P/Ts—and provide support, product evolution, data stewardship and policy development to optimize the use of plasma protein products.

**Recommendation #31:** Members should develop guidelines and mechanisms to promote appropriate usage of plasma products; CBS, using its unique expertise, should play a leadership role in exploring ways to achieve this objective.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: In recent years, the organization has been able to leverage its significant purchasing power and expertise as a bulk purchaser of plasma protein products to realize savings of $600 million over five years for the P/Ts. This recommendation acknowledges the fact that governments have requested that Canadian Blood Services help manage utilization. It also recognizes the MOU contemplation of the responsibility the country’s blood authority has in this area. In recognition of its leadership role, Canadian Blood Services has been working with the P/Ts to monitor and improve usage and management of blood and blood products, and is anxious to collaborate further.

Canadian Blood Services has also funded the International Collaboration for Guideline Development, Implementation and Evaluation for Transfusion Therapies, known as the ICTMG Collaborators. With 20 members from six countries, the collaboration aims to increase the credibility, timeliness and cost-effectiveness of developing evidence-based transfusion medicine guidelines to optimize care. Although currently funded by Canadian Blood Services, the intent is for the collaboration to obtain independent funding in the future.

Final Report Response:
In addition to the response above, Deputy Ministers of Health, in November 2013, invited Canadian Blood Services’ leadership in blood and blood product utilization throughout provincial and territorial health systems, and have requested a formal proposal for consideration of next steps to better manage and/or decrease costs. This proposal will be presented and discussed in the spring of 2014. Canadian Blood Services looks forward to collaborating with governments to make significant and meaningful gains in this area.

**Recommendation #55:** CBS should work with hospitals to develop standardized data collection and reporting mechanisms for hospital demand and utilization to enable better monitoring and management of system-wide outdates and costs.

Accountable Lead: Canadian Blood Services, with Members

Interim Response: The organization works closely with hospitals to share data and promote ways to improve inventory management. In 2012, Canadian Blood Services introduced the Hospital Component Disposition Improvement Initiative, which is developing standardized data collection and reporting mechanisms through simpler online forms to allow for better knowledge of hospital usage and inventory. Canadian Blood Services is also working with hospitals to develop a standardized procedure to allow for the return of unused product that meets specific criteria to assist in managing system-wide outdates and costs.

In recognition of its leadership role in this area, Canadian Blood Services will continue working with the P/Ts to monitor and improve usage and management of blood and blood products.

**Final Report Response:**
First phase of the project is implemented. An enhanced system with improved technology for the reporting of disposition data will go live in May 2014. This web-based application will enable hospital customers to report transfusable product disposition data to Canadian Blood Services. This data will contribute to enhanced reporting, improved hospital peer comparison and insight into blood utilization and demand trends.

**Recommendation #57:** CBS should investigate opportunities to integrate and interface information systems within the organization as well as with its partners’ systems, particularly as the health care system moves towards electronic information systems. These opportunities will require effective collaboration between CBS and health care system partners, as well as consideration of legislative requirements to implement appropriate interfaces.

Accountable Lead: Canadian Blood Services, with Members

Interim Response: Dedicated to improving efficiency and quality throughout the healthcare continuum, Canadian Blood Services welcomes the opportunity to explore the further integration and interface of electronic information systems. In some provinces, for instance, Canadian Blood Services’ Diagnostic Services business line has successfully integrated with
hospital information systems to share test results electronically. Canadian Blood Services will continue working with the P/Ts to discuss and collaborate further on this important matter.

Final Report Response:
Canadian Blood Services remains committed to collaborating with Member governments on further integration and interface of electronic systems.

1.3 Safety

General Comment: Canadian Blood Services acknowledges the expectation that we continually improve reporting of safety incidents. Improving automation and the use of technology in the blood system will support a recommendation to gain further insight into non-conformance trends.

With respect to safety, the Review also notes the prospect of improving reporting on safety incidents by investigating opportunities to integrate and interface information systems within the organization and with those of our partners. This is advantageous particularly as healthcare moves toward electronic information systems.

**Recommendation #56:** CBS should continually improve reporting of safety incidents by modifying safety indicators and the corresponding quarterly targets to reflect the cause and impact of the event and, potentially, the impacts to the system.

Accountable Lead: Canadian Blood Services

Interim Response: The Review recognizes and acknowledges that Canadian Blood Services effectively manages safety issues. This includes managing infectious disease risks, quality issues, and availability of blood and blood components. Canadian Blood Services is also involved in studies that examine the impact of its policies on the safety of the blood supply. The Review observed that Canadian Blood Services works with other organizations, such as the Public Health Agency of Canada, to monitor existing infectious threats (e.g., West Nile Virus), and the emergence of new infectious diseases. This includes implementing new measures to reduce these potential risks. The Review supports that overall Canadian Blood Services has been consistent in its safety performance.

The Review mentions that the communication of safety indicators to stakeholders other than the Board’s Science, Safety and Ethics Committee (SSEC) is limited. This appears to be a comment arising from a misunderstanding of where Canadian Blood Services communicates safety data. Much of the information shared with the SSEC on safety indicators, recalls, lookbacks and tracebacks, adverse reactions, annual transmissible disease surveillance, annual bacterial detection summary or Health Canada inspections, is shared with a variety of stakeholders. Canadian Blood Services often customizes the information it delivers to meet the needs of specific audiences. This is done through many avenues, including:
• individual correspondences (e.g., risk information about the impact of incidents communicated to hospitals for every components being recalled);
• the blood product circular of information (product monograph);
• regular reports (e.g., Canadian Blood Services Annual Report, Quarterly Report to the Members, and reports to the Biologics and Genetic Therapies Directorate of Health Canada on recalls, lookback and tracebacks, adverse reactions, or serious donor events);
• Canadian Blood Services’ public website (e.g., results of Health Canada inspections, Customer Letters) and its website targeted to professionals (transfusion.ca);
• various advisory committees (e.g., infectious disease surveillance report during the Scientific and Research Advisory Committee); and
• open meetings of the Canadian Blood Services Board of Directors (e.g., end of year performance highlights).

The severity and causes of safety concerns with the blood system (e.g., bacterial contamination, Chagas, TRALI) and the measures to address them and their impacts on the safety of the blood system (e.g., reduction in TRALI cases, residual risk of infectious agents) are often included as part of these communications. We will continue to evolve and improve communication of safety indicators (e.g., current efforts in developing a surveillance report suitable for the general public and making it available online) as part of our regular operational and performance management system. However, no specific initiatives will be launched at this time.

We will continue to improve the indicators and targets used to assess our performance in relation to the safety and quality of products and services, and impacts to the system. For example, the measure referred to in the Review (number of events leading to recalls) has not been in use since April 2012 because of the limitations that were highlighted in a previous report. Canadian Blood Services now reports on the number of components recalled per quarter, instead of the number of events.

Canadian Blood Services uses many of the same types of indicators as other blood operators and will continue to consider measures used by similar organizations. Until more meaningful safety indicators can be defined and targets that reflect both the causes and impacts of events and, potentially, their impacts to the system established, Canadian Blood Services will continue to rely on analyses that take into consideration the severity and impact of events, be it for recalls, adverse transfusion events, audit observations, or others. Although this may still lead to situations where the performance of the organization is rated as not meeting target (even though it does strictly from a quantitative perspective), we are confident that it will continue to provide an accurate assessment of Canadian Blood Services’ performance and drive appropriate actions.

In summary, Canadian Blood Services will continue to evolve and improve indicators and quarterly targets as part of our regular operational and performance management system. No specific initiatives will be launched at this time.
Final Report Response: Canadian Blood Services remains committed to this work, as noted in the interim response above.

**Recommendation #58:** CBS should assess the feasibility of incorporating business intelligence capabilities into its information systems. These capabilities can provide further insights on non-conformance trends. However, detailed analysis is required to weigh costs against benefits to prioritize this initiative against CBS’ other current initiatives.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services will continue to improve the efficiencies of reporting, tracking and trending capabilities for non-conformances. This is not, however, a safety issue. We use the non-conformance (NCR) process to manage all product quality-related issues. As such, the impact of all quality issues is assessed and the appropriate way to manage affected products is determined through the NCR process. The National Non-Conformance Database (NNCD) is the system of record for non-conformances. This is managed irrespective of any other applications such as PROGESAs Laboratory Information System that are used to track and manage the manufacturing of blood components.

The NNCD was developed as part of Canadian Blood Services’ business intelligence (BI) solution. The data from the NNCD system is uploaded into the enterprise data warehouse and all reports are generated using the IBM Cognos BI toolset, which also provides a good set of tools for trending and analysis of non-conformances.

Canadian Blood Services’ BI and enterprise reporting strategy comprises three phases with the current timelines extending to the end of 2015/2016. The first phase is designed to improve the quality of information at Canadian Blood Services through the introduction of enterprise data management practices by establishing a data governance function, standardizing metadata management practices and introducing a data quality management program. This first phase also includes a number of initiatives designed to improve the processes, skills, and capabilities of the BI delivery team.

The second phase aims to improve the strategic and operational reporting platform, re-engineering and automating many of our BI reports, dashboards and scorecards, some of which are compiled manually. This will support increased stakeholder buy-in for the use of reporting and can support an increase in data-driven decision making at all levels in the organization.

The third phase involves expanding the data warehouse to include additional data sources such as logistics, finance and human resources. Further exploring mobile BI and advanced analytics technology, the third phase aims to provide access to information when and where it is needed and further refine our analytic capabilities.
As this work progresses and business cases are developed, the opportunities to address the NNCD data and information systems to manage this data more effectively will be assessed and prioritized against the other BI initiatives.

**Final Report Response:**
Work continues to establish priorities for Canadian Blood Services’ BI capabilities, including more advanced analytics technology.

### 1.4 Risk-based Decision Making

General Comment: The organization will continue in its leadership role in the development of the integrated risk-based decision-making framework recognizing that trying to achieve zero risk is impossible and financially unsustainable.

**Recommendation #59:** CBS should continue its leadership role to work with other ABO members in the development of the integrated risk-based decision-making framework that addresses all major policy and operational challenges, and provides a consistent decision-making approach which would improve confidence and trust in investment decisions. The results of this work should be shared with the CBS Board of Directors as well as with Members to promote further dialogue on risk-based decision-making.

**Accountable Lead:** Canadian Blood Services

Interim Response: Canadian Blood Services will continue to advance the Alliance of Blood Operators (ABO) initiative on risk-based decision making for blood safety. Work is underway on specific deliverables to be completed by the end of the current fiscal year. Related to a risk framework, such deliverables include health economics methodologies, stakeholder engagement guidelines, and a web portal for risk-based decision making. Canadian Blood Services will keep the members of our Board of Directors and our Corporate Members apprised of these efforts and will ensure that their perspectives are canvassed in the consultation phase of this work.

The Risk-based Decision Making (RBDM) project will develop an integrated, internationally applicable framework that is entrenched in donor safety and optimal patient outcomes and which will guide major policy and operational change. Canadian Blood Services is providing leadership to this initiative on behalf of the ABO—a global network of large blood operators including the American Red Cross, Australian Red Cross Blood Service, National Health Service Blood & Transplant, the European Blood Alliance, America’s Blood Centers, as well as Canadian Blood Services. In addition to ABO members, representatives from Blood Systems Inc., Héma-Québec, and the AABB are also participating in the RBDM project.
Since the 1980s, numerous measures aimed at maximizing blood safety have been implemented. All were based on varying interpretations of the precautionary principle and the (now deemed unsustainable) pursuit of zero risk, without evident consideration of cost effectiveness and opportunity cost. The need for a collective, standardized decision-making framework has become clear in the face of increasing complexity in blood safety decision-making, driven by medical, scientific, ethical, economic, legal, and public policy factors.

To initiate discussion on this issue, Canadian Blood Services took the lead in bringing together thought leaders and experts at an ABO International Consensus Conference in Toronto in 2010. The resulting consensus statement acknowledged that risk is inherent from vein-to-vein. Blood transfusion being an integral component of medical practice, product safety and supply responsibilities reside with blood operators. The consensus panel emphasized that achieving zero risk is unattainable and that the well-being of transfusion recipients is central to any recommendations to improve blood safety decision making. Further, it was recommended that an integrated risk framework be developed to improve consistency in decision-making, facilitate proportional responses to risk, ensure that decisions are evidence-based, increase trust in investment decisions, and allow for the redirection of resources to improve effectiveness. By publishing and presenting internationally on these issues and the outputs of the conference, Canadian Blood Services built further momentum for the launch of ABO’s RBDM project.

RBDM is a two-phase project with several key deliverables. It will provide an overall risk framework with a comprehensive set of health economics tools, offer a stakeholder engagement plan to gather broad input and maximize support, and be complemented by a web portal. Phase I (which began in April 2013 and ends in March 2014) will form the basis for a draft framework that will be used as a catalyst for consultation with key stakeholders in Phase II (which will begin in April 2014, pending budget approval). Activities and strategies to increase awareness and adoption of the RBDM framework will also be proposed in Phase II.

Final Report Response:
Canadian Blood Services remains committed to developing an integrated, internationally applicable risk-based decision-making framework, encompassing donor safety and optimal patient outcomes, which guides major policy and operational change. Work continues as noted in the interim response.

1.5 Stem Cell Donor Recruitment

General Comment: Demand for stem cells continues to grow. Canadian Blood Services plays an essential role in recruiting Canadian stem cell donors in Canada. Because of expanded indications for stem cell transplantation and increasing age for transplant eligibility, an increase in the number of unrelated stem cells products from Canadian donors for Canadian patients is forecast for 2014/2015.
**Recommendation #33:** CBS should continue to build on current efforts to improve the donor base. Savings can be generated by increasing the use of Canadian donations for transplants. CBS should also continue to develop and foster partnerships with customers, stakeholders and international communities, such as the WMDA. These collaborations could result in matching Canadian patients to international donors.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services implemented a change in our stem cell donor recruitment policy effective July 1, 2013. The change restricts the age of new donors to between 17 and 35 years old, with a focus on ethnically diverse males. This supports current medical practice which has shown a clear preference for donations from young, male donors to reduce patient and donor complications following transplant and increase rates of survival for the patient.

In addition, Canadian Blood Services is establishing a National Public Cord Blood Bank which will help shift the use of imported cord blood units to Canadian units. As part of the overall recruitment strategy, the bank will be populated with ethnically diverse cords to support those hard-to-match patients, particularly those from Aboriginal and black communities. With regards to fostering partnerships, there is an extensive strategy in place to continue to identify, recruit and nurture relations with high-influence organizations, partners and community groups within and outside Canada who are helping execute the recruitment strategy both for the OneMatch Stem Cell Registry and the National Public Cord Blood Bank. In addition, Canadian Blood Services is an active member of the World Marrow Donor Association (WMDA) and participates on several working groups to provide input on matters related to this association and global stem cell standards.

**Final Report Response:**
Canadian Blood Services remains in agreement with this recommendation, and continues to support the work noted in the interim response.

### 1.6 Performance and Risk Management

General Comment: With each province and territory engaged in a healthcare quality journey of its own, priorities vary across the country. From patient safety, patient outcomes, cost savings, efficiencies, improved access to care and broader system transformation, P/Ts are setting measurable targets for improvement. We are too.

Recognizing that objective and quantifiable corporate key performance indicators (KPIs) will demonstrate the value for money delivered by Canadian Blood Services to funders and the public, the Review recommends that we ensure corporate KPIs are balanced between outputs and outcomes to objectively report on performance.
In our 2014–2017 Corporate Plan, we will establish clear KPIs that will help to increase transparency and accountability and align with the findings of the Review. Measures will be reported to show historical changes over time to highlight our advancement in a variety of areas. The 2014–2017 Corporate Plan will disclose productivity measures introduced to the P/Ts in past corporate plans and annual reports, and include the following measures from 2010/2011 to 2012/2013 actual, including 2013/2014 budget and 2014/2015 plan:

- number of full-time equivalents (FTEs);
- transfusable products cost per unit shipped (CPU);
- labour hour per unit collected (LHU);
- large volume platelets (LVP) split rate;
- product discards;
- order fill rate (red blood cells);
- number of Canadian donor to Canadian patient stem cell transplants;
- contractual price per plasma protein product;
- kidney transplants facilitated through Living Donor Paired Exchange registry;
- Health Canada audit observations;
- recalled blood components;
- serious events (stem cells); and
- adverse transfusion reactions.

As we complete our costing system, cost per products will be validated and findings will be provided to the P/Ts in the summer of 2014. When formalized, the cost per product/service will be made available on the P/T portal.

Informed by the Krever Commission’s Report (1997), which recommended that the blood system should be operated in an open and accessible manner, we believe in transparency and openness in our public reporting. The Review recommends that we examine our approach to public reporting and disclosure practices on performance. In our stewardship of the blood system, we believe our diligence with performance reporting can still improve. Our annual report, A Report to Canadians, reflects regular reporting ranging from financial management reports to reports from the Board of Directors to the Members. In addition to the annual report, we produce a variety of corporate operational performance and regulatory reports for stakeholders such as Members, hospitals, and Regional and National Liaison Committees, Health Canada, the Food and Drug Administration (FDA), and the various provincial and territorial Ministries of Health.

We have created risk management practices aimed at preventing future negative impacts, including an enterprise risk management (ERM) process. The ERM program regularly engages executive leadership and is supported by full-time staff. The Review makes recommendations about ERM, observing that the program is ready to mature in order to better support risk management decisions in the organization. Believing in continuous improvement as a necessary part of good process management, we are making progress with improvements in the ERM process.
**Recommendation #72:** CBS should ensure that its corporate indicators are objective and quantifiable (e.g., PEP realized efficiency savings). A balance should be achieved between reporting on outputs and on the achievement of outcomes in relation to its corporate strategy and organizational mandate.

CBS should review its approach to public reporting and disclosure practices on performance related to its key mandates of safety, system integration, national self-sufficiency, supply management, and cost-effectiveness of the blood system with the goal of increasing transparency. This reporting could occur on a monthly/quarterly basis.

**Two recommendations made in Section 3 are also related to performance indicators:**
- Development of an accountability agreement between CBS and its Members
- Improve reporting to the Members by establishing mutually agreed-upon reporting content and schedules

**Accountable Lead:** Canadian Blood Services

Interim Response: The Review recognized Canadian Blood Services’ use of a formal performance management framework. This systematic approach to articulating performance objectives, indicators and targets has been in place for eight years and has enabled the organization to make significant performance improvements.

At the time of the Review, Canadian Blood Services was undergoing a strategy refresh. Not all performance indicators had targets associated with them. Canadian Blood Services is working to make all indicators objective and quantifiable with a balance between reporting on outputs of the organization (e.g., products & services delivered to hospitals) and the outcomes they enable (e.g., reducing the time a patient waits for an organ transplant).

Canadian Blood Services also agrees with the recommendation to review our approach to public performance reporting. Today, Canadian Blood Services publishes a comprehensive annual report that provides the public with a wide range of information on organizational performance. We will continue to enhance our reporting, aligned with the accountability agreement with Members.

**Final Report Response:**
Canadian Blood Services has recently revised the performance measures contained on its balanced scorecard to ensure that they are outcome-focused where appropriate. The organization is currently developing an integrated planning process which will include multi-year targets for the scorecard performance measures.

It is important to note that the organization has always provided an annual report to the public, available on its website, as well as presenting a detailed report on organizational performance on a bi-annual basis at our open Board Meetings. Corporate performance measures were
Recommendation #73: CBS should develop a precise set of outcome KPIs at the corporate level to objectively report on the performance outcomes related to the achievement of corporate strategic priorities. Tracking initiatives against plan should not be considered a KPI in an organization with a wealth of accessible operational performance data.

CBS should ensure that its performance reporting strategy includes a balanced set of KPIs, with specific emphasis on financial performance metrics in both corporate and business line performance reports.

CBS should consider the development of value-based performance indicators to outline the value-for-money delivered to funders and the public. There is an opportunity to be a leader on this front in the blood and health care systems. CBS could work with other members of the ABO in developing broadly accepted value-for-money metrics for blood systems internationally.

Specific additional performance indicators that should be considered across the Transfusable Products and PPP business lines in relation to the overall supply chain are outlined in the supply chain section of this review.

Accountable Lead: Canadian Blood Services

Interim Response: The reviewers recognized that Canadian Blood Services makes good use of KPIs to manage our activities. Canadian Blood Services establishes and reports progress on KPIs as a means to focus the organization and drive performance improvements. These KPIs include value for money indicators, such as the labour hours per unit (LHU) measure, which is the ratio of total labour hours to collections of all fresh blood products and represents an integrated measure of our performance for the supply chain. We recognize that additional work is required in this area.

Canadian Blood Services is currently in the midst of developing and tracking a precise set of outcome KPIs at the corporate level. Our current scorecard includes the following KPIs:

- trust in Canadian Blood Services by hospitals, donors, the public, governments and other stakeholder groups;
- system outcome measures such as kidney transplants facilitated through the Living Donor Paired Exchange registry and the number of cord blood units available for patients;
- customer service measures including customer satisfaction and order fill rate;
- safety measures including the Safety Index which tracks safety outcomes across all products and services; and
- productivity and cost measures including LHU, CPU and product yield.
The Review also recommends that Canadian Blood Services should place specific emphasis on financial performance metrics. Throughout its history, Canadian Blood Services has focused on its financial performance. The organization tracks and reports its expenditures against the funding approved by Members. More recently, financial performance metrics such as CPU have been used to focus and track financial performance at a productivity level for Transfusible Products.

Canadian Blood Services agrees that further emphasis on financial performance metrics will be beneficial to us and our Members. In the 2014–2017 Corporate Plan, Canadian Blood Services will place further emphasis on KPIs by reporting on productivity gains through LHU, product discards and FTEs measures. Other measures such as plasma protein product prices will also be disclosed as we advance our cost reduction journey through further emphasis on strategic sourcing. Canadian Blood Services participates with other blood operators in the development of financial metrics under the auspices of the Cost Management Working Group. Canadian Blood Services will continue this work.

Final Report Response:
Canadian Blood Services remains committed to the work identified in the response above.

Recommendation #74: As part of developing and implementing a Risk Communication, Awareness and Training Program, CBS should create a mechanism that allows its employees to provide feedback on CBS’ enterprise risk management program and enablers.

Accountable Lead: Canadian Blood Services

Interim Response: All employees are responsible for complying with the ERM policy. To help with this, Canadian Blood Services is currently developing a risk communication and training program, plus other improvements to our enterprise risk framework, as outlined in the white paper Management’s response to Internal Audit’s review of the ERM Program, dated November 30, 2012. In accordance with our process management approach, we intend to obtain feedback from employees to regularly improve the ERM program. While informal at this juncture, we do obtain feedback from employees. By way of example, the first edition of the Risk Management Process Guide in the ERM guidance materials was vetted by employees from five different functional groups before its launch. We continue to get user feedback for consideration in the next edition. The best approach for developing and implementing a formal feedback mechanism will be considered in the training program development.

Final Report Response:
Canadian Blood Services remains committed to continuing the work described in the interim response above.
The organization is currently developing a formal process to obtain feedback from employees to regularly improve the ERM program. This work is incorporated as part of the Board ERM Change Agenda with a deliverable date in the 2015/2016 fiscal year.

Recommendation #75: CBS should develop guidance to support the consistent and efficient integration of ERM principles into existing activities, as well as standardized risk management procedural guidelines to guide employees at all levels on how to integrate risk management into their day-to-day activities.

Accountable Lead: Canadian Blood Services

Interim Response: When management responded to the internal audit’s review of the ERM program, it created a supporting implementation plan. That plan includes the development and publication of guidance materials such as a risk management process map and process guide. Publication is scheduled for the end of 2013. Regular review of the documentation is planned along with publication of further versions to incorporate the planned improvements to the ERM program.

As well, a plan for integrating ERM into existing activities is being developed. This project is to formally commence in fall 2013. One of the priorities in the plan is to link ERM to the organization’s talent management process. A first step in this linkage includes a comprehensive description of roles and responsibilities, which has been drafted and is set for review alongside the draft risk guidance materials. Following this, there will be consideration to linking risk management responsibilities with performance objectives and evaluations.

Final Report Response:
Canadian Blood Services remains committed to the implementation plan work as described in the interim response above. Regular review of the documentation is planned along with publication of further versions to incorporate the planned improvements to the ERM program.

Canadian Blood Services published its employee-facing online “Risk Management Navigator” in the fall of 2013, and has developed draft guidance material and process mapping for ERM. The project to integrate ERM activities into existing activities commenced in late 2013, including examining alignment between risk and audit practices, and evaluating risks at the project and portfolio levels.

Recommendation #76: For CBS to reach the strategic level of maturity against Risk Tolerance, Risk Response & Decision-Making attributes, it should implement the ERM review’s recommendation that it leverage risk tolerance limits and cost/benefit analyses to support risk management decisions.

Accountable Lead: Canadian Blood Services
Interim Response: In June 2013, the Board of Directors approved the organization’s risk appetite statement and published it in version three of the ERM policy. Related risk tolerance levels have been endorsed by the Board and are incorporated in the enterprise risk framework. These are leveraged along with the cost/benefit analysis approach outlined in Canadian Blood Services’ project management methodology to support risk management decisions.

Final Report Response: Canadian Blood Services continues to support the work described in the interim response above.

2.0 Increasing Canadian Blood Services’ Effectiveness

Many different components need to work together to create a sustainable and agile organization that is ready to meet future challenges. We begin here by taking a look at recommendations that affect the effectiveness of the organization.

2.1 Board of Directors

General Comment: The Review makes several observations regarding the practices of Canadian Blood Services’ Board of Directors. Recommendations include more frequent Board meetings, an expanded role in the selection and nomination process for new Board members, assessing individual board member performance, further training on enterprise risk management (ERM), and a review of the Board member rotation approach to facilitate a more gradual turnover of Board members.

The Review also recommends that the Members should review the honorarium rates for Board members and establish a process for future periodic reviews of the Board honorarium rates.

**Recommendation #7:** CBS’ Board and Chair should re-assess whether the timing, frequency and duration of Board and committee meetings are adequate to effectively discharge the Board’s responsibilities.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services’ Board of Directors holds five regularly scheduled meetings per year. Four coincide with quarterly performance reviews, while the fifth is an annual strategy review. In addition, the Board typically meets once or twice by tele/web-conference each year, as required. For example, in each of 2010 and 2011, the Board met a total of seven times. In 2012, it met a total of six times.
The Governance Committee of the Board will evaluate the structure and content of meetings and the annual calendar and workplan, by the end of November 2013, in order to assess the timing, frequency and duration of Board meetings. This assessment will address the appropriate fulfillment of the Board’s fiduciary responsibilities and matters of good governance. It will then be brought to the full Board for review, confirmation and implementation.

Final Report Response:
The Board has added one meeting to its current schedule. The Board is required to meet a minimum of six times per year and this standard has been consistently met. In addition to attending Board meetings, each Board member is a member of at least two Board Committees and most committees meet at least four times per year.

Further, the Governance Committee of the Board is currently pursuing a broad review of Canadian Blood Services’ governance structure and arrangements, including the structure and content of meetings and the annual calendar and workplan in order to assess the timing, frequency and duration of Board meetings. In this review, the appropriate fulfillment of the Board’s fiduciary responsibilities and matters of good governance will be addressed. It will be brought to the full Board in late 2014 for review, confirmation and implementation.

**Recommendation #8:** The Chair of the Board of Directors should undertake the development and implementation of a formal review process for evaluating director performance.

**Accountable Lead:** Canadian Blood Services

Interim Response: Canadian Blood Services maintains a process for the evaluation of the Board of Directors, the Committees and the Chair of the Board. The most recent evaluation was completed in 2012 using a third party tool. This process has provided important feedback for Board members and the Chair. The next formal review is scheduled for 2014.

The Governance Committee, in conjunction with the Chair, will further assess the review process in 2014 and ensure there are processes for evaluation of and feedback to individual Board members, as well as a formal plan for the ongoing assessment of the Board and its committees.

Final Report Response:
In addition to the response above, the next formal review has been scheduled for spring of 2014.

With this review, the Chair will further assess the process and confirm additional regular efforts in this area, as well as a formal plan for the ongoing assessment of the Board, its committees and individual directors and the incorporation of this effort into the ongoing Board calendar.
Recommendation #9: CBS Members should expand the role of the Board of Directors in the selection and nomination process for new directors.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: The Review highlights that one of the most important responsibilities of the Board is the identification, evaluation and selection of candidates for the Board. Although the Chair of the Board co-chairs (with the lead P/T representative) the search committee for new candidates, individual directors have limited involvement in the process.

As the election of directors is a corporate process, the Board of Directors of Canadian Blood Services supports this recommendation. It will seek to augment the existing processes to provide additional input into the director nomination process. Increased director involvement will be focused on the needs and functioning of the Board and will recognize the final discretion of the Members to elect such directors.

Final Report Response:
Canadian Blood Services remains committed to the interim response above, and has further acted to augment the process through creation in 2013 of a Board Recruitment Committee, which includes representatives from the Board, the lead province, Canadian Blood Services’ Corporate Secretary, and a third party recruitment consultant.

Recommendation #10: Members should review the director rotation approach and make changes to facilitate a more gradual turnover of directors.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Addressing this recommendation is a matter of balancing pros and cons.

Under the current system, half of the directors are elected one year and the other half the following year. All directors serve four-year terms, thus there is no turnover among Board members for two full years.

Although there may be significant turnover in each of the two election years, the current system affords substantial stability for the remaining two years.

Further, with the current system, there is no need for a standing recruiting process.

An alternative considered by the Board is to have the terms of some Board members expire each year. Such an approach would create an ongoing rotation of directors. Additionally, although it may reduce the turnover in any given year and provide ongoing continuity, this
approach will create an ongoing requirement for recruitment and engagement of the Members in the election of directors each year.

The Board is considering implementing a process that would see one-quarter of its directors elected each year for four-year terms. The current recruitment and election process is underway and will span 2013 and 2014. The current view is to complete this process under the current system and consider changes on a go-forward basis. The Board will review this matter in more detail and provide a specific recommendation to the Members no later than the Annual General Meeting in 2014.

Final Report Response:
The Board will consider this issue in its overall governance review process noted under recommendation #7.

The current recruitment and election process is underway and concludes in the fall of 2014. The current view remains to complete this process under the current system and consider changes on a go forward basis. The Board will review this matter in more detail and provide a specific recommendation to the Members at a future time.

**Recommendation #11:** The Members should undertake a review of the honorarium rates for members of CBS’ Board of Directors for 2013-14, with a view to ensuring compensation alignment with comparable publicly-funded entities. A process for future periodic reviews should also be established.

Accountable Lead: Members

Interim Response: Canadian Blood Services’ directors receive the same rates of remuneration that were established in 1998. Since Canadian Blood Services’ inception, the role of directors, the expectations and standards required of them, and the remuneration offered to directors generally has expanded substantially in the overall market.

Notwithstanding this environmental direction, and the consideration that Canadian Blood Services is a large, complex organization with a critical mandate and a significant exposure profile, it is not recommended that the remuneration of directors be reviewed at this time.

It is, however, acknowledged that there needs to be a mechanism for future periodic reviews to be undertaken, with the purpose of assessing the remuneration in both substance and form (e.g., an annual retainer as opposed to a per diem rate). Given that a review has never been conducted, periodic reviews should commence in 2014.

Final Report Response:
As noted above, the directors of Canadian Blood Services continue to receive the same rates of remuneration as were established in 1998 when the organization was first created. During the period from the inception of Canadian Blood Services to today, the aggregate remuneration received by Canadian Blood Services’ directors has actually fallen due to the per diem structure of the remuneration and the reduction in the number of days the Board meets compared to the first years of the organization.

The Board will develop a recommendation to assess the remuneration in both substance and form (e.g., an annual retainer as opposed to a per diem rate). To this end, the Board of Directors will undertake such a review and will provide a recommendation to the Members for a new remuneration structure to begin with the start of fiscal year commencing April 1, 2016. An aspect of this review will be a recommendation as to an ongoing process that can be followed to provide periodic assessments thereafter.

Recommendation #77: Given that CBS’ Board of Directors retains overall responsibility for risk management within the organization, it is imperative that Directors have a fulsome and common understanding of CBS’ ERM program and their role within it. As such, CBS should develop training on ERM for its Board Members.

Accountable Lead: Canadian Blood Services

Interim Response: ERM has been and continues to be a key function of the Board. Since 2007, the Board has had a specific focus on the ERM program, with the first corporate risk profile published in 2008. The Board sought further understanding of ERM from an external risk expert in late 2009 and early 2010. It then created a special committee to enhance the ERM program, from which the ERM Change Agenda was generated. The Board now oversees the ERM program. Its work can be seen in the Board agendas, and the annual formal update and review of Canadian Blood Services’ corporate risk profile. The Board reviews the ERM policy annually.

The Board has a plan to enhance its ERM understanding. Over the next two years, directors will participate in special ERM sessions. In particular, members will participate in deep-dive discussions every six months to understand specific risks. The Board’s plan also ensures that ERM remains part of the orientation for new directors.

Based on this, the noted recommendation appears to have missed the significant activity undertaken by the Board and the organization in this area and we note that ERM is now factored into and reflected in all committee reports to the full Board.

Final Report Response:
ERM has been, is and continues to be a key function and priority of the Board. For the past four years the Board has had a specific focus on the ERM program, first through a special committee of the Board, and thereafter, at the Board as a whole. This is manifested by an ongoing review of ERM as can be seen through the agendas of the Board, and the annual formal update and
review of the organization’s corporate risk profile, now in its third iteration. This corporate risk profile is also reviewed annually by the Board.

Notwithstanding the existing and ongoing focus of the Board on ERM, the Board seeks to identify further areas in which the understanding of ERM can be enhanced and, as new directors join the Board, to ensure ERM remains part of the orientation effort for them. This includes Board ERM education sessions and ERM education materials.

### 2.2 Organization Structure

General Comment: Several significant organizational changes will take place at Canadian Blood Services over the next year. The Review recommends that planning for changes in organizational design continue. Realigning the organizational structure—from a business line structure to an integrated product and service delivery model—will contribute to improving span of control and reducing managerial overhead. In line with the Review’s recommendation, this design work covers the entire organization, and includes reconsidering the optimal mix of management across the supply chain.

When the organizational design work is complete, the supply chain will be restructured for cost management and process excellence.

**Recommendation #12:** CBS should continue the review of its organizational structure and realign the service delivery model for support functions with a view to improving span of control and reducing managerial overhead.

**Accountable Lead:** Canadian Blood Services

Interim Response: The organizational redesign, which has been under development since October 2012, will improve the performance of the organization and will improve the span of control of each of the managerial layers to ensure optimal integration and executive oversight. Expert guidance, benchmarking and best practices are being incorporated into the review to ensure the best design options are developed for each of the support functions.

**Final Report Response:**

The Organization Design initiative has eliminated a layer of management and reduced the complement of administration at Canadian Blood Services by approximately 10%.

A key tenet of the design was to increase the span of control, and each Vice President has a significantly larger number of direct reports than was the case prior to the design implementation.
With regard to organizational performance, a set of benefits realization measures has been developed and will be reviewed regularly by the Executive Management Team to ensure that performance improves as the design takes root.

**Recommendation #28:** As part of its organizational redesign, CBS should reconsider the optimal mix of management across its supply chain processes.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services is ensuring the optimal mix of management is incorporated into its new organizational structure. As noted above, the design will improve the span of control of each of the managerial layers. The organization design work is being undertaken in line with the following guiding principles:

- the best organization design decisions will not be compromised in favour of reducing cost;
- all design options will be considered;
- the CEO and the Executive Management Team (EMT) are the decision makers for all organization design decisions; and
- organization design represents a key building block to realizing sustainable cost efficiencies over time.

Plus, the work applies the following key design principles:

- reinforces a biologics manufacturing and quality focus;
- provides clarity in executive decision making;
- streamlines and clarifies decision rights and governance;
- retains a strong customer focus;
- facilitates agility and scalability;
- increases integration;
- improves efficiency and effectiveness; and
- promotes and instils innovation.

The key feature of the new design is to separate planning from regional delivery of products and services. This allows for an optimal mix of management focused on centrally controlled planning and process design versus regional execution. By integrating the collection, production and distribution of products into an integrated supply chain, the organization can leverage centralized expertise for planning and process excellence to support the regional execution.

Final Report Response: Canadian Blood Services remains committed to installing the organizational design as described above.
**Recommendation #38:** CBS should restructure the supply chain organization for cost control and process excellence and appoint a single executive in charge of all core demand planning, logistics, purchasing and inventory management functions.

Accountable Lead: Canadian Blood Services

Interim Response: The primary driver of the organization redesign effort is to improve how Canadian Blood Services executes its strategy. This will be enabled by ensuring the appropriate organization design and governance structures are put in place. The effort is a complete organization redesign. It includes a key element to integrate the supply chain across all product lines. The design also ensures centralized control in demand planning for all of our products and a centralized process excellence function which defines the end-to-end processes within the supply chain. Execution of the centrally developed plans and processes will occur within each of the five newly defined regions. Executive oversight is clearly established for demand planning, the centralized control and regional execution of the integrated supply chain.

The future state model is currently under development. Implementation will be staged to ensure that any risks to our operations are minimized.

Final Report Response:
The new organizational structure is in place and all leadership positions have been filled. Significant supply chain expertise has been recruited into the organization. Processes and procedures to integrate the supply chain, both vertically and horizontally, are being put in place. Implementation is staged to ensure that any risks to the organization are minimized.

### 2.3 Compensation

General Comment: Analysis of senior leader compensation is fittingly in scope of this Review. Canadian Blood Services understands that we are included in the increased public scrutiny of healthcare organizations. Total compensation of Canadian Blood Services’ leadership team is generally consistent with that of similarly sized publicly funded organizations, but the organization must remain diligent to not allow executive compensation to become out of step with its comparators. The Review rightly observes that the organization is making changes to its governance approach to executive compensation to better align with leading practices, and will continue to evolve its governance and oversight. This includes a Board-approved framework that covers an appropriate selection of comparator organizations, the mix of both fixed and performance-based compensation, and a disclosure protocol relevant to a publicly funded organization.
**Recommendation #13:** Management should continue to implement the changes noted above in order to further CBS’ progress in ensuring that its compensation approach better aligns with leading practices.

Accountable Lead: Canadian Blood Services

Interim Response: The Review acknowledged the evolving and maturing governance over Canadian Blood Services’ executive-compensation program and noted that the program elements are consistent with industry best practices.

Notwithstanding this validation, the organization is committed to improving its governance and oversight of executive compensation. We will continue to align with best practices and be ever mindful of the transparency and accountability requirements of a publicly funded agency.

At the time of the Review, plans were already underway to clarify and strengthen the linkage of executive compensation—particularly performance pay—to the achievement of clear and measurable performance goals, and to make these goals more visible and transparent. Under the direction of the Chair of the Talent Management Committee of the Board, expert advice is being sought to improve the process for managing CEO performance and fine-tuning the linkage between organizational results and performance pay. Once established, these same principles will be applied to the rest of the Executive Management Team. These changes will be codified by November 2013.

Final Report Response:
The Review acknowledged the evolving and maturing governance over Canadian Blood Services’ executive-compensation program and noted that the program elements have consistently been aligned with best practices. Canadian Blood Services has a formal Board Policy on Executive Compensation, which describes the organization’s compensation philosophy and the Board’s oversight role. Included in the policy are elements such as: placing Canadian Blood Services in the total compensation median for its market comparators, the timing of benchmarking activities, and its approval authority over CEO and Executive Management Team compensation.

With regard to market benchmarking, Canadian Blood Services has always worked with external experts to provide the organization with a balance of public sector and manufacturing industry (because we require talent with supply chain, quality and process management, and LEAN expertise) benchmarks, including gathering data in special surveys of Ontario-based hospitals of similar scope and size, always to ensure that our compensation practices are consistent with public sector norms and trends.

Since the submission of the interim response, the CEO and Talent Management Committee of the Board have received external advice on a number of areas and the Board has advised management of the following changes to the executive compensation process:

- The Board extended the pay freeze for executives for the fifth consecutive year, and froze the overall envelope available for the awarding of performance pay.
• The Board agreed to revise the CEO performance evaluation process, starting with the 2013-2014 performance review. While the existing process was consistent with best practice, the Board is seeking more specific performance measures and targets, the weighting of performance goals, and a quantitative linkage of performance goals to the awarding of performance pay. These changes will also be applied to the rest of the Executive Management Team, in keeping with the observations in the Performance Review regarding the increased role of the Board in decisions related to EMT compensation.

• While acknowledging that the organization is primarily a manufacturer of biological products and needs to attract executive talent with manufacturing and quality expertise, the Board wishes to balance this with the organization’s status as a publicly-funded organization. Canadian Blood Services will be clearer about the public sector comparators it uses by leveraging the broader public sector databases of external experts and publicly available data and by annually conducting a special benchmarking survey of specific public sector organizations approved by the Board.

Taken together, the intent of this response is to ensure that executive compensation practices conform to both best practice (as acknowledged in the Performance Review findings) and to the reality that Canadian Blood Services is publicly-funded and must be aligned to developments in this sector.

Recommendation #14: Management should formulate and document a clear executive compensation strategy and framework for approval by the Board of Directors. The framework should include selection of comparators, mix of fixed and variable pay components, and disclosure protocol that are relevant to a publicly-funded organization.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services recognizes the importance of having a rigorous and accountable executive-compensation program: one that balances the need to attract and retain key talent with the requirement for public transparency and accountability. That is why executives at Canadian Blood Services have had their base salaries frozen for four consecutive years, and the performance pay envelope frozen for the past two. Our goal is to be sound stewards of public funds across all elements of our operations.

Canadian Blood Services already has a documented executive-compensation strategy and framework contained within our policy on executive compensation. This policy articulates compensation structure, philosophy and governance, and was provided to the reviewers.

Management will take to the Board an updated policy that addresses gaps such as the specific and formalized delineation of comparator groups to be used when assessing market
competitiveness, and formalizing a disclosure protocol, consistent with the recommendations in the Review.

Final Report Response:
Canadian Blood Services continues to recognize the importance of having a rigorous and accountable executive-compensation program, one that balances the need to attract and retain key talent with the requirement for public transparency and accountability. Canadian Blood Services already has a documented executive-compensation strategy and framework contained within our Board Policy on Executive Compensation. This policy articulates compensation structure, philosophy and governance.

In recent years, however, in both the public and private sectors, there is a growing trend to provide greater publicly available detail about an organization’s executive compensation philosophy, up to and including the publication of specific performance measures and targets that trigger performance pay. This is a trend Canadian Blood Services intends to follow.

Management, therefore, will take to the Board an updated and comprehensive policy and framework document that addresses each of the items mentioned in this recommendation. The intent is that this document will contain, in a single location, the entire approach to executive compensation, and it will be available, in whole or in part, on the organization’s website.

This document will be available in the fall of 2014, as certain elements of the executive compensation program require implementation before they can be codified in a master framework document.

2.4 National Fundraising Office

General Comment: Canadian Blood Services’ National Fundraising Office is dedicated to raising funds to support our activities. The fundraising campaign currently underway is for the National Public Cord Blood Bank, and depends on collaboration with partners for national exposure. The campaign’s name, For All Canadians, describes all the potential beneficiaries of the fundraising effort.

With volunteers serving as campaign cabinet members, all indications are that we will achieve our goal of $12.5 million in donations by the end of 2014 calendar year. At the same time, the organization accepts the Review’s advice to assess the effectiveness and cost-efficiency of the National Fundraising Office.

**Recommendation #30:** CBS should establish its National Fundraising Office as a standalone entity instead of a corporate function under Transfusable Products. The independent National
Fundraising Office should finance its activities from donations received, as is the normal practice. CBS should develop a long-term strategic plan for its fundraising activities and assess the effectiveness and cost-efficiency of its National Fundraising Office.

Accountable Lead: Canadian Blood Services

Interim Response: The National Fundraising Office was integrated into Canadian Blood Services operations in 2007/2008, following the shutdown of the Canadian Blood Services Foundation. The closure of the Foundation resulted from an assessment that determined the best model for fundraising activities was to be integrated in Canadian Blood Services’ operations. Different governance models, including the possibility of a creating a standalone entity, were assessed. The current model was determined to be the best, given the immaturity of our fundraising activities and our organizational objectives at the time.

Since 2007/2008, the National Fundraising Office’s total expenditures averaged $1 million per year, of which 50% to 60% has been funded by donation revenue. As well, the National Fundraising Office has accumulated approximately $0.9 million in donations between 2007/08 to 2012/2013 (excluding those dedicated to the National Public Cord Blood Bank campaign) that were restricted for specific purposes and for which funding from Members would have been sought if these donations had not been received.

Canadian Blood Services is currently in the midst of a significant capital campaign. The current strategy is to complete the $12.5-million campaign in support of the National Public Cord Blood Bank and, concurrently, establish core competencies and talent in the area of philanthropy. Significant learning is being gained by the organization during the execution of this capital campaign, and much success has already been realized. For instance, the campaign team achieved its mid-term goal of $6 million in pledges in June 2013. Of that total, $2.4 million was received in cash. As a result of the campaign, Canadian Blood Services has reduced its funding request for the National Public Cord Blood Bank project by $2.4 million for 2014/2015.

A full assessment is planned upon completion of the campaign. At this time the feasibility of a larger capital campaign will be evaluated as part of a longer-term strategic plan. Different reporting models will be assessed, with consideration for more transparency, such as through thorough disclosure as a separate business segment.

Final Report Response: Canadian Blood Services remains committed to its fundraising program, and continues to have success with the current capital campaign in support of the National Public Cord Blood Bank. A full assessment will be conducted upon completion of this campaign to help inform the future direction of fundraising at Canadian Blood Services.
2.5 Project Management

General Comment: Canadian Blood Services has a well-defined approach to managing change, and we continue to observe the best practices found in our project management methods. These practices were used rigorously and effectively—although perhaps not consistently—across each of the large initiatives mentioned in the Review (the Productivity and Efficiency Program (PEP), the National Facilities Redevelopment Program (NFRP), the National Public Cord Blood Bank and Organ and Tissue Donation and Transplantation (OTDT)). Canadian Blood Services’ Project Management Methodology, Project Governance, and Project Management Lifecycle methods detail our approach to managing change. They are based on best practices found in the Project Management Institute’s Project Management Body of Knowledge (PMBOK).

All corporate change projects follow this rigorous change approach, including a thorough examination of benefits, costs and risks. Further, each project must detail clear key performance indicators (KPIs) against which we measure our progress. Corporate change efforts, including PEP, are clearly identified as strategic priorities and are resourced appropriately. All such projects are reviewed quarterly by the full Board of Directors and where there are significant deviations from performance targets or unexpected developments that affect these projects, the Board is apprised immediately by email or teleconference and their advice and comments welcomed at all times.

An important foundation of accountability between Canadian Blood Services and our Members includes measuring the benefits achieved and tracking and reporting project costs in a manner consistent with the project plan. We will clarify how expenditures are allocated across deliverables, and will define traceability to funding sources. We have done this in the past, and always seek ways to improve in the future.

Recommendation #49: CBS should develop, document and implement a formal methodology to estimate efficiency savings. CBS should explain its approach and methodology to members of the PTBLC to facilitate their understanding of the amounts presented in its reports, and to maintain full transparency.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services has a formalized methodology to document savings associated with efficiencies, cost reductions and cost avoidance. This methodology will be explained with the members of the Provincial and Territorial Blood Liaison Committee (PTBLC) to help in their understanding of efficiencies, cost reductions and cost avoidance before the end of 2013/2014.

Final Report Response:
Canadian Blood Services is scheduled to present and lead a fulsome discussion on the methodology and approach at the next scheduled face-to-face meeting with the PTBLC, April 2014.

Productivity and Efficiency Program

Recommendations #51, 52 and 53 pertain to the Productivity and Efficiency Program.

**Recommendation #51**: CBS should clearly identify PEP as a strategic priority and communicate it to the overall organization as soon as ready. All executives should publicly support the program. Appropriate levels of resources should be deployed to support the program, including augmenting the PEP management office capabilities with one to two resources dedicated to supporting individual project and site teams with change management planning and execution. A formal and complete change management plan should be developed and implemented prior to starting the deployment of specific projects.

Accountable Lead: Canadian Blood Services

**Recommendation #52**: The PEP management office should ensure project teams prepare project planning documentation that describes KPIs and cost-benefit details. Project plans should include a detailed breakdown of cost and benefit factors that were considered, as well as financial assumptions. KPIs (i.e., project objective and measures of success) should describe measurable expected results that directly impact the achievement of benefits.

Accountable Lead: Canadian Blood Services

**Recommendation #53**: A PEP portfolio management approach should be adopted that includes managing and reporting on initiatives at different stages (e.g., idea, concept, assessment, execution and benefit realization). This approach would provide a longer term view of the PEP and improve chances of success. In addition, the office should maintain management-level reporting of the PEP portfolio as a whole, especially the overall spending and savings expectations, to all executives, committees and the EMT.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services was working on these matters prior to the Review, and has completed these recommendations. PEP is an approved strategic priority and is actively and publicly supported by all executives. Since the outset, PEP has been managed by a program management office led by a senior executive and supported by a variety of resources throughout the organization, including change management and human resources management experts. As individual projects within the PEP program proceed, change management and communication plans are developed and implemented.
Each PEP project follows Canadian Blood Services’ project management methodology which requires a detailed breakdown of deliverables, benefits, costs, assumptions, risks and schedule. This includes KPIs such as labour hours per unit (LHU) and full-time equivalents (FTEs) that are used to measure the success of the project.

The PEP is being managed using a portfolio management approach. Our intent is to establish and deliver a portfolio of projects that produce savings of $50 million over the next three to five years. At the time of the Review, Canadian Blood Services had already identified $35.4 million in savings via Wave 1 projects. Since then, further analysis of “Wave 2” projects has taken place resulting in additional productivity and efficiency projects moving forward. The PEP program management office provides regular reports on the PEP portfolio to senior management, including spending and savings estimates and actuals.

PEP is a standard agenda item at all quarterly Board meetings and the Board is kept fully briefed.

Final Report Response:
As a result of the organizational redesign, the CFO and VP Corporate Services is now responsible for PEP management. The Finance function has been staffed to manage the PEP program, and all PEP reporting will be provided to the EMT. PEP continues to be a strategic priority that is regularly discussed by EMT and the Canadian Blood Services Board of Directors.

**National Facilities Redevelopment Program**

Recommendations #60, 61, 62, 64 and 65 pertain to the National Facilities Redevelopment Program.

**Recommendation #60:** CBS should implement a formal change control process that would include a clear set of baseline expectations, as well as a formal change request and decision record. These baseline expectations should include a consolidated view of all major program milestones. As changes to this schedule are required, they should be formally submitted and approved by the executive oversight committee and recorded as formal decisions.

Accountable Lead: Canadian Blood Services, with Members

Interim Response: Although this recommendation refers directly to the NFRP, it applies to all of our activities.

Canadian Blood Services recognizes the need for transparency and accountability. Our normal practice is to explain any changes to the appropriate oversight committee and ensure the decision is recorded in meeting minutes and decision documents.
Final Report Response:
Canadian Blood Services remains committed to transparency and accountability, and will continue to bring forward changes as required to the appropriate oversight committee and ensure decisions are formally recorded.

**Recommendation #61:** The level and method of communications executed in NFRP Phase 1 should be maintained in subsequent phases to promote high levels of employee engagement and adoption.

Accountable Lead: Canadian Blood Services

Interim Response: Following NFRP Phase I, employees who were surveyed about communications reported a high degree of satisfaction with the advance notice of the proposed geographic plans as well as the frequency and variety of communications including: newsletters, town hall meetings, emails, regular management team updates, one-on-one meetings with human resource staff, and third-party seminars.

Canadian Blood Services will repeat these efforts during future phases of NFRP. We will continue to improve the frequency and timeliness with which we disseminate information and the channels we use to broadly share the information.

Learning brought forward from NFRP Phase I included improving external communications with the medical community and soliciting feedback from this key stakeholder group much earlier in the process. The organization’s Building to Deliver newsletter will be used to provide information to our hospital customers and other related medical community stakeholders, supplementing the regular updates provided by our team in product and hospital services.

Final Report Response:
Canadian Blood Services remains committed to building on the successful communications of NFRP Phase I as part of the planning for Phase II.

**Recommendation #62:** CBS should require that all NFRP projects use the established Project Governance Methodology, in particular, quality assurance of the project planning deliverables. It should also develop and implement a formal change control process. This methodology should be supplemented with construction-specific delivery tools and templates, but should not replace the requirements of the Project Governance Methodology.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services’ project governance methodology is a requirement for all projects in its corporate portfolio—including NFRP. Included in the methodology is a formal change-control process which can be adjusted based on the particular needs of
individual projects. Due to the size, scale and nature of the NFRP, governments and Canadian Blood Services agreed on a formal management structure for the appropriate, regular monitoring of the program. A Facilities Redevelopment Advisory Group (FRAG)—made up of representatives from governments and Canadian Blood Services—provided monthly guidance for Phase I of the NFRP.

Final Report Response:
Canadian Blood Services remains committed to working with Members to build on the project governance methodology adopted for NFRP Phase I and reach agreement on any needed changes as part of the planning for Phase II.

Recommendation #64: Program and project benefits, both financial and non-financial, should be described in a manner that can be measured and evaluated post implementation to assess performance against desired outcome (e.g., expected operational performance outcomes of implementing GMP). These measures should be described at project onset and carried forward throughout the lifecycle of the initiative. The benefits and outcomes described should align with overall program objectives.

Accountable Lead: Canadian Blood Services

Interim Response: The project management methodology requires the development and approval of business cases that outline expected outcomes, deliverables, activities and accountabilities. In developing business cases, outcomes are linked to overall strategic and project objectives.

Final Report Response:
In addition to the response above, Canadian Blood Services will be working with Members to clarify business case needs of both parties to ensure alignment around due diligence needs.

Recommendation #65: Financial reporting for projects should be enhanced to present actual spending against a formal baseline cost breakdown, which is typically the business case that was used to approve the funding. Forecasts should be presented in addition to the baseline and actual spending. Such an approach facilitates understanding of changes and adjustments to the plan that have an impact on the scope, schedule and overall budget.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services will ensure that the financial reporting process for all projects includes documentation of a comparison against a formal baseline. Any changes to this baseline will be presented through a forecasting process to ensure stakeholders understand changes and adjustments and their associated impacts on project scope, schedule and budget.
Final Report Response:
Canadian Blood Services remains committed to ensuring the financial reporting process for all projects is transparent and will continue to present financial information as discussed with stakeholders.

Organs and Tissues Donation and Transplantation

Recommendations #67, 68, and 69 pertain to Canadian Blood Services’ mandate for Organs and Tissues Donation and Transplantation.

**Recommendation #67:** CBS should make the use of its project management process and templates for all types of projects and initiatives mandatory. Once an initiative has received approval, details related to project execution should be clearly articulated and documented in a project plan/charter, including roles, responsibilities, project goals, deliverables, detailed budget, deadlines, and reporting cycles. Furthermore, as the roles and expectations evolve for an initiative, the revised/updated descriptions should be incorporated into the project documentation.

Accountable Lead: Canadian Blood Services

Interim Response: Although this recommendation applies to the OTDT initiative, it relates to all projects within our corporate portfolio. The project management methodology—identified as a strength by the reviewers—has six major gates. It requires projects to document and gain approval for proposals, business cases, project plans, design reviews, pre-implementation reviews and post-implementation reviews. Project plans must clearly document project goals, deliverables, expected benefits, costs, roles/responsibilities, schedules and reporting requirements. As projects evolve, documentation must evolve and be approved so that the project is accurately reflected.

Final Report Response:
Canadian Blood Services continues to reinforce the expected behaviours as described in this recommendation.

**Recommendation #68:** CBS should track and report on its project costs in a way that is consistent with its project plan. Financial reporting for projects should be clear about how expenditures are allocated across deliverables and traced to funding sources. Variances in actual expenditures against planned and forecasted expenditures should be clearly outlined and explained, with causation factors, in a comprehensive manner.

Accountable Lead: Canadian Blood Services
Interim Response: Canadian Blood Services will ensure project reporting is consistent with the project plan and includes variances that are explained in a manner that allows the funder to understand the impact of any change. Although the organization’s current financial reporting includes the analysis contemplated in the recommendation, it can be improved.

Final Report Response:
Canadian Blood Services continues to agree with implementing this recommendation.

**Recommendation #69:** CBS should include, as part of its project management process, a formal assessment of opportunities to leverage third parties for projects involving the development of IT solutions. Potential benefits that should be assessed include cost, access to knowledge and experience, as well as reduction in timeline. A third party could also assist with patent registration and licensing opportunities.

Accountable Lead: Canadian Blood Services

Interim Response: Although this recommendation is made in the context of the OTDT initiative, it applies to all projects involving the development of information technology (IT) solutions. The formal assessment of third-party solutions is common practice for such projects.

In context of OTDT, an external consulting firm was hired to assess the scope and requirements through a build-or-buy lens. The consultant recommended that Canadian Blood Services should build its own OTDT solution. This was for two key reasons:

- With the success of our OneMatch registry, Canadian Blood Services has proven experience in building successful registries. It therefore possesses much of the capability required to deliver a similar IT solution for OTDT.

- There was no readily available commercial software on the open market that would meet requirements in a timely and cost-effective way. Internal expertise and an existing platform made building our own solution the most cost-effective and efficient approach.

Final Report Response:
Canadian Blood Services continues to agree with engaging the practice of formal third-party solution assessment for projects involving IT solutions.

*Cord Blood*

The following recommendation pertains to the National Public Cord Blood Bank.
**Recommendation #71:** CBS should continue to carefully manage this initiative using its project management process, including development of a contingency plan.

**Accountable Lead:** Canadian Blood Services

Interim Response: Recognizing the complexity of the National Public Cord Blood Bank, Canadian Blood Services is carefully and systematically establishing critical foundations for success including, but not limited to, the application of our project management methodology. Inherent in the methodology is the identification, assessment and mitigation of risks that could impact the success of the National Public Cord Blood Bank, including the development of contingency plans, as appropriate.

Final Report Response:
In establishing public cord blood banking, Canadian Blood Services continues to remain committed to the careful application of project management practices as noted in the interim response, and including careful risk management and contingency planning.

### 2.6 Internal Audit

General Comment: The Internal Audit function at Canadian Blood Services is a recognized vital component in our approach to risk management, governance and control. Two recommendations have been made concerning the function: one, that it continue to drive strategic value by further broadening the scope of services it offers; and two, that it consult with a variety of external stakeholders (such as the provincial and territorial representatives and our suppliers) to develop a more comprehensive audit plan.

**Recommendation #78:** Internal Audit remains a vital component in CBS’ approach to risk management, governance, and control. CBS’ Internal Audit function should continue to drive strategic value by further broadening the scope of the services it offers and the nature of the engagements it conducts. The Internal Audit function should plan to conduct a mix of assurance and advisory-related engagements, as well as further diversify the nature of the engagements it conducts, so that its focus is not strictly on assessing compliance, but value-for-money, performance, efficiency of operations, etc.

**Accountable Lead:** Canadian Blood Services

Interim Response: The nature of Canadian Blood Services’ business necessitates that the Internal Audit function provide an assurance focus on the organization’s governance, risk management and control processes to help the organization achieve its strategic, operational, financial and compliance objectives. In addition, Internal Audit has planned and completed
advisory related projects including a review of Canadian Blood Services’ ERM program and a pre-opening security design review of the production and distribution centre in Dartmouth, Nova Scotia. As a trusted advisor, Internal Audit provides insight and advice to management regularly on various topics.

Canadian Blood Services agrees that the mix and diversity of audit activities enhances the value proposition of Internal Audit. The approved 2013/2014 risk-based Internal Audit plan includes a combination of assurance and advisory-related engagements. We anticipate using this approach in the future. Past Internal Audit reports have resulted in positive change to the organization and are well received by the Board. Board members are regularly consulted and polled with respect to Internal Audit and Board participation in Internal Audit activities is an ongoing activity.

**Final Report Response:**
Risk-based Internal Audit planning continues as noted in the interim response.

**Recommendation #79:** When undertaking its annual risk-based audit planning exercise, CBS’ Internal Audit function should consult with a variety of external stakeholders (e.g., the PT representatives, suppliers). In doing so, CBS will be able to capture a more fulsome view of the risk environment facing the organization and develop a more comprehensive audit plan.

*Accountable Lead: Canadian Blood Services*

Interim Response: In Canadian Blood Services’ approach to undertaking the risk-based audit planning exercise, Internal Audit consults directly with its primary stakeholders (the Board of Directors, the Board’s Finance & Audit Committee and the executive management team). External stakeholders are considered primary stakeholders of management. Management is responsible for understanding the needs and concerns of such stakeholders, and thereby the underlying risks, and factoring that knowledge into the organization’s corporate risk profile, corporate planning and strategic initiatives. Internal Audit relies on that process and reviews the related documentation during its planning. In Canadian Blood Services’ view, this approach effectively facilitates the formulation of a risk-based and comprehensive audit plan.

**Final Report Response:**
Canadian Blood Services remains committed to the activities and approach described in the interim response above.
3.0 Increasing Canadian Blood Services’ Efficiency

Since assuming responsibility for Canada’s blood system, we have focused on improving efficiency and productivity. Over the years, we have made significant changes to our operations—such as the consolidation of collection, production and testing sites— and have focused on reducing the cost of purchased products and supplies. For example, we recently negotiated new contracts for plasma protein products resulting in more than $600 million in savings over five years. In addition to our vigilance around managing costs, we have undertaken an aggressive program to achieve a marked improvement in productivity and efficiency (known as the Productivity and Efficiency Program (PEP)).

3.1 Inventory Management

General Comment: The Review identified the need to generate improvements in inventory management and recognized the importance of collaboration between hospitals and Canadian Blood Services as a way of realizing such efficiencies. With two-thirds of blood and blood products being held in hospital blood banks, the Review recommended that Canadian Blood Services and its Members work with major hospitals to develop a blueprint for improved collaboration across the blood supply chain. This approach will contribute to the analysis of outdates and discards and result in less wasted product and medical supplies. Canadian Blood Services will focus on reducing the discard rate with a targeted focus on the largest contributors to the overall rate, including low weight and underweight collections and red blood cell expiry.

Other recommendations in the inventory management area include formalizing the use of standard inventory models to calculate inventory levels, and broadening the number of inventory metrics being monitored.

A recommendation to centralize the inventory management function is being considered as part of the organizational design work underway.

**Recommendation #34:** CBS should formalize the use of standard inventory models to calculate inventory requirements. It should examine its inventory and use inventory models to determine the amount of inventory to carry. The cycle and safety stock components of the inventory can be calculated using standard inventory models. To determine the strategic stock component, CBS should quantify the risks and assign an inventory value (similar to the risk-based approach used to calculate overall inventory levels). This methodology could allow CBS to reduce and justify the amount of inventory carried in the system.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services’ current inventory levels are based on keeping enough product to mitigate supply-disruption risks (which have historically been very rare).
Canadian Blood Services has also increased the number of suppliers and the level of supplier-held inventory since the last formal inventory evaluation was done. This approach enables us to reduce our need to hold extra inventory. Now that the organization has completed new contracts for the major plasma protein products, an inventory study is timely. The suggestions given in the Review for doing such an assessment will be considered. Note that when this evaluation has been completed, it may take as long as 18 months for the new inventory levels to be implemented for some products, due to the contractual volume commitments and firm forecast zones we have in our contracts.

Final Report Response:
The inventory management evaluation exercise is underway for the plasma protein products inventory as recommended. We are modelling the operational inventory requirements for the top usage products, in an effort to reduce inventory to the level needed to effectively manage the business without maintaining additional buffers. As well, we are evaluating the level of safety stock.

**Recommendation #35:** CBS should create a centralized inventory management function. Inventory management of plasma protein products and medical supplies for Transfusable Products should be centralized in one group.

This reorganization would enable standardization of inventory management processes across CBS. An added advantage of centralizing this function is to build capability within one group and share leading practices across different products. Once the function is centralized, CBS should monitor inventory using appropriate metrics and set improvement targets.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services’ planned new organization redesign will enable the organization to centrally manage inventory under one leadership group. The majority of the inventory to manage is with the plasma protein products, but other items such as the medical supplies used in the Transfusable Products business line require a similar management approach.

Final Report Response:
The organizational redesign that has been installed allows Canadian Blood Services to centrally manage inventory under one leadership group. This management is all under the Supply Chain division, led by the Chief Supply Chain Officer. Specifically, this inventory will be managed by the Supply Chain Operations Planning group.

**Recommendation #36:** CBS should also broaden the number of inventory metrics it currently monitors. Suggestions include measuring turns (backward looking) in addition to a forward
looking days of supply metric, inventory accuracy and others. In addition, performance of inventory levers such as forecast accuracy, service levels and supply reliability should also be concurrently measured.

Accountable Lead: Canadian Blood Services

Interim Response: As part of establishing a new centralized inventory management function (see Recommendation #35) Canadian Blood Services will include a detailed selection of applicable inventory metrics to manage system performance. The measures suggested in the report may not all be applicable for all inventory units which have a high degree of usage variability, however a review of potential measures will be done, with an assessment of their appropriateness and usefulness in our inventory model. The implementation of appropriate measures will then be actioned by the centralized inventory management group.

Final Report Response: Additional metrics will be designed by the Supply Chain Operations Planning group for the next fiscal year as part of their inventory management activities.

**Recommendation #54:** CBS should undertake an analysis to compare outdates and discards between Manitoba and other Canadian jurisdictions to assess the impact of automated inventory management and centralized blood bank management. Specifically, CBS should:

- Work with its funders and major hospitals to develop a blueprint for improved collaboration across the extended blood supply chain
- Outline cost and benefit estimates as well as determine the technology considerations, reports and controls that would be required to sustain and monitor enhanced collaboration

Accountable Lead: Canadian Blood Services, with Members

Interim Response: In the study of potential national inventory models, the Manitoba model is one of several that Canadian Blood Services will consider. Beyond simple inventory holdings, the organization will take a system-wide view of inventory to define inventory models, inventory sizing and inventory replenishment. As highlighted in Recommendation #55, Canadian Blood Services should play a leadership role in exploring ways to achieve inventory optimization across the system.

Final Report Response:
While not planning a formal study of national inventories at this time, Canadian Blood Services continues to take a system-wide view of inventory to define inventory models, and will continue to play a leadership role in exploring ways to achieve inventory optimization across the system.
3.2 Purchasing

General Comment: As acknowledged in the Review, Canadian Blood Services’ purchasing policy is robust in scope and level of detail, and incorporates many principles common to publicly held organizations.

The policy and procurement practices support the concepts of accountability and fiscal stewardship while achieving significant cost reductions in the past few years. The recommendations highlight opportunities for improvement.

The Review also acknowledged that Canadian Blood Services has robust policies and oversight mechanisms to govern travel expenses but could be strengthened by clarifying areas subject to interpretation. It was noted that travel costs and other expenses for employee and Board members have been subject to a number of regular reviews by Internal Audit. Each concluded that the organization’s processes relating to such expenses are functioning as intended. In addition, the reviewers found that the level of travel expenses at Canadian Blood Services is comparable to other publicly funded organizations with national mandates.

Recommendation #41: CBS should revise its Purchasing Policy to incorporate greater transparency in the bid invitation process for high-value and high-risk solicitations. Specifically, CBS should:

- Implement a formal process for selecting vendors for bid solicitation (e.g., selection from a broader pool of vendors on a systematic, rotational basis), including formal documentation of decisions
- Consider using open public tendering. The use of public tendering would most likely increase the level of effort and resources required to assess the proposals received. However, these additional costs may be offset by savings realized on the procurement of goods and services because a competitive process could result in lower prices
- Introduce clear restrictions around the use of RFQs for high-value and high-risk solicitations

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services operates in a regulated industry and Good Manufacturing Practices (GMP) environment which has a limited number of suppliers for many of our required supplies. For those specific supplies where an open sourcing strategy would make sense and add value, the organization is willing to review its process on selecting vendors for bid solicitation and consider a more open tendering approach.

As noted in the observations, the Canadian Blood Services purchasing team rarely adds non-price criteria to requests for qualifications (RFQs). The team plans to review its use of RFQs for high-value, high-risk solicitations by December 31, 2013.
Final Report Response:
The policy around who is ultimately responsible to select potential proposers will be formalized, and the process by which the suppliers were identified will be documented. The Procurement staff on the RFPs will investigate the marketplace for suppliers in addition to those brought forward by their internal clients. These changes will be added to the current Purchasing Policy by March 31, 2014.

The process of selecting the right proposers described above will address the requirement to ensure our business requirements are issued to a sufficient number of carefully chosen respondents to ensure value. Canadian Blood Services has determined that this process will provide the most value rather than using an open tendering process. As noted in the review however, the Purchasing Policy and Procedure Manual is not restrictive on using invitational bidder sourcing and Canadian Blood Services would use an open tendering process where it was proven to add value.

The Canadian Blood Services purchasing team rarely adds non-price criteria to RFQs (noted in the observations). As recommended by the reviewers, the practice of adding non-price criteria to RFQs will not be allowed and the appropriate changes to the documentation will be made by March 31, 2014. Any large value or high risk procurement will require conformance to our terms and conditions and evaluation of the company’s financial status and capabilities, and will be evaluated using our RFP process.

Recommendation #42: CBS should review its practices for direct purchases and reduce the categories of goods and services that could be acquired using this approach. CBS should also implement a process to regularly review approved direct purchases to seek opportunities for volume discounts by establishing standing offers with preferred vendors.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services will review its direct purchase categories and develop a regular review of approved direct purchases to identify areas of opportunity for volume discounts by December 31, 2013.

Final Report Response:
A list of direct purchases and purchasing on Visa cards was generated on November 25, 2013. It is currently under review seeking opportunities for cost reduction. The review is to be conducted at least annually.

Recommendation #43: CBS should expand its supplier relationship management strategy to drive further cost reductions. Key aspects of a supplier relationship management strategy include dedicated resources and activities focused on improved process integration between CBS
Interim Response: Canadian Blood Services works closely with its key suppliers to improve quality and processes for itself and its supplier. It will review the area of developing strategic supplier relationship management for opportunities of further development by May 31, 2014. The corporate organizational redesign will also ensure adequate resourcing is devoted to this strategy.

Final Report Response:
Canadian Blood Services remains committed to improving quality and processes with suppliers, as outlined above.

**Recommendation #44:** CBS should integrate a thorough understanding of cost drivers into its strategic sourcing approach and methodologies. It should understand key cost drivers within its operations, as well as the external supplier marketplace, to effectively optimize its procurement decisions to minimize total cost of ownership. CBS should also utilize a regular market review process to proactively analyze key cost drivers in its high priority cost areas (e.g., plasma protein products). If a price benchmark is not practical, a cost driver model can be utilized to understand how key supply markets are trending. A cost driver model would allow CBS to determine a supplier’s key costs (e.g., raw materials versus logistics costs), information that could be utilized for procurement design (including what to include in the pricing model), regular contract reviews and negotiations for new procurements.

Interim Response: Canadian Blood Services will investigate options and resources to increase its ability to understand suppliers’ manufacturing costs where it makes sense to do so. The review should be completed by March 31, 2014. Cost to produce, however, does not unilaterally determine the cost of finished goods. Market conditions and competitiveness also play key roles.

Final Report Response:
Canadian Blood Services recognizes the need to better understand its own costs to develop total cost of ownership analysis as indicated in the response to Recommendation # 17. The organization continues to improve its ability to understand the marketplace for its key suppliers as well as its internal costs. In some cases this has been done very well, but these principles have not always been applied. Canadian Blood Services will continue its improvements in this area.
Recommendation #45: CBS should increase the maturity of its procurement processes to heighten focus on high-value strategic sourcing. It should deploy procurement technology to automate, where practical, and redeploy sourcing resources to support strategic sourcing goals. CBS should continue to look for partnership arrangements with other buying groups to save time on lower priority sourcing areas, and redeploy resources to strategic activities.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services is currently investigating software solutions to increase the efficiency of its procurement process to allow more focus on strategic sourcing. The review and selection process is expected to be complete by May 31, 2014. The corporate organizational redesign will also ensure adequate resourcing is devoted to this function. Canadian Blood Services already works with group purchasing organizations and will continue to leverage these groups as opportunities exist.

Final Report Response:
Having issued an RFP for procurement automation in November 2013, Canadian Blood Services is currently investigating software solutions and process changes to increase the efficiency of our procurement process to allow more focus on strategic sourcing. This will address automating the RFP and contract generation process, and potentially the development of an internal catalogue for repetitive items. The review and selection of software is expected to be completed by May 31, 2014. The changes to the processes will be defined and implemented over 2014/2015.

As said previously, Canadian Blood Services already works with group purchasing organizations and will continue to leverage these groups as opportunities exist.

Recommendation #46: CBS should incorporate additional details into its travel policies to minimize room for interpretation. More specifically:

- Clarify definition of “valid business purpose”
- Define maximum spending thresholds for business meals, conferences/meetings and other hospitality

Accountable Lead: Canadian Blood Services

Interim Response: Proposed revisions have been made to the employee travel and expense policy incorporating the recommended detail.

Final Report Response:
Canadian Blood Services continues to agree with this recommendation as noted in the interim response above.
Recommendation #47: CBS should consider using formal competitive processes for high-value professional services contracts more frequently. It should also develop and implement a formal process for selecting vendors for bid solicitations.

Accountable Lead: Canadian Blood Services

Response: Canadian Blood Services will review the frequency of tendering for high-value professional services and the process for selecting vendors for bid invitation by December 31, 2013.

Final Report Response:
The organization will use Request for Proposals for high-value professional fees per the Canadian Blood Services Purchasing Policy. The response for Recommendation #41 addresses the changes that the organization will make with respect to tendering high value contracts including the selection of vendors for bid solicitation.

Recommendation #48: CBS should review its use of professional services and develop and implement guidelines for the use of professional services, together with a management and approval approach.

A similar recommendation was included in the productivity and efficiency review conducted by an external firm.

Accountable Lead: Canadian Blood Services

Interim Response: Professional services are used to either augment current expertise or act as an outsourced engagement where expertise does not exist. Canadian Blood Services already has a policy in place for the procurement of professional services including certain thresholds that require Board of Directors notification or approval.

Final Report Response:
Canadian Blood Services continues with the approach described in the interim response above.

3.3 Efficiencies

General Comment: Between 2008/2009 and 2011/2012, Canadian Blood Services has improved its efficiency and reduced its cumulative costs by $70 million. These results were achieved by developing and implementing specific initiatives such as process improvements in donor clinics, reductions in discretionary spending, the consolidation of donor testing and a new human resources service delivery approach.
In 2012/2013, we delivered $31.3 million in efficiencies through cost reductions, cost avoidances and specific efficiency initiatives. These actions helped offset inflationary pressures and drive costs down. The specific efficiency initiatives included the consolidation of quality control functions and the standardization of clinic models. Cost reduction and avoidance initiatives included the elimination of working capital requirements for plasma protein product inventories, lower prices for immunoglobulin (Ig) and a lower-than-planned rate increase for non-union employees.

During 2012/2013, Canadian Blood Services established an executive-level PEP Board to provide leadership and oversight for the development, execution and monitoring of our corporate productivity and efficiency journey. The intent of the PEP is to generate net efficiencies of $50 million over the next five years from 2013/2014 to 2017/2018. However, this program requires significant support to realize these savings. We estimate that PEP will require up to $60 million in one-time investments over the next five years. It should be noted that the efficiencies and investments identified were an estimate at the time of the original analysis. The savings and investment requirements will become more precise as further work is performed in the development of project charters and business cases.

For 2013/2014, we are committed to finding approximately $14 million in efficiencies, cost reductions and cost avoidance in Transfusable Products. Our journey continues in 2014/2015, with a target of $7.9 million in efficiencies, including a large portion of savings associated with reduced discards and medical supply costs.

The productivity and efficiency objectives we have set will be met through a variety of initiatives. To achieve this targeted reduction, we will focus our efforts on the automation of the supply chain, improvements in production and changes to marketing and donor recruitment. We recognize the constrained fiscal situation faced by the Members and are working to create lean, efficient processes that provide high value for our customers.

Plasma Protein Products has begun to realize the cost savings associated with new contracts that were signed as a result of a tendering process for plasma-derived and recombinant FVIII products. These contracts take effect in 2013/2014. Overall reductions amount to approximately $600 million from 2013/2014 through to 2016/2017.

Over the past several years, Canadian Blood Services has committed to finding significant operational efficiencies. To understand whether we have delivered on our commitment, we have established numerous measures, such as labour hours per unit (LHU), cost per unit (CPU) and full-time equivalents (FTEs), that assist us in evaluating our performance and productivity gains achieved.

The Review supports our intention to implement efficiencies in marketing practices and donor recruitment processes. With efficiencies to come in appointment booking, simplification of processes and further redefinition of roles and responsibilities, these initiatives will improve the donor experience and support a culture to augment partner recruitment and increase the
donor base. Additional efficiencies will come from collection clinics with the implementation of the new blood shakers and further automation.

We will also follow the recommendations to monitor the cost-effectiveness of our National Contact Centre and continue to explore opportunities to decrease deferral rates without affecting the safety or supply of blood products. We agree with the Review’s endorsement for implementing the discard reduction and production efficiency initiatives already underway or identified for future implementation. In addition, by collecting large-volume platelets (LVPs), donors’ time is maximized and per-unit production costs are minimized. We are already on target to meet the Review’s recommendation to increase the LVP rate to 70% of platelet collections.

The Review also recommends that we consider implementing efficiency and productivity initiatives in information technology, track fleet assets and driver utilization, and regularly assess fleet size and opportunities for further efficiencies.

Recruitment

Recommendation #20: CBS should implement the efficiencies identified to reduce the overall costs of this business process by $4 to $6 million a year by 2014-15.

Accountable Lead: Canadian Blood Services

Recommendation #21: CBS should closely monitor the cost-effectiveness of its contact centre in terms of costs versus performance. CBS has discussed contact centre solutions with Operator B and plans to discuss contact centre metrics with Operator A in March. CBS should identify relevant metrics in terms of performance and cost, and track and report on these on an ongoing basis.

CBS should explore opportunities to decrease contact centre costs per appointment, including investigating the viability of outsourcing. This initiative will allow CBS to focus on areas that provide greater direct value to the organization.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services has identified donor recruitment as an area where opportunities exist to streamline processes and reduce costs. A number of initiatives have been identified as part of our PEP including a focus on the clinic workforce, donor recruitment functions and the leveraging of web-based strategies. These initiatives address this recommendation. The efficiencies identified through the diagnostic phase are high-level estimates that are being validated and reassessed as additional work is performed. It is unlikely that the $4 million to $6 million estimated in savings will be realized by 2014/2015, but Canadian Blood Services remains confident that these savings will be realized in future years.
Part of the PEP includes a review of the cost effectiveness of the donor recruitment process, including the National Contact Centre.

Final Report Response:
Canadian Blood Services’ intent to achieve a marked improvement in productivity and efficiency in this business process remains intact.

Collections

**Recommendation #22:** CBS should implement the efficiencies identified to reduce overall costs by $8 to $9 million a year by 2014-15.

Accountable Lead: Canadian Blood Services

**Recommendation #23:** CBS should continue to explore opportunities to optimize staff mix by implementing the use of donor care associates.

Accountable Lead: Canadian Blood Services

**Recommendation #24:** CBS should continue to explore opportunities to decrease deferral rates without affecting the safety of blood products.

Accountable Lead: Canadian Blood Services

**Recommendation #25:** CBS should implement the end-to-end discard reduction efficiency initiative identified that could reduce overall costs by $1.3 to $2.2 million a year by 2015-16. This savings would be realized throughout the supply chain.

Accountable Lead: Canadian Blood Services

**Recommendation #26:** CBS should increase its LVP split rate to 70% by 2014-15, largely by moving to single technology across all regions, to reduce overall costs by an estimated $2.8 million a year by 2014-15.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services has identified collections as an area where opportunities exist to streamline processes and reduce costs. Over the past number of years, the organization has focused on driving efficiencies into the collections process including changes to staffing mix, clinic models and technologies which have led to notable performance improvement. For example, the LHU metric has improved from 1.81 in 2010/2011 to 1.58 in 2012/2013 (a 13% improvement). It is planned to decrease to 1.54 in 2013/2014. The PEP includes initiatives such as implementing standard models, removing some managerial functions, closing some collections locations, increasing the number of LVP collections and implementing new shaker technology. These initiatives are designed to further optimize the
collections process and address this recommendation and contribute to cumulative savings of $35 million since 2010/2011.

Canadian Blood Services acknowledges that the largest cost driver in the collections function is staff costs. The optimization of the staff mix can lead to lower collection staff costs. Canadian Blood Services will continue to review its staff mix and optimize where viable. The Donor Care Associates role has been piloted in sites in Winnipeg and Calgary and Health Canada approved this role in April 2013. The organization is planning to further implement the Donor Care Associates role over the coming fiscal years.

Donor deferrals occur in the regular course of business. They are costly and hamper a clinic’s effectiveness and efficiency. Canadian Blood Services continues to streamline our front-end clinic processes to decrease donor wait times and improve whole blood collection efficiency. These efforts, however, need to be balanced with donor safety, which is paramount.

The PEP also includes a focus on discard reduction, which will result in savings throughout the supply chain. The ratio of red blood cell shipments to whole blood collections, which represents our discard rate, was 8.4% in 2011/2012. That figure is planned to drop to 6.3% in 2016/2017. This decrease in discards is facilitated through the implementation of new shaker technology and venipuncture.

In addition, effective June 2013, Canadian Blood Services moved to a single apheresis technology. This change has helped increase LVP donations. In fiscal 2010/2011, the LVP rate was 30%. It improved to 40.6% in 2012/2013 and to 59.2% in June 2013, and is forecast to reach 65% by the end of March 2014. The long-term plan sees the LVP rate increase to 70%. Management is confident this target will be achieved. Since the start of the program to March 31, 2015, Canadian Blood Services will have generated $27 million in savings as a result of increasing LVP donations, both from savings in medical supplies and labour hours. This metric has been incorporated into the Corporate Plan as a key measure.

Final Report Response:
Work will continue as noted above. In addition to what was said in the interim response, it must be noted: a) that deferrals are an important part of protecting the blood system; and b) that the new shaker technology, while a key improvement to collections, is not a contributor to a decrease in discards. However, other initiatives are underway to target improving discard rates which are projected to drop from current levels, decreasing on an annual basis. LHU targets have also been impacted by softening demand for fresh blood products. Softening demand negatively impacts the LHU metric and offsets productivity gains.

The 2013/2014 LVP split rate is forecasted as at December 2013 to be 60%. Canadian Blood Services still targets reaching the 70% split rate in the 2014/2015 fiscal year.
Production and Distribution

**Recommendation #27:** CBS should implement efficiencies identified that could further reduce the overall costs of this business process by $3 to $4 million a year by 2015-16.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services has identified production as an area where opportunities exist to streamline processes and reduce costs. Over the past number of years, the organization has focused on driving efficiencies into the production function. The PEP includes initiatives such as production workflow improvements to reduce non-critical procedures and the further optimization of production distribution. These initiatives will continue to drive performance improvements. For example, the LHU metric has improved from 0.93 in 2010/2011 to 0.83 in 2012/2013 (an 11% improvement) and is planned to fall to 0.82 in 2013/2014.

Final Report Response:
Canadian Blood Services continues to review and streamline processes to reduce costs. Labour Hour per Unit (LHU) targets are forecasted to remain static in fiscal 2014/2015 and have been impacted by softening demand for fresh blood products. Softening demand negatively impacts the LHU and offsets productivity gains.

**Support Services**

**Recommendation #29:** CBS should consider implementing some of the productivity and efficiency opportunities identified for its Information Technology and other corporate services functions. Improvements for Talent Management and Finance should not be considered a priority at this time.

Accountable Lead: Canadian Blood Services

Interim Response: Through the PEP, support services functions are being reviewed. Such functions are included in the corporate organizational redesign to ensure they are properly staffed to support the corporation in the delivery of its various products and services. A specific information technology (IT) program review has been initiated to review the areas of opportunity for cost efficiencies. IT is a critical enabler in the PEP’s success and must be managed accordingly.

Final Report Response:
A specific IT program review was commissioned and completed, focusing on identifying areas in IT where cost efficiencies could be realized. Management is currently assessing the findings of the review and will put plans and actions in place to address the opportunities identified. IT
remains a critical enabler in the PEP’s success and must balance the often contradictory objectives between driving cost efficiencies and enabling corporate efficiencies through the use of technology.

Logistics

**Recommendation #37:** CBS should implement processes and tools to track asset and driver utilization, and regularly assess its fleet size and opportunities for outsourcing to commercial logistics providers, for example, in sparsely populated regions.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services has begun a process review of implementing global positioning systems technology to enhance the quality and quantity of logistics data. Canadian Blood Services currently conducts a formal, documented fleet requirement review every five years and reviews the fleet on an annual basis through its capital acquisition planning process.

Many logistics functions are currently outsourced, including the movement of donor samples for testing, site to site transfer and shipments to approximately 60% of our hospital customers. Before the end of 2013/14, Canadian Blood Services will review all delivery runs to ensure an optimal logistics network is in place, including the use of outsourced providers. Service level agreements also need to be established with hospital customers to ensure the delivery frequency is optimized.

Final Report Response:
The process review of implementing GPS technology will be undertaken after completion of delivery run reviews to ensure right sizing of the fleet. The review of all delivery runs will take place after national rollout of the Shipment Management System (SMS), which is being considered for implementation at all sites by March 31, 2015.

Conclusion

This performance review validates Canadians’ trust in the sound stewardship of the blood system in Canada. The operation of Canadian Blood Services is necessarily an evolving exercise as the organization remains nimble and responsive to changing environments; with this in mind, it is noted any performance review can only, by its nature, capture a specific point in time. Like governments, Canadian Blood Services is engaged in a quality journey that supports hospitals and patients across the country in a cost-effective and accountable manner. As highlighted by the Review, a number of initiatives were already in planning stages or underway while the review was undertaken. Nonetheless, the Review serves to confirm that Canadian
Blood Services’ plans are appropriate, and the leadership role the organization provides is relevant and earned.

Working in collaboration with Members, Canadian Blood Services is dedicated to the advancement of transfusion and transplantation medicine in Canada. Canadian Blood Services looks forward to building on this collaboration and addressing the items requiring joint response, such as those dealing with governance and funding, in a timely manner over the next several months. Other recommendations unique to either Canadian Blood Services or the Members will be handled individually by each party. This response process concludes with this final 2014 report to Ministers of Health at the Special Meeting of the Members.
Appendix A: Summary of Recommendations and Responses

For readers’ convenience, the recommendations, as written by Ernst & Young, and their respective responses, as written by Canadian Blood Services, are provided here in numerical order.

Where a single response is provided to address two or more recommendations, the recommendations appear one immediately under another, followed by the response. In the case where such recommendations are not numerically consecutive, the response is repeated, in order to maintain numerical order.

**Recommendation #1:** The Members should work together, as well as with CBS, to develop a single, formal SLA or similar document between the Members and CBS. As clearly stated in the MOU, the provincial and territorial governments must have appropriate safeguards to ensure fiscal accountability. This agreement should align with the collective nature of the governance structure of the national blood system and define:

- Respective roles and responsibilities of the parties, including ownership for specific decision-making
- Term during which the agreement will be in effect
- Frequency with which CBS is required to provide operational and financial reporting to the Members, the required content of those reports as well as the expected timelines
- Specific operational and financial performance metrics that CBS will be required to measure and report against
- Streamlined decision framework for overall business planning, including who must be consulted, the extent to which they must be consulted, and at what point(s) in the process they must be consulted
- A process that CBS can use to solicit feedback on the information provided to the provinces and territories
- Appropriate funding level of contingency fund, what it can and cannot be used for, as well as a replenishment plan
- Provisions for audits and/or operational reviews
- Dispute resolution procedures
- Procedures for amending the agreement

**Accountable Lead:** Members, with Canadian Blood Services

Interim Response: Good governance, public accountability and system transparency have been the cornerstones of Canadian Blood Services since its creation in 1998. Canadian Blood Services is committed to enhanced accountability through a single, national accountability agreement that:
defines the roles and responsibilities of each party, including ownership for specific decision-making, while honouring the MOU imperative that the national blood system must have operational independence to ensure the safety and security of the blood supply. This agreement should also recognize the need for more regular and ongoing senior level discussion among those in authority (e.g., Canadian Blood Services Board and Corporate Members; Canadian Blood Services CEO and Deputy Ministers) to address various system and governance complexities with respect to mandates and deliverables in the area of transfusion and transplantation.

identifies the term during which the agreement will be in effect.

confirms the frequency with which Canadian Blood Services provides operational and financial reports to the Members and the required content of those reports. Canadian Blood Services currently works with officials to better understand and meet reporting needs, while maintaining an already robust reporting structure (e.g., Corporate Plan process; quarterly reports and contributions forecast to Members; monthly reports of contributions due and cash received; access via portal to fresh blood and plasma protein products utilization reports; monthly meetings of officials, and AGMs).

develops specific operational and financial performance metrics to measure and report against, noting this will benefit both the organization and governments and further enhance the transfusion and transplantation system.

documents a streamlined decision framework for overall business planning, including a list of who must be consulted, the extent to which they must be consulted, and at what points, noting that Canadian Blood Services is committed to improving business planning to ensure governments have timely information and appropriate involvement as approved projects take shape and develop.

clarifies the process for soliciting feedback on the information provided to the P/Ts, again recognizing the need for more regular senior level involvement of all parties to address complexities.

establishes an appropriate contingency fund, defines how that fund may be used, and builds a fund-replenishment plan. This exercise must recognize the MOU imperative for the national blood system to have autonomy to act without delay with respect to any threats to blood safety and security, noting the absence of timely government decision-making and readily accessible funds contributed to the tainted blood tragedy.

allows for audits and operational reviews that respect the collective nature of the Canadian Blood Services’ governance structure and ensure collaboration, coordination and capacity regarding appropriate timing and scope of such audits and reviews.

implements dispute resolution procedures that respect Canadian Blood Services’ governance structure.
• develops procedures for amending the agreement that respect Canadian Blood Services’ governance structure.

Final Report Response:
To ensure clarity and to minimize confusion, Member governments and Canadian Blood Services have discussed the importance of having one national accountability agreement that captures all relevant clauses, and not a separate Service Level Agreement (SLA) and national accountability agreement. The parties have begun various dialogues on the items outlined in the above response to determine what a national accountability agreement should and would entail. Recognizing the need for senior level subject matter expertise on governance and accountability, Members have created an ADM Committee, with a DM Steering Committee made up of deputies from Newfoundland, New Brunswick and Manitoba, to engage with Canadian Blood Services on the details of a national accountability agreement. The goal, which is dependent on a collaborative process, is to have this work completed by spring 2015, which is within eighteen months of the tabling of the Performance Review at the October 2013 Annual General Meeting of Members.

**Recommendation #2:** CBS and its Members should work together to define the concept of “arm’s length,” which was an important principle recommended by the Krever Commission. Together, they should determine which types of decisions should be made at CBS’ sole discretion, which decisions might be shared between CBS and its Members and those that should be made by Members. For example, decisions related to supply and safety of blood products should, as stated in the MOU, be made solely by CBS. Budget decisions, for their part, could be made jointly as is currently the case. The agreement discussed in Recommendation #1 could include the specifics surrounding the “arm’s length” relationship.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Canadian Blood Services welcomes discussion on the concept of an arm’s length relationship within the context of a national agreement. It is important to clarify what constitutes shared governance decisions for enhanced accountability and what are autonomous operational decisions necessary to ensure the safety and security of the system. Reaching an exact definition of this key term may prove challenging, but experience shows governments and Canadian Blood Services have been able to successfully navigate through similar ambiguities in the past.

Final Report Response:
Canadian Blood Services and Members have begun a dialogue on the concepts of arm’s length and operational independence within the discussion of a national accountability agreement. Decisions around these concepts should be informed by appropriate third party expertise to ensure the integrity of the Krever Commission recommendations remain intact. These include:
• recognizing the imperative for creating the blood operator as an arm’s length entity following an independent inquiry into the failings of the blood system before the creation of Canadian Blood Services;

• recognizing liability rests with Canadian Blood Services, as an arm’s length organization, and not with Members;

• recognizing that Canadian Blood Services operates an integrated, pan-Canadian service delivery model and is not an agent of any one government but rather, an agent of the collective provinces and territories that it serves, and that Ministers of Health, in their roles as Members, are responsible for the mission and mandate of Canadian Blood Services, the appointing of the Board of Directors in collaboration with the Board, and the overall expenditure of public funds by Canadian Blood Services;

• recognizing Canadian Blood Services’ responsibility to manage the national supply of blood, blood products and stem cells, to manage the national organ registries, and provide products and services, and to fulfill the transfusion and transplantation mission and mandates as agreed to and directed by Members; and,

• recognizing Canadian Blood Services’ autonomy and authority over operational decisions, including decisions for reasons of safety, security, efficiency and effectiveness of its products and services, with the CEO retaining “the authority to make timely decisions...concerning the expenditure of funds for emergency safety response.”

Recommendation #3: CBS should continue to work with the provinces and territories to develop a single, national accountability agreement under which it will operate and that meets legislative requirements of the provincial and territorial governments. As effective public accountability requires a shift from compliance to collaboration, CBS and the Members should be working together early and often to ensure that each side understands the other’s operating context so the needs of their respective stakeholders can be met.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Canadian Blood Services supports codifying enhanced accountability to our funders through a collaborative, single, national agreement that outlines the elements in recommendation #1 and respects and is aligned with Canadian Blood Services’ collective nature and governance structure. Canadian Blood Services also agrees with a recognized need for

3 Quote taken from the MOU.
more regular and ongoing senior level discussion of those in authority to address various system and governance complexities with respect to mandates and deliverables in the area of transfusion and transplantation.

The recommendation also notes Canadian Blood Services and Ontario health and legal officials recently drafted an accountability agreement to meet that province’s specific legislative requirements for the Transfer Payment Accountability Directive (TPAD). The TPAD agreement is a mechanism through which Canadian Blood Services receives funds from Ontario to run programs. The agreement has four schedules that provide a broad description of the programs run by Canadian Blood Services, the annual budget for Ontario's share of funding, an annual payment plan for the funds, and a reporting schedule.

To better align with the organization’s governance structure, and recognizing it is impractical and costly for Canadian Blood Services to operate under different accountability agreements with individual provinces, Canadian Blood Services is committed to working with the provinces and territories to incorporate TPAD requirements into a single, national accountability agreement. Such an agreement will require senior level government involvement with those in authority to navigate the complexities of a national agreement in a comprehensive, collaborative and timely manner. To this end, Canadian Blood Services senior executives are pleased to collaborate with the Associate/Assistant Deputy Minister Committee proposed to oversee and manage this work, and, recognizing the significant effort involved for both Canadian Blood Services and governments, is committed to finalizing an agreement within 18 months of tabling this response with Members.

Final Report Response:  
Member governments and Canadian Blood Services have begun various dialogues on the items outlined in the above response to determine what a national accountability agreement should and would entail. Recognizing the need for senior level subject matter expertise on governance and accountability, Members have created an ADM Committee, with a DM Steering Committee made up of deputies from Newfoundland, New Brunswick and Manitoba, to work with Canadian Blood Services on the details of a national accountability agreement. The goal is to have this work completed by early spring 2015 which is within eighteen months of the tabling of the Performance Review at the October 3, 2013 Annual General Meeting of Members.

**Recommendation #4:** In order to facilitate a national, collective, and consistent approach, the Members should establish role descriptions for the PTBLC representatives, including skill set requirements and the decision-making authority of the representatives and those of other senior levels within the health ministries.

Accountable Lead: Members

Interim Response: Proceeding with this recommendation will help Members and Canadian Blood Services ensure the leadership, decision-making and subject-matter expertise necessary
for the increasingly complex matters specific to Canadian Blood Services’ operations within the healthcare system.

Final Report Response:
Canadian Blood Services continues to agree that proceeding with this recommendation will help ensure the necessary level of expertise, decision-making and leadership at the table to provide effective Member stewardship for the increasingly complex matters being discussed, navigated and approved at the PTBLC table.

**Recommendation #5:** The Members and CBS should work together to develop terms and conditions governing new business lines. The agreements should clearly and specifically outline the respective roles and responsibilities of CBS and the Members, as well as define a funding model for the new business lines. They should be incorporated in the SLA discussed in Recommendation #1.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Canadian Blood Services is committed to improving overall business planning with governments as new mandates, programs or initiatives develop and evolve. Defining respective roles and responsibilities, terms and timing of funding agreements and decisions, and shared expectations and commitments is essential to the successful implementation and execution of new mandates or initiatives. Once terms and conditions have been clearly defined, Canadian Blood Services would fully integrate new business lines into its regular operations and include annual funding requirements within the existing corporate planning process.

Final Report Response:
Canadian Blood Services continues to agree with this recommendation and its inclusion in a national accountability agreement.

**Recommendation #6:** The Members should establish a practice to require regular operational audits/reviews of CBS and incorporate it into the document discussed in Recommendation #1.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: In the pursuit of the organization’s goals of efficiency, accountability and demonstrable good governance, the Chair of Canadian Blood Services’ Board of Directors called for this collaborative Performance Review. It was the second such review in the organization’s history. The MOU governing Canadian Blood Services contemplates a regular performance review of the organization’s operations. Incorporating such a review into a national agreement will respect the collective nature of our governance structure and ensure collaboration, coordination and capacity regarding timing and scope of audits and operational reviews.
Final Report Response:
Canadian Blood Services is committed to demonstrable good governance, accountability and transparency, and will continue to lead, coordinate and collaborate on regular reviews of the organization’s operations.

Canadian Blood Services further agrees that the nature, frequency and governance of such reviews/activity should be codified in the national accountability agreement to the extent possible and practical.

**Recommendation #7: CBS’ Board and Chair should re-assess whether the timing, frequency and duration of Board and committee meetings are adequate to effectively discharge the Board’s responsibilities.**

**Accountable Lead: Canadian Blood Services**

Interim Response: Canadian Blood Services’ Board of Directors holds five regularly scheduled meetings per year. Four coincide with quarterly performance reviews, while the fifth is an annual strategy review. In addition, the Board typically meets once or twice by tele/web-conference each year, as required. For example, in each of 2010 and 2011, the Board met a total of seven times. In 2012, it met a total of six times.

The Governance Committee of the Board will evaluate the structure and content of meetings and the annual calendar and workplan, by the end of November 2013, in order to assess the timing, frequency and duration of Board meetings. This assessment will address the appropriate fulfillment of the Board’s fiduciary responsibilities and matters of good governance. It will then be brought to the full Board for review, confirmation and implementation.

Final Report Response:
The Board has added one meeting to its current schedule. The Board is required to meet a minimum of six times per year and this standard has been consistently met. In addition to attending Board meetings, each Board member is a member of at least two Board Committees and most committees meet at least four times per year.

Further, the Governance Committee of the Board is currently pursuing a broad review of Canadian Blood Services’ governance structure and arrangements, including the structure and content of meetings and the annual calendar and workplan in order to assess the timing, frequency and duration of Board meetings. In this review, the appropriate fulfillment of the Board’s fiduciary responsibilities and matters of good governance will be addressed. It will be brought to the full Board in late 2014 for review, confirmation and implementation.
**Recommendation #8:** The Chair of the Board of Directors should undertake the development and implementation of a formal review process for evaluating director performance.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services maintains a process for the evaluation of the Board of Directors, the Committees and the Chair of the Board. The most recent evaluation was completed in 2012 using a third party tool. This process has provided important feedback for Board members and the Chair. The next formal review is scheduled for 2014.

The Governance Committee, in conjunction with the Chair, will further assess the review process in 2014 and ensure there are processes for evaluation of and feedback to individual Board members, as well as a formal plan for the ongoing assessment of the Board and its committees.

Final Report Response:
In addition to the response above, the next formal review has been scheduled for spring of 2014.

With this review, the Chair will further assess the process and confirm additional regular efforts in this area, as well as a formal plan for the ongoing assessment of the Board, its committees and individual directors and the incorporation of this effort into the ongoing Board calendar.

**Recommendation #9:** CBS Members should expand the role of the Board of Directors in the selection and nomination process for new directors.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: The Review highlights that one of the most important responsibilities of the Board is the identification, evaluation and selection of candidates for the Board. Although the Chair of the Board co-chairs (with the lead P/T representative) the search committee for new candidates, individual directors have limited involvement in the process.

As the election of directors is a corporate process, the Board of Directors of Canadian Blood Services supports this recommendation. It will seek to augment the existing processes to provide additional input into the director nomination process. Increased director involvement will be focused on the needs and functioning of the Board and will recognize the final discretion of the Members to elect such directors.

Final Report Response:
Canadian Blood Services remains committed to the interim response above, and has further acted to augment the process through creation in 2013 of a Board Recruitment Committee,
which includes representatives from the Board, the lead province, Canadian Blood Services’ Corporate Secretary, and a third party recruitment consultant.

**Recommendation #10:** Members should review the director rotation approach and make changes to facilitate a more gradual turnover of directors.

**Accountable Lead:** Members, with Canadian Blood Services

Interim Response: Addressing this recommendation is a matter of balancing pros and cons.

Under the current system, half of the directors are elected one year and the other half the following year. All directors serve four-year terms, thus there is no turnover among Board members for two full years.

Although there may be significant turnover in each of the two election years, the current system affords substantial stability for the remaining two years.

Further, with the current system, there is no need for a standing recruiting process.

An alternative considered by the Board is to have the terms of some Board members expire each year. Such an approach would create an ongoing rotation of directors. Additionally, although it may reduce the turnover in any given year and provide ongoing continuity, this approach will create an ongoing requirement for recruitment and engagement of the Members in the election of directors each year.

The Board is considering implementing a process that would see one-quarter of its directors elected each year for four-year terms. The current recruitment and election process is underway and will span 2013 and 2014. The current view is to complete this process under the current system and consider changes on a go-forward basis. The Board will review this matter in more detail and provide a specific recommendation to the Members no later than the Annual General Meeting in 2014.

**Final Report Response:**
The Board will consider this issue in its overall governance review process noted under recommendation #7.

The current recruitment and election process is underway and concludes in the fall of 2014. The current view remains to complete this process under the current system and consider changes on a go forward basis. The Board will review this matter in more detail and provide a specific recommendation to the Members at a future time.
Recommendation #11: The Members should undertake a review of the honorarium rates for members of CBS’ Board of Directors for 2013-14, with a view to ensuring compensation alignment with comparable publicly-funded entities. A process for future periodic reviews should also be established.

Accountable Lead: Members

Interim Response: Canadian Blood Services’ directors receive the same rates of remuneration that were established in 1998. Since Canadian Blood Services’ inception, the role of directors, the expectations and standards required of them, and the remuneration offered to directors generally has expanded substantially in the overall market.

Notwithstanding this environmental direction, and the consideration that Canadian Blood Services is a large, complex organization with a critical mandate and a significant exposure profile, it is not recommended that the remuneration of directors be reviewed at this time.

It is, however, acknowledged that there needs to be a mechanism for future periodic reviews to be undertaken, with the purpose of assessing the remuneration in both substance and form (e.g., an annual retainer as opposed to a per diem rate). Given that a review has never been conducted, periodic reviews should commence in 2014.

Final Report Response:
As noted above, the directors of Canadian Blood Services continue to receive the same rates of remuneration as were established in 1998 when the organization was first created. During the period from the inception of Canadian Blood Services to today, the aggregate remuneration received by Canadian Blood Services’ directors has actually fallen due to the per diem structure of the remuneration and the reduction in the number of days the Board meets compared to the first years of the organization.

The Board will develop a recommendation to assess the remuneration in both substance and form (e.g., an annual retainer as opposed to a per diem rate). To this end, the Board of Directors will undertake such a review and will provide a recommendation to the Members for a new remuneration structure to begin with the start of fiscal year commencing April 1, 2016. An aspect of this review will be a recommendation as to an ongoing process that can be followed to provide periodic assessments thereafter.

Recommendation #12: CBS should continue the review of its organizational structure and realign the service delivery model for support functions with a view to improving span of control and reducing managerial overhead.

Accountable Lead: Canadian Blood Services

Interim Response: The organizational redesign, which has been under development since October 2012, will improve the performance of the organization and will improve the span of
control of each of the managerial layers to ensure optimal integration and executive oversight. Expert guidance, benchmarking and best practices are being incorporated into the review to ensure the best design options are developed for each of the support functions.

Final Report Response:
The Organization Design initiative has eliminated a layer of management and reduced the complement of administration at Canadian Blood Services by approximately 10%.

A key tenet of the design was to increase the span of control, and each Vice President has a significantly larger number of direct reports than was the case prior to the design implementation.

With regard to organizational performance, a set of benefits realization measures has been developed and will be reviewed regularly by the Executive Management Team to ensure that performance improves as the design takes root.

**Recommendation #13:** Management should continue to implement the changes noted above in order to further CBS’ progress in ensuring that its compensation approach better aligns with leading practices.

Accountable Lead: Canadian Blood Services

Interim Response: The Review acknowledged the evolving and maturing governance over Canadian Blood Services’ executive-compensation program and noted that the program elements are consistent with industry best practices.

Notwithstanding this validation, the organization is committed to improving its governance and oversight of executive compensation. We will continue to align with best practices and be ever mindful of the transparency and accountability requirements of a publicly funded agency.

At the time of the Review, plans were already underway to clarify and strengthen the linkage of executive compensation—particularly performance pay—to the achievement of clear and measurable performance goals, and to make these goals more visible and transparent. Under the direction of the Chair of the Talent Management Committee of the Board, expert advice is being sought to improve the process for managing CEO performance and fine-tuning the linkage between organizational results and performance pay. Once established, these same principles will be applied to the rest of the Executive Management Team. These changes will be codified by November 2013.

Final Report Response:
The Review acknowledged the evolving and maturing governance over Canadian Blood Services’ executive-compensation program and noted that the program elements have
consistently been aligned with best practices. Canadian Blood Services has a formal Board Policy on Executive Compensation, which describes the organization’s compensation philosophy and the Board’s oversight role. Included in the policy are elements such as: placing Canadian Blood Services in the total compensation median for its market comparators, the timing of benchmarking activities, and its approval authority over CEO and Executive Management Team compensation.

With regard to market benchmarking, Canadian Blood Services has always worked with external experts to provide the organization with a balance of public sector and manufacturing industry (because we require talent with supply chain, quality and process management, and LEAN expertise) benchmarks, including gathering data in special surveys of Ontario-based hospitals of similar scope and size, always to ensure that our compensation practices are consistent with public sector norms and trends.

Since the submission of the interim response, the CEO and Talent Management Committee of the Board has received external advice on a number of areas and the Board has advised management of the following changes to the executive compensation process:

- The Board extended the pay freeze for executives for the fifth consecutive year, and froze the overall envelope available for the awarding of performance pay.

- The Board agreed to revise the CEO performance evaluation process, starting with the 2013-2014 performance review. While the existing process was consistent with best practice, the Board is seeking more specific performance measures and targets, the weighting of performance goals, and a quantitative linkage of performance goals to the awarding of performance pay. These changes will also be applied to the rest of the Executive Management Team, in keeping with the observations in the Performance Review regarding the increased role of the Board in decisions related to EMT compensation.

- While acknowledging that the organization is primarily a manufacturer of biological products and needs to attract executive talent with manufacturing and quality expertise, the Board wishes to balance this with the organization’s status as a publicly-funded organization. Canadian Blood Services will be clearer about the public sector comparators it uses by leveraging the broader public sector databases of external experts and publicly available data and by annually conducting a special benchmarking survey of specific public sector organizations approved by the Board.

Taken together, the intent of this response is to ensure that executive compensation practices conform to both best practice (as acknowledged in the Performance Review findings) and to the reality that Canadian Blood Services is publicly-funded and must be aligned to developments in this sector.

**Recommendation #14:** Management should formulate and document a clear executive
compensation strategy and framework for approval by the Board of Directors. The framework should include selection of comparators, mix of fixed and variable pay components, and disclosure protocol that are relevant to a publicly-funded organization.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services recognizes the importance of having a rigorous and accountable executive-compensation program: one that balances the need to attract and retain key talent with the requirement for public transparency and accountability. That is why executives at Canadian Blood Services have had their base salaries frozen for four consecutive years, and the performance pay envelope frozen for the past two. Our goal is to be sound stewards of public funds across all elements of our operations.

Canadian Blood Services already has a documented executive-compensation strategy and framework contained within our policy on executive compensation. This policy articulates compensation structure, philosophy and governance, and was provided to the reviewers.

Management will take to the Board an updated policy that addresses gaps such as the specific and formalized delineation of comparator groups to be used when assessing market competitiveness, and formalizing a disclosure protocol, consistent with the recommendations in the Review.

Final Report Response:
Canadian Blood Services continues to recognize the importance of having a rigorous and accountable executive-compensation program, one that balances the need to attract and retain key talent with the requirement for public transparency and accountability. Canadian Blood Services already has a documented executive-compensation strategy and framework contained within our Board Policy on Executive Compensation. This policy articulates compensation structure, philosophy and governance.

In recent years, however, in both the public and private sectors, there is a growing trend to provide greater publicly available detail about an organization’s executive compensation philosophy, up to and including the publication of specific performance measures and targets that trigger performance pay. This is a trend Canadian Blood Services intends to follow.

Management, therefore, will take to the Board an updated and comprehensive policy and framework document that addresses each of the items mentioned in this recommendation. The intent is that this document will contain, in a single location, the entire approach to executive compensation, and it will be available, in whole or in part, on the organization’s website.

This document will be available in the fall of 2014, as certain elements of the executive compensation program require implementation before they can be codified in a master framework document.
**Recommendation #15:** CBS and its Members should work together to revisit funding models for working capital, investments in PPE and other assets, and replenishment of the Contingency Fund. These funding models should be formalized and incorporated in official documentation, such as an SLA, as discussed in Recommendation #1. Approaches and practices used by other blood services organizations could provide valuable suggestions.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Since its inception, Canadian Blood Services has been a trusted steward of public funds that adopts sound financial management practices and accountability. The MOU articulates the roles and responsibilities of the Corporate Members and the Canadian Blood Services’ Board of Directors with respect to funding. It states that although Members “remain accountable for the use of public funds, the internal Finance Committee will be responsible for preparing [...] budgets for the approval of the Board of Directors”, which is responsible for the “overall direction of the affairs, operational activities and budget” of Canadian Blood Services. In turn, Canadian Blood Services has consistently put forward its Corporate Plan budget each year for approval by Members, including funding of operational capital and planned surpluses, as well as a reconciliation to actual expenses.

Canadian Blood Services agrees with the need to further formalize funding models. Regardless of the funding models, Canadian Blood Services must retain the ability to act without delay in the event of any threats to blood safety and security.

The 2002 Performance Review identified a serious working capital issue as a result of large and growing levels of plasma protein products inventory due to utilization and a large devaluation of the Canadian dollar against the American dollar. At that time, Canadian Blood Services was using restricted funds to cover working capital shortages. The review suggested that Canadian Blood Services and Members explore the option to finance or fund the value of inventory. It also recommended that financing options not be pursued in isolation. A further recommendation communicated to the PTBLC and Members suggested that Canadian Blood Services link the working capital issue to the broader strategic policy context. As a result of this recommendation, Canadian Blood Services and the PTBLC developed an action plan including the issues of working capital. A number of options were presented in the 2003–2006 Corporate Plan:

1. Members can fully fund the inventory of fractionated products;
2. arrange a line of credit to finance the inventory of fractionated products;
3. arrange a line of credit to finance the inventory and fund the inventory of fractionated products by incremental amounts each year (for example $10 million);
4. use $21.5 million from the Contingency Fund to partially fund the working capital and fund the remainder of the shortfall using Option 3;
5. decrease the inventory of fractionated products to the funded levels.
Members were consulted throughout this process. They agreed to fund an additional $5 million per year starting in 2003/2004. Canadian Blood Services also established a line of credit for working capital purposes, which was put in place in 2003/2004. In 2011/2012, Canadian Blood Services proposed to remove the working capital requirement for the inventory of plasma protein products. Thus, since 2012/2013, Canadian Blood Services no longer receives $5 million per year for working capital.

Canadian Blood Services management has developed a Board-endorsed net asset policy with the assistance of outside experts. The organization now has a framework in place to determine the level of financial resources required to support operations on a timely basis, the ability to review its requirements in a consistent and methodical manner and the ability to communicate its approach to net assets and requirements to its stakeholders. There has been detailed modelling around plasma protein products inventories that takes into account exchange rate and utilization, as well as around the replenishment of the Contingency Fund. The modeling did not factor in new products or new indications. In addition, there was a commitment to review the policy annually to ensure that it remains relevant.

Canadian Blood Services also conducted a survey of blood operators and healthcare providers and found that different approaches are taken to funding and net assets. It was noted however that most organizations surveyed have means to access additional funds for strategic and safety related investments.

In 2010, Canadian Blood Services reviewed the replenishment mechanisms in place and, through modelling analysis, proposed that the funds be replenished from CBSI surplus capital. The boards of directors of Canadian Blood Services and CBSI endorsed the recommendation to replenish the funds through an insurance policy with CBSI and, as such, an insurance policy was set up in 2012/2013.

Canadian Blood Services undertook an analysis of the Contingency Fund in early 2011, assessing the appropriate magnitude of the fund as well as a mechanism to replenish if it fell below the appropriate amount. A number of scenarios were reviewed—in each scenario, the safety or integrity of the blood system was threatened beyond what could be accommodated in the usual budgeting process. At that time, Canadian Blood Services estimated the appropriate magnitude of the fund to be approximately $40 million and that consideration should be given to adjusting the amount over time for inflation (note: had the original Contingency Fund amount been adjusted for inflation, it would have been in the $46 million range in early 2011). As a critical source of funds to address unforeseen emergency safety events, in 2012/2013, a contingent risk indemnification insurance policy was issued by CBSI to insure the CBS contingency policy. This was considered to be a prudent approach to the management of the Contingency Fund as the replenishment if accessed is uncertain.

Canadian Blood Services agrees that these matters should be revisited and will work with the P/Ts to formalize mechanisms.
Final Report Response: Canadian Blood Services and Members have begun various dialogues on these financial matters. Agreement on future mechanisms will be reached in discussion and collaboration with and between P/Ts and Canadian Blood Services.

**Recommendation #16: CBS and its Members should assess the opportunity to provide hospitals and health institutions with details on volumes and costs for the transfusable products they receive, similarly to the current practice for plasma protein products. Providing this information would partly meet the Krever Commission’s recommendation on billing hospitals. It would help hospitals understand the costs associated with their use of blood products. Héma-Québec, the NHSBT and the ARCBS all provide this type of information, even when payment is made by a central payer. Since there would be additional costs associated with this practice, a cost-benefit assessment should be completed prior to making a decision.**

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Since inception, Canadian Blood Services has provided utilization data on fresh blood and plasma protein products to the P/Ts. In 2007/2008, Canadian Blood Services automated its reporting infrastructure through investment in the Inventory Management Project. Since then, it has provided monthly utilization reports to the P/Ts for the use of plasma protein and fresh blood products by hospital, as well as a cost per plasma protein product used via access to Canadian Blood Services’ portal.

In addition, following an agreement reached with Manitoba, Canadian Blood Services started reporting in August 2008 on utilization and costing information for Diagnostic Services, and has made the information available on the shared portal.

Although the current system does not report on costs per fresh blood product, Canadian Blood Services performed a costing valuation for inventory purposes in 2008/2009. That information was shared with the P/Ts in 2009/2010. As the costing was performed for inventory valuation purposes under the Canadian Generally Accepted Accounting Principles, and may not reflect the cost of fresh blood products, Canadian Blood Services began a detailed costing analysis in late 2012. That process is expected to be completed by June 2014.

Canadian Blood Services agrees that incremental work is required in this area. Once the costing system has been developed, the organization will review it with the P/Ts and assess the impact on the funding model at that time.

This recommendation acknowledges that governments have requested our help to manage utilization, and recognizes the MOU contemplation of the responsibility the country’s blood authority has in this area. In recognition of its leadership role, Canadian Blood Services has been working with the P/Ts to monitor and improve usage and management of blood and blood products in recent years, and welcomes the opportunity to collaborate further, including providing hospitals with details on volumes and costs for transfusable products.
Final Report Response:
In addition to the response above, Deputy Ministers of Health, in November 2013, invited Canadian Blood Services’ leadership in blood and blood product utilization throughout provincial and territorial health systems, and have requested a formal proposal for consideration of next steps to better manage and/or decrease costs. Canadian Blood Services looks forward to collaborating with governments to make significant and meaningful gains in this area.

**Recommendation #17:** CBS should perform a cost-benefit assessment to determine the opportunity for implementing a more robust costing system that can calculate complete costs for its different products and services. This analysis should take into consideration the cost of implementing and operating such a system, the funding models agreed upon with its Members, and its current and future business lines.

Accountable Lead: Canadian Blood Services

Interim Response: Since inception, Canadian Blood Services has provided the P/Ts with details on the volumes of fresh blood and plasma protein products shipped to hospitals in their jurisdictions, as well as costing details on plasma protein products used. Although Canadian Blood Services does not currently have a costing system that can calculate the complete costs for different products and services, the organization implemented a model to value fresh blood products inventory in 2008/2009. This model has since been used as a baseline for product costing in various benchmarking exercises. In addition, since October 2012, Canadian Blood Services has undertaken a study to enable the organization to develop a costing model that is suitable for its need and that follows the industry’s best practices.

The costing model design is underway, with a detailed focus on the allocation of support services costs to all products and services provided by Canadian Blood Services. The organization met with two members of the Alliance of Blood Operators (ABO) operators to assess how their models were created. We will use their good practices and lessons learned while implementing our own model.

Once we obtain a thorough understanding of support services cost allocation, our next step will be to review and calibrate existing supply chain cost allocation and assumptions following the same principles with the goal of aligning to other ABO operators, where feasible.

The target schedule for this initiative is to complete the supporting services cost allocation work and recalculate the supply chain cost assumptions by June 2014. Automating the cost model will be investigated in 2014/2015. A change in allocation of enabling groups cost may have a significant impact on the provincial funding due to the various funding models in place. As the costing work and related discussions progress, the potential impact to funding will be more evident, and the P/Ts will be provided with a detailed impact assessment during the 2015–2018 Corporate Plan process.
Final Report Response:
Canadian Blood Services is on track to complete the detailed costing analysis, with preliminary results to be presented to the Board in September 2014, after which a presentation update will be provided to the Provincial and Territorial representatives. Included in the discussions that follow will be potential changes to future Corporate Plan presentations and funding requests.

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<th>Recommendation #18: PT governments, together with CBS, should develop a mutually acceptable written agreement that defines in specific detail how excess of annual funding over costs is to be used. A governance framework should be developed and documented to address the following: use of these funds, minimum levels and release/approval process. These principles should be included in the SLA discussed in Recommendation #1.</th>
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<td>Accountable Lead: Members, with Canadian Blood Services</td>
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Interim Response: Consensus in this area will benefit both Canadian Blood Services and governments. The current Canadian Blood Services’ policy is to request the use of these funds through the three-year corporate plan process, where approval of planned surpluses is sought from the P/Ts. Updates are provided through the forecast process where approval of the use or return of surpluses in excess of the budgeted surpluses is sought.

Recognizing that Members are accountable for the use of public funds, the Board of Directors is responsible for the overall direction of Canadian Blood Services, its operational activities and budget. Within this context, Canadian Blood Services supports further discussions with Members on an agreement with respect to principles around surpluses.

Final Report Response:
In addition to the response above, and with acknowledgement of the observation that it is impractical to envision that the organization could operate under different accountability frameworks with each province⁴, Canadian Blood Services was asked to sign a Transfer Payment Accountability Directive (TPAD) agreement with the Province of Ontario in 2013. The TPAD addresses the issue of excess funds and states that if Canadian Blood Services has not spent all of the funds allocated in a funding year as provided for in the budget, the Members may, as applicable:

(a) authorize Canadian Blood Services to apply or defer the funds to a purpose agreed to by all the Members;
(b) adjust the amount of any further instalments of their portion of funds accordingly; or
(c) demand the return of their portion of unspent funds.

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⁴ This observation is noted on page 43 of Canadian Blood Services Performance Review Final Report.
The TPAD remains in effect with Ontario until it is replaced by a national accountability agreement.

**Recommendation #19:** CBS and its Members should develop an approach to determine the level of available cash CBS should have to fulfill its responsibilities. This approach should be documented in the SLA discussed in Recommendation #1 and should consider CBS funding models. Members and CBS should develop a plan on how best to use CBS' excess cash balance, if applicable.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Consensus in this area will benefit both Canadian Blood Services and governments. Canadian Blood Services recognizes that Members are accountable for the use of public funds, while the Board of Directors is responsible for the overall budget of the organization.

On June 30, 2013, cash available to Canadian Blood Services was $187.3 million. Of this amount, $19.4 million was set aside for the Contingency Fund, $27.3 million was restricted for National Facilities Redevelopment Program (NFRP), the National Public Cord Blood Bank, PEP, Diagnostic Services, and ePROGES, $21.8 million was restricted by external parties and $28.9 million was funding received in advance from the P/Ts. The remaining $90 million represented uncommitted funds, although Canadian Blood Services relates them to items such as funding received from Members to finance inventories, employee future benefits and net assets.

It is important to note that the cash position fluctuates throughout the fiscal year. At June 30, 2013, the amount of unrestricted cash available to Canadian Blood Services represented 33 days in cash on hand and was being used to fund day-to-day operations.

Canadian Blood Services benefits from its cash on hand by generating interest income averaging $1.7 million every year. Interest income is used to reduce funding received from the Members every year. Without such income, our funding requests to Members would increase by the amount of interest income lost.

It will be important to establish principles that will guide the determination of the level of available cash Canadian Blood Services should have to fulfill its responsibilities, recognizing the MOU imperative for the national blood system to have autonomy to act without delay with respect to any threats to blood safety and security. As well, Canadian Blood Services is undertaking an independent review in this area. Findings will be discussed with the Members in December 2013.

**Final Report Response:**
On November 25, 2013, Canadian Blood Services presented to Deputy Ministers a number of financial matters, including cash, contingency fund, surplus and net assets and premium net
assets held by our captive insurance subsidiary. This presentation included a proposed draw down of cash in the amount of $25 million to fund a series of initiatives over a three year period. This draw down would result in reducing operational cash to approximately $45 million, or fourteen days-on-hand. This proposal was further tabled at the PT Blood Liaison Committee 2014/2015 budget negotiations and is pending Member approval on March 26, 2014.

**Recommendation #20:** CBS should implement the efficiencies identified to reduce the overall costs of this business process by $4 to $6 million a year by 2014-15.

Accountable Lead: Canadian Blood Services

**Recommendation #21:** CBS should closely monitor the cost-effectiveness of its contact centre in terms of costs versus performance. CBS has discussed contact centre solutions with Operator B and plans to discuss contact centre metrics with Operator A in March. CBS should identify relevant metrics in terms of performance and cost, and track and report on these on an ongoing basis.

CBS should explore opportunities to decrease contact centre costs per appointment, including investigating the viability of outsourcing. This initiative will allow CBS to focus on areas that provide greater direct value to the organization.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services has identified donor recruitment as an area where opportunities exist to streamline processes and reduce costs. A number of initiatives have been identified as part of our PEP including a focus on the clinic workforce, donor recruitment functions and the leveraging of web-based strategies. These initiatives address this recommendation. The efficiencies identified through the diagnostic phase are high-level estimates that are being validated and reassessed as additional work is performed. It is unlikely that the $4 million to $6 million estimated in savings will be realized by 2014/2015, but Canadian Blood Services remains confident that these savings will be realized in future years.

Part of the PEP includes a review of the cost effectiveness of the donor recruitment process, including the National Contact Centre.

Final Report Response: Canadian Blood Services’ intent to achieve a marked improvement in productivity and efficiency in this business process remains intact.

**Recommendation #22:** CBS should implement the efficiencies identified to reduce overall costs by $8 to $9 million a year by 2014-15.

Accountable Lead: Canadian Blood Services
**Recommendation #23:** CBS should continue to explore opportunities to optimize staff mix by implementing the use of donor care associates.

Accountable Lead: Canadian Blood Services

**Recommendation #24:** CBS should continue to explore opportunities to decrease deferral rates without affecting the safety of blood products.

Accountable Lead: Canadian Blood Services

**Recommendation #25:** CBS should implement the end-to-end discard reduction efficiency initiative identified that could reduce overall costs by $1.3 to $2.2 million a year by 2015-16. This savings would be realized throughout the supply chain.

Accountable Lead: Canadian Blood Services

**Recommendation #26:** CBS should increase its LVP split rate to 70% by 2014-15, largely by moving to single technology across all regions, to reduce overall costs by an estimated $2.8 million a year by 2014-15.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services has identified collections as an area where opportunities exist to streamline processes and reduce costs. Over the past number of years, the organization has focused on driving efficiencies into the collections process including changes to staffing mix, clinic models and technologies which have led to notable performance improvement. For example, the LHU metric has improved from 1.81 in 2010/2011 to 1.58 in 2012/2013 (a 13% improvement). It is planned to decrease to 1.54 in 2013/2014. The PEP includes initiatives such as implementing standard models, removing some managerial functions, closing some collections locations, increasing the number of LVP collections and implementing new shaker technology. These initiatives are designed to further optimize the collections process and address this recommendation and contribute to cumulative savings of $35 million since 2010/2011.

Canadian Blood Services acknowledges that the largest cost driver in the collections function is staff costs. The optimization of the staff mix can lead to lower collection staff costs. Canadian Blood Services will continue to review its staff mix and optimize where viable. The Donor Care Associates role has been piloted in sites in Winnipeg and Calgary and Health Canada approved this role in April 2013. The organization is planning to further implement the Donor Care Associates role over the coming fiscal years.

Donor deferrals occur in the regular course of business. They are costly and hamper a clinic’s effectiveness and efficiency. Canadian Blood Services continues to streamline our front-end clinic processes to decrease donor wait times and improve whole blood collection efficiency. These efforts, however, need to be balanced with donor safety, which is paramount.
The PEP also includes a focus on discard reduction, which will result in savings throughout the supply chain. The ratio of red blood cell shipments to whole blood collections, which represents our discard rate, was 8.4% in 2011/2012. That figure is planned to drop to 6.3% in 2016/2017. This decrease in discards is facilitated through the implementation of new shaker technology and venipuncture.

In addition, effective June 2013, Canadian Blood Services moved to a single apheresis technology. This change has helped increase LVP donations. In fiscal 2010/2011, the LVP rate was 30%. It improved to 40.6% in 2012/2013 and to 59.2% in June 2013, and is forecast to reach 65% by the end of March 2014. The long-term plan sees the LVP rate increase to 70%. Management is confident this target will be achieved. Since the start of the program to March 31, 2015, Canadian Blood Services will have generated $27 million in savings as a result of increasing LVP donations, both from savings in medical supplies and labour hours. This metric has been incorporated into the Corporate Plan as a key measure.

Final Report Response:
Work will continue as noted above. In addition to what was said in the interim response, it must be noted: a) that deferrals are an important part of protecting the blood system; and b) that the new shaker technology, while a key improvement to collections, is not a contributor to a decrease in discards. However, other initiatives are underway to target decreasing discards. Discard rates are projected to decrease from current levels, decreasing on an annual basis. It is also the case that LHU targets have been impacted by softening demand for fresh blood products. Softening demand negatively impacts the LHU metric and offsets productivity gains.

The 2013/2014 LVP split rate is forecasted as at December 2013 to be 60%. Canadian Blood Services still targets reaching the 70% split rate in the 2014/2015 fiscal year.

Recommendation #27: CBS should implement efficiencies identified that could further reduce the overall costs of this business process by $3 to $4 million a year by 2015-16.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services has identified production as an area where opportunities exist to streamline processes and reduce costs. Over the past number of years, the organization has focused on driving efficiencies into the production function. The PEP includes initiatives such as production workflow improvements to reduce non-critical procedures and the further optimization of production distribution. These initiatives will continue to drive performance improvements. For example, the LHU metric has improved from 0.93 in 2010/2011 to 0.83 in 2012/2013 (an 11% improvement) and is planned to fall to 0.82 in 2013/2014.

Final Report Response:
Canadian Blood Services continues to review and streamline processes to reduce costs. Labour Hour per Unit (LHU) targets are forecasted to remain static in fiscal 2014/2015 and have been impacted by softening demand for fresh blood products. Softening demand negatively impacts the LHU and offsets productivity gains.

**Recommendation #28:** As part of its organizational redesign, CBS should reconsider the optimal mix of management across its supply chain processes.

**Accountable Lead:** Canadian Blood Services

Interim Response: Canadian Blood Services is ensuring the optimal mix of management is incorporated into its new organizational structure. As noted above, the design will improve the span of control of each of the managerial layers. The organization design work is being undertaken in line with the following guiding principles:

- the best organization design decisions will not be compromised in favour of reducing cost;
- all design options will be considered;
- the CEO and the Executive Management Team (EMT) are the decision makers for all organization design decisions; and
- organization design represents a key building block to realizing sustainable cost efficiencies over time.

Plus, the work applies the following key design principles:

- reinforces a biologics manufacturing and quality focus;
- provides clarity in executive decision making;
- streamlines and clarifies decision rights and governance;
- retains a strong customer focus;
- facilitates agility and scalability;
- increases integration;
- improves efficiency and effectiveness; and
- promotes and instils innovation.

The key feature of the new design is to separate planning from regional delivery of products and services. This allows for an optimal mix of management focused on centrally controlled planning and process design versus regional execution. By integrating the collection, production and distribution of products into an integrated supply chain, the organization can leverage centralized expertise for planning and process excellence to support the regional execution.

**Final Report Response:**
Canadian Blood Services remains committed to installing the organizational design as described above.

**Recommendation #29:** CBS should consider implementing some of the productivity and efficiency opportunities identified for its Information Technology and other corporate services functions. Improvements for Talent Management and Finance should not be considered a priority at this time.

Accountable Lead: Canadian Blood Services

Interim Response: Through the PEP, support services functions are being reviewed. Such functions are included in the corporate organizational redesign to ensure they are properly staffed to support the corporation in the delivery of its various products and services. A specific information technology (IT) program review has been initiated to review the areas of opportunity for cost efficiencies. IT is a critical enabler in the PEP’s success and must be managed accordingly.

Final Report Response:
A specific IT program review was commissioned and completed, focusing on identifying areas in IT where cost efficiencies could be realized. Management is currently assessing the findings of the review and will put plans and actions in place to address the opportunities identified. IT remains a critical enabler in the PEP’s success and must balance the often contradictory objectives between driving cost efficiencies and enabling corporate efficiencies through the use of technology.

**Recommendation #30:** CBS should establish its National Fundraising Office as a standalone entity instead of a corporate function under Transfusable Products. The independent National Fundraising Office should finance its activities from donations received, as is the normal practice. CBS should develop a long-term strategic plan for its fundraising activities and assess the effectiveness and cost-efficiency of its National Fundraising Office.

Accountable Lead: Canadian Blood Services

Interim Response: The National Fundraising Office was integrated into Canadian Blood Services operations in 2007/2008, following the shutdown of the Canadian Blood Services Foundation. The closure of the Foundation resulted from an assessment that determined the best model for fundraising activities was to be integrated in Canadian Blood Services’ operations. Different governance models, including the possibility of a creating a standalone entity, were assessed. The current model was determined to be the best, given the immaturity of our fundraising activities and our organizational objectives at the time.
Since 2007/2008, the National Fundraising Office’s total expenditures averaged $1 million per year, of which 50% to 60% has been funded by donation revenue. As well, the National Fundraising Office has accumulated approximately $0.9 million in donations between 2007/08 to 2012/2013 (excluding those dedicated to the National Public Cord Blood Bank campaign) that were restricted for specific purposes and for which funding from Members would have been sought if these donations had not been received.

Canadian Blood Services is currently in the midst of a significant capital campaign. The current strategy is to complete the $12.5-million campaign in support of the National Public Cord Blood Bank and, concurrently, establish core competencies and talent in the area of philanthropy. Significant learning is being gained by the organization during the execution of this capital campaign, and much success has already been realized. For instance, the campaign team achieved its mid-term goal of $6 million in pledges in June 2013. Of that total, $2.4 million was received in cash. As a result of the campaign, Canadian Blood Services has reduced its funding request for the National Public Cord Blood Bank project by $2.4 million for 2014/2015.

A full assessment is planned upon completion of the campaign. At this time the feasibility of a larger capital campaign will be evaluated as part of a longer-term strategic plan. Different reporting models will be assessed, with consideration for more transparency, such as through thorough disclosure as a separate business segment.

**Final Report Response:**
Canadian Blood Services remains committed to its fundraising program, and continues to have success with the current capital campaign in support of the National Public Cord Blood Bank. A full assessment will be conducted upon completion of this campaign to help inform the future direction of fundraising at Canadian Blood Services.

**Recommendation #31:** Members should develop guidelines and mechanisms to promote appropriate usage of plasma products; CBS, using its unique expertise, should play a leadership role in exploring ways to achieve this objective.

**Accountable Lead:** Members, with Canadian Blood Services

**Interim Response:** In recent years, the organization has been able to leverage its significant purchasing power and expertise as a bulk purchaser of plasma protein products to realize savings of $600 million over five years for the P/Ts. This recommendation acknowledges the fact that governments have requested that Canadian Blood Services help manage utilization. It also recognizes the MOU contemplation of the responsibility the country’s blood authority has in this area. In recognition of its leadership role, Canadian Blood Services has been working with the P/Ts to monitor and improve usage and management of blood and blood products, and is anxious to collaborate further.
Canadian Blood Services has also funded the International Collaboration for Guideline Development, Implementation and Evaluation for Transfusion Therapies, known as the ICTMG Collaborators. With 20 members from six countries, the collaboration aims to increase the credibility, timeliness and cost-effectiveness of developing evidence-based transfusion medicine guidelines to optimize care. Although currently funded by Canadian Blood Services, the intent is for the collaboration to obtain independent funding in the future.

Final Report Response:
In addition to the response above, Deputy Ministers of Health, in November 2013, invited Canadian Blood Services’ leadership in blood and blood product utilization throughout provincial and territorial health systems, and have requested a formal proposal for consideration of next steps to better manage and/or decrease costs. This proposal will be presented and discussed in the spring of 2014. Canadian Blood Services looks forward to collaborating with governments to make significant and meaningful gains in this area.

**Recommendation #32**: The provincial and territorial governments should work with CBS to investigate opportunities to decrease costs.

*Decreasing costs may be achieved through centralization of testing or divesting testing services performed by CBS to local hospitals. Centralization may be possible for prenatal testing, which represents the majority of red cell serology procedures. Platelet immunology testing was centralized in the Winnipeg site and, during the period under review, the cost per unit for this procedure decreased by 6%, demonstrating the potential cost benefits of centralization. A centralization strategy may need to be led by CBS with the approval and collaboration of the provincial and territorial governments using the service.*

Accountable Lead: Canadian Blood Services, with Members

Interim Response: Centralization of services leverages existing investments, results in efficiencies, and makes meaningful improvements that would otherwise not be possible. In recent years, Canadian Blood Services has actively pursued an efficiencies journey to decrease costs while maintaining system safety and security. The organization has realized savings through centralization of services in the past, including consolidation of production and testing facilities in Saskatchewan, Ontario and the Atlantic provinces. Canadian Blood Services recently introduced the Productivity and Efficiency Program (PEP) to bring a more focused approach to process improvements, technology enhancements and cost containment across the organization. As a result of the PEP initiatives, significant change is anticipated across the organization over the next three to five years, which will result in anticipated savings of approximately $50 million.

Final Report Response:
Canadian Blood Services welcomes discussions with Members to explore opportunities for further centralization of Diagnostic Laboratory testing, balancing the opportunity for greater efficiencies with customer needs.

It should be recognized that depending on the nature of such service delivery consolidation, certain investment may be required to implement the change, with the clear intent being a realized positive return on that investment.

**Recommendation #33:** CBS should continue to build on current efforts to improve the donor base. Savings can be generated by increasing the use of Canadian donations for transplants. CBS should also continue to develop and foster partnerships with customers, stakeholders and international communities, such as the WMDA. These collaborations could result in matching Canadian patients to international donors.

*Accountable Lead: Canadian Blood Services*

Interim Response: Canadian Blood Services implemented a change in our stem cell donor recruitment policy effective July 1, 2013. The change restricts the age of new donors to between 17 and 35 years old, with a focus on ethnically diverse males. This supports current medical practice which has shown a clear preference for donations from young, male donors to reduce patient and donor complications following transplant and increase rates of survival for the patient.

In addition, Canadian Blood Services is establishing a National Public Cord Blood Bank which will help shift the use of imported cord blood units to Canadian units. As part of the overall recruitment strategy, the bank will be populated with ethnically diverse cords to support those hard-to-match patients, particularly those from Aboriginal and black communities. With regards to fostering partnerships, there is an extensive strategy in place to continue to identify, recruit and nurture relations with high-influence organizations, partners and community groups within and outside Canada who are helping execute the recruitment strategy both for the OneMatch Stem Cell Registry and the National Public Cord Blood Bank. In addition, Canadian Blood Services is an active member of the World Marrow Donor Association (WMDA) and participates on several working groups to provide input on matters related to this association and global stem cell standards.

**Final Report Response:**
Canadian Blood Services remains in agreement with this recommendation, and continues to support the work noted in the interim response.

**Recommendation #34:** CBS should formalize the use of standard inventory models to calculate inventory requirements. It should examine its inventory and use inventory models to determine the amount of inventory to carry. The cycle and safety stock components of the inventory can be
calculated using standard inventory models. To determine the strategic stock component, CBS should quantify the risks and assign an inventory value (similar to the risk-based approach used to calculate overall inventory levels). This methodology could allow CBS to reduce and justify the amount of inventory carried in the system.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services’ current inventory levels are based on keeping enough product to mitigate supply-disruption risks (which have historically been very rare). Canadian Blood Services has also increased the number of suppliers and the level of supplier-held inventory since the last formal inventory evaluation was done. This approach enables us to reduce our need to hold extra inventory. Now that the organization has completed new contracts for the major plasma protein products, an inventory study is timely. The suggestions given in the Review for doing such an assessment will be considered. Note that when this evaluation has been completed, it may take as long as 18 months for the new inventory levels to be implemented for some products, due to the contractual volume commitments and firm forecast zones we have in our contracts.

Final Report Response:
The inventory management evaluation exercise is underway for the plasma protein products inventory as recommended. We are modelling the operational inventory requirements for the top usage products, in an effort to reduce inventory to the level needed to effectively manage the business without maintaining additional buffers. As well, we are evaluating the level of safety stock.

**Recommendation #35:** CBS should create a centralized inventory management function. Inventory management of plasma protein products and medical supplies for Transfusible Products should be centralized in one group.

This reorganization would enable standardization of inventory management processes across CBS. An added advantage of centralizing this function is to build capability within one group and share leading practices across different products. Once the function is centralized, CBS should monitor inventory using appropriate metrics and set improvement targets.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services’ planned new organization redesign will enable the organization to centrally manage inventory under one leadership group. The majority of the inventory to manage is with the plasma protein products, but other items such as the medical supplies used in the Transfusible Products business line require a similar management approach.

Final Report Response:
The organizational redesign that has been installed allows Canadian Blood Services to centrally manage inventory under one leadership group. This management is all under the Supply Chain division, led by the Chief Supply Chain Officer. Specifically, this inventory will be managed by the Supply Chain Operations Planning group.

**Recommendation #36:** CBS should also broaden the number of inventory metrics it currently monitors. Suggestions include measuring turns (backward looking) in addition to a forward looking days of supply metric, inventory accuracy and others. In addition, performance of inventory levers such as forecast accuracy, service levels and supply reliability should also be concurrently measured.

Accountable Lead: Canadian Blood Services

Interim Response: As part of establishing a new centralized inventory management function (see Recommendation #35) Canadian Blood Services will include a detailed selection of applicable inventory metrics to manage system performance. The measures suggested in the report may not all be applicable for all inventory units which have a high degree of usage variability, however a review of potential measures will be done, with an assessment of their appropriateness and usefulness in our inventory model. The implementation of appropriate measures will then be actioned by the centralized inventory management group.

Final Report Response:
Additional metrics will be designed by the Supply Chain Operations Planning group for the next fiscal year as part of their inventory management activities.

**Recommendation #37:** CBS should implement processes and tools to track asset and driver utilization, and regularly assess its fleet size and opportunities for outsourcing to commercial logistics providers, for example, in sparsely populated regions.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services has begun a process review of implementing global positioning systems technology to enhance the quality and quantity of logistics data. Canadian Blood Services currently conducts a formal, documented fleet requirement review every five years and reviews the fleet on an annual basis through its capital acquisition planning process.

Many logistics functions are currently outsourced, including the movement of donor samples for testing, site to site transfer and shipments to approximately 60% of our hospital customers. Before the end of 2013/14, Canadian Blood Services will review all delivery runs to ensure an optimal logistics network is in place, including the use of outsourced providers. Service level agreements also need to be established with hospital customers to ensure the delivery frequency is optimized.
Final Report Response:
The process review of implementing GPS technology will be undertaken after completion of delivery run reviews to ensure right sizing of the fleet. The review of all delivery runs will take place after national rollout of the Shipment Management System (SMS), which is being considered for implementation at all sites by March 31, 2015.

**Recommendation #38:** CBS should restructure the supply chain organization for cost control and process excellence and appoint a single executive in charge of all core demand planning, logistics, purchasing and inventory management functions.

Accountable Lead: Canadian Blood Services

Interim Response: The primary driver of the organization redesign effort is to improve how Canadian Blood Services executes its strategy. This will be enabled by ensuring the appropriate organization design and governance structures are put in place. The effort is a complete organization redesign. It includes a key element to integrate the supply chain across all product lines. The design also ensures centralized control in demand planning for all of our products and a centralized process excellence function which defines the end-to-end processes within the supply chain. Execution of the centrally developed plans and processes will occur within each of the five newly defined regions. Executive oversight is clearly established for demand planning, the centralized control and regional execution of the integrated supply chain.

The future state model is currently under development. Implementation will be staged to ensure that any risks to our operations are minimized.

Final Report Response:
The new organizational structure is in place and all leadership positions have been filled. Significant supply chain expertise has been recruited into the organization. Processes and procedures to integrate the supply chain, both vertically and horizontally, are being put in place. Implementation is staged to ensure that any risks to the organization are minimized.

**Recommendation #39:** CBS and the Members should work together to redefine information requirements during the budgeting process to streamline the process (see Section 3.4.1).

*CBS should provide both year-to-date actual and forecasted expenses for the current year to provincial and territorial governments during the budgeting and planning process.*

*CBS should implement a costing system to present fixed and variable cost components for budgeted, actual and forecasted spend, to enable greater transparency of resource utilization (see Section 3.4.4).*
CBS and the provincial and territorial governments should revisit the allocation of costs related to the collection of plasma that is sent for fractionation to the PPP business line to more appropriately align funding with business line expenses.

Accountable Lead: Members, with Canadian Blood Services

Interim Response: Canadian Blood Services, with input from governments, has developed a robust budgeting process and reporting structure, and regularly collaborates with governments to address evolving reporting needs. Currently, Canadian Blood Services reports on the provision of plasma protein and fresh blood products on a monthly basis. Based on an agreed-upon reporting schedule, Canadian Blood Services also provides financial forecasts of Members’ contributions, as well as of the Plasma Protein Products and Diagnostic Services business lines.

Effective immediately, Canadian Blood Services will provide quarterly financial forecasts for its other operations. Further defining and improving the budget process and reporting needs will benefit both Canadian Blood Services and governments.

Canadian Blood Services has undertaken a review of a costing model, which is expected to be finalized early 2014/2015. The model will be built at a cost driver level (i.e., factors which cause a change in the cost of an activity), and aligned with practices of similar blood services organizations and generic costing systems. The costing model will present costs by product and by service. Its initial phase will focus on the allocation of support service costs and a review of the cost to collect plasma used to produce plasma protein products.

During the 2003–2006 Corporate Plan process, Canadian Blood Services proposed to transfer the costs associated with its plasma centres to the Plasma Protein Products business line. In 2009, the organization made a similar proposal via a transfer pricing exercise. In both instances the proposal was not adopted by governments.

Final Report Response:
Canadian Blood Services continues to provide funding forecasts as per the agreed-to reporting schedule. The organization provided the Quarter Two financial forecast results verbally at the time of budget negotiations, and scheduled a special meeting of the Finance and Audit Committee in February 2013 so that Quarter Three financial forecast results could be provided to the PTBLC in advance of the Special Members Meeting in March 2014.

The review of the costing model is expected to be finalized by September 2014. See Recommendation #17 for additional detail.

Recommendation #40: CBS and its Members should determine the status of the Diagnostic Services business line.

Accountable Lead: Members, with Canadian Blood Services
Interim Response: At the request of several provinces, Canadian Blood Services provides diagnostic services and they are provided on a cost-recovery basis. Diagnostic Services include managing blood component inventories, accessioning patient samples, testing patient samples, cross-matching and issuing patient-assigned blood components. Testing services include prenatal, pre-transfusion (crossmatch), red cell serology reference (antibody investigations) and human platelet antibody immunology. Results are provided to hospital laboratories and family practitioners across Western Canada and Ontario. The activities differ among provinces based on customer requirements.

The last thorough review of the Diagnostic Services business line took place in 2003, with the recommendations officially adopted in 2004. All of the recommendations were completed in 2010.

Diagnostic Services has a strong, integrated relationship within the provinces where it operates. Canadian Blood Services welcomes discussions with Members on the potential to further leverage this expertise within a cost-shared model.

Final Report Response: Canadian Blood Services remains open to discussions with Members regarding its Diagnostic Services’ expertise within a cost-shared model.

**Recommendation #41:** CBS should revise its Purchasing Policy to incorporate greater transparency in the bid invitation process for high-value and high-risk solicitations. Specifically, CBS should:

- Implement a formal process for selecting vendors for bid solicitation (e.g., selection from a broader pool of vendors on a systematic, rotational basis), including formal documentation of decisions
- Consider using open public tendering. The use of public tendering would most likely increase the level of effort and resources required to assess the proposals received. However, these additional costs may be offset by savings realized on the procurement of goods and services because a competitive process could result in lower prices
- Introduce clear restrictions around the use of RFQs for high-value and high-risk solicitations

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services operates in a regulated industry and Good Manufacturing Practices (GMP) environment which has a limited number of suppliers for many of our required supplies. For those specific supplies where an open sourcing strategy would make sense and add value, the organization is willing to review its process on selecting vendors for bid solicitation and consider a more open tendering approach.
As noted in the observations, the Canadian Blood Services purchasing team rarely adds non-price criteria to requests for qualifications (RFQs). The team plans to review its use of RFQs for high-value, high-risk solicitations by December 31, 2013.

Final Report Response:
The policy around who is ultimately responsible to select potential proposers will be formalized, and the process by which the suppliers were identified will be documented. The Procurement staff on the RFPs will investigate the marketplace for suppliers in addition to those brought forward by their internal clients. These changes will be added to the current Purchasing Policy by March 31, 2014.

The process of selecting the right proposers described above will address the requirement to ensure our business requirements are issued to a sufficient number of carefully chosen respondents to ensure value. Canadian Blood Services has determined that this process will provide the most value rather than using an open tendering process. As noted in the review however, the Purchasing Policy and Procedure Manual is not restrictive on using invitational bidder sourcing and Canadian Blood Services would use an open tendering process where it was proven to add value.

The Canadian Blood Services purchasing team rarely adds non-price criteria to RFQs (noted in the observations). As recommended by the reviewers, the practice of adding non-price criteria to RFQs will not be allowed and the appropriate changes to the documentation will be made by March 31, 2014. Any large value or high risk procurement will require conformance to our terms and conditions and evaluation of the company’s financial status and capabilities, and will be evaluated using our RFP process.

**Recommendation #42:** CBS should review its practices for direct purchases and reduce the categories of goods and services that could be acquired using this approach. CBS should also implement a process to regularly review approved direct purchases to seek opportunities for volume discounts by establishing standing offers with preferred vendors.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services will review its direct purchase categories and develop a regular review of approved direct purchases to identify areas of opportunity for volume discounts by December 31, 2013.

Final Report Response:
A list of direct purchases and purchasing on Visa cards was generated on November 25, 2013. It is currently under review seeking opportunities for cost reduction. The review is to be conducted at least annually.
**Recommendation #43:** CBS should expand its supplier relationship management strategy to drive further cost reductions. Key aspects of a supplier relationship management strategy include dedicated resources and activities focused on improved process integration between CBS and its key suppliers, and continuous process improvement.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services works closely with its key suppliers to improve quality and processes for itself and its supplier. It will review the area of developing strategic supplier relationship management for opportunities of further development by May 31, 2014. The corporate organizational redesign will also ensure adequate resourcing is devoted to this strategy.

Final Report Response: Canadian Blood Services remains committed to improving quality and processes with suppliers, as outlined above.

**Recommendation #44:** CBS should integrate a thorough understanding of cost drivers into its strategic sourcing approach and methodologies. It should understand key cost drivers within its operations, as well as the external supplier marketplace, to effectively optimize its procurement decisions to minimize total cost of ownership. CBS should also utilize a regular market review process to proactively analyze key cost drivers in its high priority cost areas (e.g., plasma protein products). If a price benchmark is not practical, a cost driver model can be utilized to understand how key supply markets are trending. A cost driver model would allow CBS to determine a supplier’s key costs (e.g., raw materials versus logistics costs), information that could be utilized for procurement design (including what to include in the pricing model), regular contract reviews and negotiations for new procurements.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services will investigate options and resources to increase its ability to understand suppliers’ manufacturing costs where it makes sense to do so. The review should be completed by March 31, 2014. Cost to produce, however, does not unilaterally determine the cost of finished goods. Market conditions and competitiveness also play key roles.

Final Report Response: Canadian Blood Services recognizes the need to better understand its own costs to develop total cost of ownership analysis as indicated in the response to Recommendation #17. The organization continues to improve its ability to understand the marketplace for its key suppliers as well as its internal costs. In some cases this has been done very well, but these principles
have not always been applied. Canadian Blood Services will continue its improvements in this area.

**Recommendation #45:** CBS should increase the maturity of its procurement processes to heighten focus on high-value strategic sourcing. It should deploy procurement technology to automate, where practical, and redeploy sourcing resources to support strategic sourcing goals.

CBS should continue to look for partnership arrangements with other buying groups to save time on lower priority sourcing areas, and redeploy resources to strategic activities.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services is currently investigating software solutions to increase the efficiency of its procurement process to allow more focus on strategic sourcing. The review and selection process is expected to be complete by May 31, 2014. The corporate organizational redesign will also ensure adequate resourcing is devoted to this function. Canadian Blood Services already works with group purchasing organizations and will continue to leverage these groups as opportunities exist.

Final Report Response:
Having issued an RFP for procurement automation in November 2013, Canadian Blood Services is currently investigating software solutions and process changes to increase the efficiency of our procurement process to allow more focus on strategic sourcing. This will address automating the RFP and contract generation process, and potentially the development of an internal catalogue for repetitive items. The review and selection of software is expected to be completed by May 31, 2014. The changes to the processes will be defined and implemented over 2014/2015.

As said previously, Canadian Blood Services already works with group purchasing organizations and will continue to leverage these groups as opportunities exist.

**Recommendation #46:** CBS should incorporate additional details into its travel policies to minimize room for interpretation. More specifically:

- Clarify definition of “valid business purpose”
- Define maximum spending thresholds for business meals, conferences/meetings and other hospitality

Accountable Lead: Canadian Blood Services

Interim Response: Proposed revisions have been made to the employee travel and expense policy incorporating the recommended detail.
Improving Transfusion & Transplantation in Canada

Final Report Response:
Canadian Blood Services continues to agree with this recommendation as noted in the interim response above.

Recommendation #47: CBS should consider using formal competitive processes for high-value professional services contracts more frequently. It should also develop and implement a formal process for selecting vendors for bid solicitations.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services will review the frequency of tendering for high-value professional services and the process for selecting vendors for bid invitation by December 31, 2013.

Final Report Response:
The organization will use Request for Proposals for high-value professional fees per the Canadian Blood Services Purchasing Policy. The response for Recommendation # 41 addresses the changes that the organization will make with respect to tendering high value contracts including the selection of vendors for bid solicitation.

Recommendation #48: CBS should review its use of professional services and develop and implement guidelines for the use of professional services, together with a management and approval approach.

A similar recommendation was included in the productivity and efficiency review conducted by an external firm.

Accountable Lead: Canadian Blood Services

Interim Response: Professional services are used to either augment current expertise or act as an outsourced engagement where expertise does not exist. Canadian Blood Services already has a policy in place for the procurement of professional services including certain thresholds that require Board of Directors notification or approval.

Final Report Response:
Canadian Blood Services continues with the approach described in the interim response above.

Recommendation #49: CBS should develop, document and implement a formal methodology to estimate efficiency savings. CBS should explain its approach and methodology to members of the PTBLC to facilitate their understanding of the amounts presented in its reports, and to
**maintain full transparency.**

Interim Response: Canadian Blood Services has a formalized methodology to document savings associated with efficiencies, cost reductions and cost avoidance. This methodology will be explained with the members of the Provincial and Territorial Blood Liaison Committee (PTBLC) to help in their understanding of efficiencies, cost reductions and cost avoidance before the end of 2013/2014.

Final Report Response: Canadian Blood Services is scheduled to present and lead fulsome discussion on the methodology and approach at the next scheduled face-to-face meeting with the PTBLC, April 2014.

**Recommendation #50: CBS should develop a funding plan to finance its overall PEP. The funding plan might include a traditional funding approach, such as Members’ grants/contributions, or other alternatives such as debt or capital leases. CBS might also propose to use part of the $110 million in “unrestricted” cash it had (balance as at 31 March 2013).**

Interim Response: In November 2012, Canadian Blood Services discussed the PEP with the PTBLC and explained the manner in which the organization planned to fund the necessary investments through CBSI. In April 2013, Canadian Blood Services provided the P/Ts with a list of associated initiatives and related impacts to the organization.

In March 2013, Members approved that any surplus in excess of the 2012-2013 budgeted net income of $2.0 million be approved to be spent for ePROGESA and projects under the Productivity and Efficiency Program. After year-end reconciliations, $8.8 million was deferred to fund the PEP initiatives.

Canadian Blood Services’ reported cash position fluctuates throughout the fiscal year. At June 30, 2013, the amount of unrestricted cash available to Canadian Blood Services represented only 33 days of cash on hand and was $90 million compared to $110 million at March 31, 2013. The unrestricted cash is used to fund day-to-day operations, and may not be ideal for strategic investments. Although an analysis of working capital and cash balances is underway, the use of operating funds to offset PEP investments would impact the Members and the funding request in the three-year Corporate Plan. The findings of this review will be discussed with the P/Ts in December 2013.

Incurring debt would result in additional costs to Members via interest charges. Through the use of CBSI surpluses (which amounted to $17.1 million at May 31, 2013), Canadian Blood
Services could reduce the funding request to the P/Ts by avoiding the costs associated with issuing debt.

Canadian Blood Services supports developing a funding plan to finance its PEP, and is committed to applying the most cost-effective alternative for the system. Canadian Blood Services introduced the PEP to bring a more focused approach to process improvements, technology enhancements and cost containment across the organization. As a result of the PEP initiatives, significant change is anticipated across the organization over the next five years. To achieve these savings, upfront investment is required. Canadian Blood Services welcomes the opportunity to further discuss with the P/Ts the most appropriate way to finance this essential program.

Final Report Response:
Information sessions were held between October 2013 and December 2013 with various levels of P/T officials (PTBLC, Deputy Ministers) to present and discuss treasury concepts, working capital, cash, unreserved operational cash, deferrals, contingency fund, lines of credit, unrestricted net assets, inventory and captives. This resulted in a proposed draw down of $25 million cash to fund a number of proposed projects/programs, with the majority of funding to be directed to a PEP initiative. See response to Recommendation #19.

Recommendation #51: CBS should clearly identify PEP as a strategic priority and communicate it to the overall organization as soon as ready. All executives should publicly support the program. Appropriate levels of resources should be deployed to support the program, including augmenting the PEP management office capabilities with one to two resources dedicated to supporting individual project and site teams with change management planning and execution. A formal and complete change management plan should be developed and implemented prior to starting the deployment of specific projects.

Accountable Lead: Canadian Blood Services

Recommendation #52: The PEP management office should ensure project teams prepare project planning documentation that describes KPIs and cost-benefit details. Project plans should include a detailed breakdown of cost and benefit factors that were considered, as well as financial assumptions. KPIs (i.e., project objective and measures of success) should describe measurable expected results that directly impact the achievement of benefits.

Accountable Lead: Canadian Blood Services

Recommendation #53: A PEP portfolio management approach should be adopted that includes managing and reporting on initiatives at different stages (e.g., idea, concept, assessment, execution and benefit realization). This approach would provide a longer term view of the PEP and improve chances of success. In addition, the office should maintain management-level reporting of the PEP portfolio as a whole, especially the overall spending and savings.
expectations, to all executives, committees and the EMT.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services was working on these matters prior to the Review, and has completed these recommendations. PEP is an approved strategic priority and is actively and publicly supported by all executives. Since the outset, PEP has been managed by a program management office led by a senior executive and supported by a variety of resources throughout the organization, including change management and human resources management experts. As individual projects within the PEP program proceed, change management and communication plans are developed and implemented.

Each PEP project follows Canadian Blood Services’ project management methodology which requires a detailed breakdown of deliverables, benefits, costs, assumptions, risks and schedule. This includes KPIs such as labour hours per unit (LHU) and full-time equivalents (FTEs) that are used to measure the success of the project.

The PEP is being managed using a portfolio management approach. Our intent is to establish and deliver a portfolio of projects that produce savings of $50 million over the next three to five years. At the time of the Review, Canadian Blood Services had already identified $35.4 million in savings via Wave 1 projects. Since then, further analysis of “Wave 2” projects has taken place resulting in additional productivity and efficiency projects moving forward. The PEP program management office provides regular reports on the PEP portfolio to senior management, including spending and savings estimates and actuals.

PEP is a standard agenda item at all quarterly Board meetings and the Board is kept fully briefed.

Final Report Response:
As a result of the organizational redesign, the CFO and VP Corporate Services is now responsible for PEP management. The Finance function has been staffed to manage the PEP program, and all PEP reporting will be provided to the EMT. PEP continues to be a strategic priority that is regularly discussed by EMT and the Canadian Blood Services Board of Directors.

Recommendation #54: CBS should undertake an analysis to compare outdates and discards between Manitoba and other Canadian jurisdictions to assess the impact of automated inventory management and centralized blood bank management.

Specifically, CBS should:

- Work with its funders and major hospitals to develop a blueprint for improved collaboration across the extended blood supply chain
- Outline cost and benefit estimates as well as determine the technology considerations, reports and controls that would be required to sustain and monitor enhanced collaboration
Accountable Lead: Canadian Blood Services, with Members

Interim Response: In the study of potential national inventory models, the Manitoba model is one of several that Canadian Blood Services will consider. Beyond simple inventory holdings, the organization will take a system-wide view of inventory to define inventory models, inventory sizing and inventory replenishment. As highlighted in Recommendation #55, Canadian Blood Services should play a leadership role in exploring ways to achieve inventory optimization across the system.

Final Report Response: While not planning a formal study of national inventories at this time, Canadian Blood Services continues to take a system-wide view of inventory to define inventory models, and will continue to play a leadership role in exploring ways to achieve inventory optimization across the system.

**Recommendation #55:** CBS should work with hospitals to develop standardized data collection and reporting mechanisms for hospital demand and utilization to enable better monitoring and management of system-wide outdates and costs.

Accountable Lead: Canadian Blood Services, with Members

Interim Response: The organization works closely with hospitals to share data and promote ways to improve inventory management. In 2012, Canadian Blood Services introduced the Hospital Component Disposition Improvement Initiative, which is developing standardized data collection and reporting mechanisms through simpler online forms to allow for better knowledge of hospital usage and inventory. Canadian Blood Services is also working with hospitals to develop a standardized procedure to allow for the return of unused product that meets specific criteria to assist in managing system-wide outdates and costs.

In recognition of its leadership role in this area, Canadian Blood Services will continue working with the P/Ts to monitor and improve usage and management of blood and blood products.

Final Report Response: First phase of the project is implemented. An enhanced system with improved technology for the reporting of disposition data will go live in May 2014. This web-based application will enable hospital customers to report transfusable product disposition data to Canadian Blood Services. This data will contribute to enhanced reporting, improved hospital peer comparison and insight into blood utilization and demand trends.

**Recommendation #56:** CBS should continually improve reporting of safety incidents by modifying safety indicators and the corresponding quarterly targets to reflect the cause and
**impact of the event and, potentially, the impacts to the system.**

Accountable Lead: Canadian Blood Services

Interim Response: The Review recognizes and acknowledges that Canadian Blood Services effectively manages safety issues. This includes managing infectious disease risks, quality issues, and availability of blood and blood components. Canadian Blood Services is also involved in studies that examine the impact of its policies on the safety of the blood supply. The Review observed that Canadian Blood Services works with other organizations, such as the Public Health Agency of Canada, to monitor existing infectious threats (e.g., West Nile Virus), and the emergence of new infectious diseases. This includes implementing new measures to reduce these potential risks. The Review supports that overall Canadian Blood Services has been consistent in its safety performance.

The Review mentions that the communication of safety indicators to stakeholders other than the Board’s Science, Safety and Ethics Committee (SSEC) is limited. This appears to be a comment arising from a misunderstanding of where Canadian Blood Services communicates safety data. Much of the information shared with the SSEC on safety indicators, recalls, lookbacks and tracebacks, adverse reactions, annual transmissible disease surveillance, annual bacterial detection summary or Health Canada inspections, is shared with a variety of stakeholders. Canadian Blood Services often customizes the information it delivers to meet the needs of specific audiences. This is done through many avenues, including:

- individual correspondences (e.g., risk information about the impact of incidents communicated to hospitals for every components being recalled);
- the blood product circular of information (product monograph);
- regular reports (e.g., Canadian Blood Services Annual Report, Quarterly Report to the Members, and reports to the Biologics and Genetic Therapies Directorate of Health Canada on recalls, lookback and tracebacks, adverse reactions, or serious donor events);
- Canadian Blood Services’ public website (e.g., results of Health Canada inspections, Customer Letters) and its website targeted to professionals (transfusion.ca);
- various advisory committees (e.g., infectious disease surveillance report during the Scientific and Research Advisory Committee); and
- open meetings of the Canadian Blood Services Board of Directors (e.g., end of year performance highlights).

The severity and causes of safety concerns with the blood system (e.g., bacterial contamination, Chagas, TRALI) and the measures to address them and their impacts on the safety of the blood system (e.g., reduction in TRALI cases, residual risk of infectious agents) are often included as part of these communications. We will continue to evolve and improve communication of safety indicators (e.g., current efforts in developing a surveillance report suitable for the general public and making it available online) as part of our regular operational and performance management system. However, no specific initiatives will be launched at this time.
We will continue to improve the indicators and targets used to assess our performance in relation to the safety and quality of products and services, and impacts to the system. For example, the measure referred to in the Review (number of events leading to recalls) has not been in use since April 2012 because of the limitations that were highlighted in a previous report. Canadian Blood Services now reports on the number of components recalled per quarter, instead of the number of events.

Canadian Blood Services uses many of the same types of indicators as other blood operators and will continue to consider measures used by similar organizations. Until more meaningful safety indicators can be defined and targets that reflect both the causes and impacts of events and, potentially, their impacts to the system established, Canadian Blood Services will continue to rely on analyses that take into consideration the severity and impact of events, be it for recalls, adverse transfusion events, audit observations, or others. Although this may still lead to situations where the performance of the organization is rated as not meeting target (even though it does strictly from a quantitative perspective), we are confident that it will continue to provide an accurate assessment of Canadian Blood Services’ performance and drive appropriate actions.

In summary, Canadian Blood Services will continue to evolve and improve indicators and quarterly targets as part of our regular operational and performance management system. No specific initiatives will be launched at this time.

Final Report Response:
Canadian Blood Services remains committed to this work, as noted in the interim response above.

**Recommendation #57:** CBS should investigate opportunities to integrate and interface information systems within the organization as well as with its partners’ systems, particularly as the health care system moves towards electronic information systems. These opportunities will require effective collaboration between CBS and health care system partners, as well as consideration of legislative requirements to implement appropriate interfaces.

Accountable Lead: Canadian Blood Services, with Members

Interim Response: Dedicated to improving efficiency and quality throughout the healthcare continuum, Canadian Blood Services welcomes the opportunity to explore the further integration and interface of electronic information systems. In some provinces, for instance, Canadian Blood Services’ Diagnostic Services business line has successfully integrated with hospital information systems to share test results electronically. Canadian Blood Services will continue working with the P/Ts to discuss and collaborate further on this important matter.

Final Report Response:
Canadian Blood Services remains committed to collaborating with Member governments on further integration and interface of electronic systems.

Recommendation #58: CBS should assess the feasibility of incorporating business intelligence capabilities into its information systems. These capabilities can provide further insights on non-conformance trends. However, detailed analysis is required to weigh costs against benefits to prioritize this initiative against CBS’ other current initiatives.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services will continue to improve the efficiencies of reporting, tracking and trending capabilities for non-conformances. This is not, however, a safety issue. We use the non-conformance (NCR) process to manage all product quality-related issues. As such, the impact of all quality issues is assessed and the appropriate way to manage affected products is determined through the NCR process. The National Non-Conformance Database (NNCD) is the system of record for non-conformances. This is managed irrespective of any other applications such as PROGESA or Laboratory Information System that are used to track and manage the manufacturing of blood components.

The NNCD was developed as part of Canadian Blood Services’ business intelligence (BI) solution. The data from the NNCD system is uploaded into the enterprise data warehouse and all reports are generated using the IBM Cognos BI toolset, which also provides a good set of tools for trending and analysis of non-conformances.

Canadian Blood Services’ BI and enterprise reporting strategy comprises three phases with the current timelines extending to the end of 2015/2016. The first phase is designed to improve the quality of information at Canadian Blood Services through the introduction of enterprise data management practices by establishing a data governance function, standardizing metadata management practices and introducing a data quality management program. This first phase also includes a number of initiatives designed to improve the processes, skills, and capabilities of the BI delivery team.

The second phase aims to improve the strategic and operational reporting platform, re-engineering and automating many of our BI reports, dashboards and scorecards, some of which are compiled manually. This will support increased stakeholder buy-in for the use of reporting and can support an increase in data-driven decision making at all levels in the organization.

The third phase involves expanding the data warehouse to include additional data sources such as logistics, finance and human resources. Further exploring mobile BI and advanced analytics technology, the third phase aims to provide access to information when and where it is needed and further refine our analytic capabilities.
As this work progresses and business cases are developed, the opportunities to address the NNCD data and information systems to manage this data more effectively will be assessed and prioritized against the other BI initiatives.

**Final Report Response:**
Work continues to establish priorities for Canadian Blood Services’ BI capabilities, including more advanced analytics technology.

**Recommendation #59:** CBS should continue its leadership role to work with other ABO members in the development of the integrated risk-based decision-making framework that addresses all major policy and operational challenges, and provides a consistent decision-making approach which would improve confidence and trust in investment decisions. The results of this work should be shared with the CBS Board of Directors as well as with Members to promote further dialogue on risk-based decision-making.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services will continue to advance the Alliance of Blood Operators (ABO) initiative on risk-based decision making for blood safety. Work is underway on specific deliverables to be completed by the end of the current fiscal year. Related to a risk framework, such deliverables include health economics methodologies, stakeholder engagement guidelines, and a web portal for risk-based decision making. Canadian Blood Services will keep the members of our Board of Directors and our Corporate Members apprised of these efforts and will ensure that their perspectives are canvassed in the consultation phase of this work.

The Risk-based Decision Making (RBDM) project will develop an integrated, internationally applicable framework that is entrenched in donor safety and optimal patient outcomes and which will guide major policy and operational change. Canadian Blood Services is providing leadership to this initiative on behalf of the ABO—a global network of large blood operators including the American Red Cross, Australian Red Cross Blood Service, National Health Service Blood & Transplant, the European Blood Alliance, America’s Blood Centers, as well as Canadian Blood Services. In addition to ABO members, representatives from Blood Systems Inc., Héma-Québec, and the AABB are also participating in the RBDM project.

Since the 1980s, numerous measures aimed at maximizing blood safety have been implemented. All were based on varying interpretations of the precautionary principle and the (now deemed unsustainable) pursuit of zero risk, without evident consideration of cost effectiveness and opportunity cost. The need for a collective, standardized decision-making framework has become clear in the face of increasing complexity in blood safety decision-making, driven by medical, scientific, ethical, economic, legal, and public policy factors.
To initiate discussion on this issue, Canadian Blood Services took the lead in bringing together thought leaders and experts at an ABO International Consensus Conference in Toronto in 2010. The resulting consensus statement acknowledged that risk is inherent from vein-to-vein. Blood transfusion being an integral component of medical practice, product safety and supply responsibilities reside with blood operators. The consensus panel emphasized that achieving zero risk is unattainable and that the well-being of transfusion recipients is central to any recommendations to improve blood safety decision making. Further, it was recommended that an integrated risk framework be developed to improve consistency in decision-making, facilitate proportional responses to risk, ensure that decisions are evidence-based, increase trust in investment decisions, and allow for the redirection of resources to improve effectiveness. By publishing and presenting internationally on these issues and the outputs of the conference, Canadian Blood Services built further momentum for the launch of ABO’s RBDM project.

RBDM is a two-phase project with several key deliverables. It will provide an overall risk framework with a comprehensive set of health economics tools, offer a stakeholder engagement plan to gather broad input and maximize support, and be complemented by a web portal. Phase I (which began in April 2013 and ends in March 2014) will form the basis for a draft framework that will be used as a catalyst for consultation with key stakeholders in Phase II (which will begin in April 2014, pending budget approval). Activities and strategies to increase awareness and adoption of the RBDM framework will also be proposed in Phase II.

**Final Report Response:**
Canadian Blood Services remains committed to developing an integrated, internationally applicable risk-based decision-making framework, encompassing donor safety and optimal patient outcomes, which guides major policy and operational change. Work continues as noted in the interim response.

**Recommendation #60:** CBS should implement a formal change control process that would include a clear set of baseline expectations, as well as a formal change request and decision record. These baseline expectations should include a consolidated view of all major program milestones. As changes to this schedule are required, they should be formally submitted and approved by the executive oversight committee and recorded as formal decisions.

*Accountable Lead: Canadian Blood Services, with Members*

**Interim Response:** Although this recommendation refers directly to the NFRP, it applies to all of our activities.

Canadian Blood Services recognizes the need for transparency and accountability. Our normal practice is to explain any changes to the appropriate oversight committee and ensure the decision is recorded in meeting minutes and decision documents.
Final Report Response:
Canadian Blood Services remains committed to transparency and accountability, and will continue to bring forward changes as required to the appropriate oversight committee and ensure decisions are formally recorded.

**Recommendation #61:** The level and method of communications executed in NFRP Phase 1 should be maintained in subsequent phases to promote high levels of employee engagement and adoption.

Accountable Lead: Canadian Blood Services

Interim Response: Following NFRP Phase I, employees who were surveyed about communications reported a high degree of satisfaction with the advance notice of the proposed geographic plans as well as the frequency and variety of communications including: newsletters, town hall meetings, emails, regular management team updates, one-on-one meetings with human resource staff, and third-party seminars.

Canadian Blood Services will repeat these efforts during future phases of NFRP. We will continue to improve the frequency and timeliness with which we disseminate information and the channels we use to broadly share the information.

Learning brought forward from NFRP Phase I included improving external communications with the medical community and soliciting feedback from this key stakeholder group much earlier in the process. The organization’s Building to Deliver newsletter will be used to provide information to our hospital customers and other related medical community stakeholders, supplementing the regular updates provided by our team in product and hospital services.

Final Report Response:
Canadian Blood Services remains committed to building on the successful communications of NFRP Phase I as part of the planning for Phase II.

**Recommendation #62:** CBS should require that all NFRP projects use the established Project Governance Methodology, in particular, quality assurance of the project planning deliverables. It should also develop and implement a formal change control process. This methodology should be supplemented with construction-specific delivery tools and templates, but should not replace the requirements of the Project Governance Methodology.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services’ project governance methodology is a requirement for all projects in its corporate portfolio—including NFRP. Included in the methodology is a formal change-control process which can be adjusted based on the particular needs of
individual projects. Due to the size, scale and nature of the NFRP, governments and Canadian Blood Services agreed on a formal management structure for the appropriate, regular monitoring of the program. A Facilities Redevelopment Advisory Group (FRAG)—made up of representatives from governments and Canadian Blood Services—provided monthly guidance for Phase I of the NFRP.

Final Report Response:
Canadian Blood Services remains committed to working with Members to build on the project governance methodology adopted for NFRP Phase I and reach agreement on any needed changes as part of the planning for Phase II.

**Recommendation #63:** A formal process for budgeting and accessing contingency and reserve funds should be implemented to ensure they are used judiciously and for the intended purpose. This will promote planning and delivery in line with requirements rather than budget.

Project contingency funds should be allocated and accessed for the purpose of addressing unexpected cost overruns due to cost estimation variances. Contingency should be explicitly allocated in the budget and released through a formal request for funds approved by an executive oversight committee.

Reserve funds may be allocated to address implementation considerations which were originally out-of-scope of the initial funding approval. Similarly, reserve funds should be released through a formal request for funding approved by an executive oversight committee.

Accountable Lead: Canadian Blood Services, with Members

Interim Response: For all projects in its corporate portfolio, Canadian Blood Services uses project governance methodology, including for funding. Although there is a process for budgeting and accessing contingency and reserve funds, it could be improved through a more formal process which would include better documentation of decisions made. Canadian Blood Services will continue to ensure as approved projects develop and evolve that the allocation of reserve or contingency funds for projects have gone through the formal request process, are approved by an executive oversight committee and are clearly documented.

Final Report Response:
Canadian Blood Services will continue to ensure that these processes are followed.

**Recommendation #64:** Program and project benefits, both financial and non-financial, should be described in a manner that can be measured and evaluated post implementation to assess performance against desired outcome (e.g., expected operational performance outcomes of implementing GMP). These measures should be described at project onset and carried forward throughout the lifecycle of the initiative. The benefits and outcomes described should align with
Interim Response: The project management methodology requires the development and approval of business cases that outline expected outcomes, deliverables, activities and accountabilities. In developing business cases, outcomes are linked to overall strategic and project objectives.

Final Report Response:
In addition to the response above, Canadian Blood Services will be working with Members to clarify business case needs of both parties to ensure alignment around due diligence needs.

**Recommendation #65:** Financial reporting for projects should be enhanced to present actual spending against a formal baseline cost breakdown, which is typically the business case that was used to approve the funding. Forecasts should be presented in addition to the baseline and actual spending. Such an approach facilitates understanding of changes and adjustments to the plan that have an impact on the scope, schedule and overall budget.

Interim Response: Canadian Blood Services will ensure that the financial reporting process for all projects includes documentation of a comparison against a formal baseline. Any changes to this baseline will be presented through a forecasting process to ensure stakeholders understand changes and adjustments and their associated impacts on project scope, schedule and budget.

Final Report Response:
Canadian Blood Services remains committed to ensuring the financial reporting process for all projects is transparent and will continue to present financial information as discussed with stakeholders.

**Recommendation #66:** CBS should perform a thorough assessment of requirements when asked to assume new responsibilities to determine whether it possesses the capabilities (e.g., knowledge, people, processes and technology) to fulfill the mandate. It should also secure the key resources from the provinces and territories and other stakeholders required to successfully complete the mandate.

Interim Response: Canadian Blood Services is committed to improving business planning with governments as new programs develop. Defining roles and responsibilities, terms and timing of
funding agreements and decisions, and shared expectations and commitments is essential to the successful implementation and execution of new mandates.

Final Report Response:
Canadian Blood Services remains committed to working with Member governments on defining critical elements of successful business planning when taking on new or expanded mandates.

Recommendation #67: CBS should make the use of its project management process and templates for all types of projects and initiatives mandatory. Once an initiative has received approval, details related to project execution should be clearly articulated and documented in a project plan/charter, including roles, responsibilities, project goals, deliverables, detailed budget, deadlines, and reporting cycles. Furthermore, as the roles and expectations evolve for an initiative, the revised/updated descriptions should be incorporated into the project documentation.

Accountable Lead: Canadian Blood Services

Interim Response: Although this recommendation applies to the OTDT initiative, it relates to all projects within our corporate portfolio. The project management methodology—identified as a strength by the reviewers—has six major gates. It requires projects to document and gain approval for proposals, business cases, project plans, design reviews, pre-implementation reviews and post-implementation reviews. Project plans must clearly document project goals, deliverables, expected benefits, costs, roles/responsibilities, schedules and reporting requirements. As projects evolve, documentation must evolve and be approved so that the project is accurately reflected.

Final Report Response:
Canadian Blood Services continues to reinforce the expected behaviours as described in this recommendation.

Recommendation #68: CBS should track and report on its project costs in a way that is consistent with its project plan. Financial reporting for projects should be clear about how expenditures are allocated across deliverables and traced to funding sources. Variances in actual expenditures against planned and forecasted expenditures should be clearly outlined and explained, with causation factors, in a comprehensive manner.

Accountable Lead: Canadian Blood Services

Interim Response: Canadian Blood Services will ensure project reporting is consistent with the project plan and includes variances that are explained in a manner that allows the funder to understand the impact of any change. Although the organization’s current financial reporting includes the analysis contemplated in the recommendation, it can be improved.
Final Report Response:
Canadian Blood Services continues to agree with implementing this recommendation.

**Recommendation #69:** CBS should include, as part of its project management process, a formal assessment of opportunities to leverage third parties for projects involving the development of IT solutions. Potential benefits that should be assessed include cost, access to knowledge and experience, as well as reduction in timeline. A third party could also assist with patent registration and licensing opportunities.

Accountable Lead: Canadian Blood Services

Interim Response: Although this recommendation is made in the context of the OTDT initiative, it applies to all projects involving the development of information technology (IT) solutions. The formal assessment of third-party solutions is common practice for such projects.

In context of OTDT, an external consulting firm was hired to assess the scope and requirements through a build-or-buy lens. The consultant recommended that Canadian Blood Services should build its own OTDT solution. This was for two key reasons:

- With the success of our OneMatch registry, Canadian Blood Services has proven experience in building successful registries. It therefore possesses much of the capability required to deliver a similar IT solution for OTDT.

- There was no readily available commercial software on the open market that would meet requirements in a timely and cost-effective way. Internal expertise and an existing platform made building our own solution the most cost-effective and efficient approach.

Final Report Response:
Canadian Blood Services continues to agree with engaging the practice of formal third-party solution assessment for projects involving IT solutions.

**Recommendation #70:** When accepting new responsibilities, CBS, together with the Members, should assess long-term impact on the organization and include provisions in the agreement for longer term considerations or a specific timeline for next steps.

Accountable Lead: Canadian Blood Services, with Members

Interim Response: Canadian Blood Services is committed to improving business planning with governments as new programs develop. Defining roles and responsibilities, terms and timing of funding agreements and decisions, and shared expectations and commitments is essential to the successful implementation and execution of new mandates.
Final Report Response:
Canadian Blood Services remains committed to working with Member governments on defining critical elements of successful business planning when taking on new or expanded mandates.

Recommendation #71: CBS should continue to carefully manage this initiative using its project management process, including development of a contingency plan.

Accountable Lead: Canadian Blood Services

Interim Response: Recognizing the complexity of the National Public Cord Blood Bank, Canadian Blood Services is carefully and systematically establishing critical foundations for success including, but not limited to, the application of our project management methodology. Inherent in the methodology is the identification, assessment and mitigation of risks that could impact the success of the National Public Cord Blood Bank, including the development of contingency plans, as appropriate.

Final Report Response:
In establishing public cord blood banking, Canadian Blood Services continues to remain committed to the careful application of project management practices as noted in the interim response, and including careful risk management and contingency planning.

Recommendation #72: CBS should ensure that its corporate indicators are objective and quantifiable (e.g., PEP realized efficiency savings). A balance should be achieved between reporting on outputs and on the achievement of outcomes in relation to its corporate strategy and organizational mandate.

CBS should review its approach to public reporting and disclosure practices on performance related to its key mandates of safety, system integration, national self-sufficiency, supply management, and cost-effectiveness of the blood system with the goal of increasing transparency. This reporting could occur on a monthly/quarterly basis.

Two recommendations made in Section 3 are also related to performance indicators:
- Development of an accountability agreement between CBS and its Members
- Improve reporting to the Members by establishing mutually agreed-upon reporting content and schedules

Accountable Lead: Canadian Blood Services

Interim Response: The Review recognized Canadian Blood Services’ use of a formal performance management framework. This systematic approach to articulating performance
objectives, indicators and targets has been in place for eight years and has enabled the organization to make significant performance improvements.

At the time of the Review, Canadian Blood Services was undergoing a strategy refresh. Not all performance indicators had targets associated with them. Canadian Blood Services is working to make all indicators objective and quantifiable with a balance between reporting on outputs of the organization (e.g., products & services delivered to hospitals) and the outcomes they enable (e.g., reducing the time a patient waits for an organ transplant).

Canadian Blood Services also agrees with the recommendation to review our approach to public performance reporting. Today, Canadian Blood Services publishes a comprehensive annual report that provides the public with a wide range of information on organizational performance. We will continue to enhance our reporting, aligned with the accountability agreement with Members.

**Final Report Response:**
Canadian Blood Services has recently revised the performance measures contained on its balanced scorecard to ensure that they are outcome-focused where appropriate. The organization is currently developing an integrated planning process which will include multi-year targets for the scorecard performance measures.

It is important to note that the organization has always provided an annual report to the public, available on its website, as well as presenting a detailed report on organizational performance on a bi-annual basis at our open Board Meetings. Corporate performance measures were included in the 2014-2017 Corporate Plan.

**Recommendation #73: CBS should develop a precise set of outcome KPIs at the corporate level to objectively report on the performance outcomes related to the achievement of corporate strategic priorities. Tracking initiatives against plan should not be considered a KPI in an organization with a wealth of accessible operational performance data.**

CBS should ensure that its performance reporting strategy includes a balanced set of KPIs, with specific emphasis on financial performance metrics in both corporate and business line performance reports.

CBS should consider the development of value-based performance indicators to outline the value-for-money delivered to funders and the public. There is an opportunity to be a leader on this front in the blood and health care systems. CBS could work with other members of the ABO in developing broadly accepted value-for-money metrics for blood systems internationally.

Specific additional performance indicators that should be considered across the Transfusible Products and PPP business lines in relation to the overall supply chain are outlined in the supply
Interim Response: The reviewers recognized that Canadian Blood Services makes good use of KPIs to manage our activities. Canadian Blood Services establishes and reports progress on KPIs as a means to focus the organization and drive performance improvements. These KPIs include value for money indicators, such as the labour hours per unit (LHU) measure, which is the ratio of total labour hours to collections of all fresh blood products and represents an integrated measure of our performance for the supply chain. We recognize that additional work is required in this area.

Canadian Blood Services is currently in the midst of developing and tracking a precise set of outcome KPIs at the corporate level. Our current scorecard includes the following KPIs:

- trust in Canadian Blood Services by hospitals, donors, the public, governments and other stakeholder groups;
- system outcome measures such as kidney transplants facilitated through the Living Donor Paired Exchange registry and the number of cord blood units available for patients;
- customer service measures including customer satisfaction and order fill rate;
- safety measures including the Safety Index which tracks safety outcomes across all products and services; and
- productivity and cost measures including LHU, CPU and product yield.

The Review also recommends that Canadian Blood Services should place specific emphasis on financial performance metrics. Throughout its history, Canadian Blood Services has focused on its financial performance. The organization tracks and reports its expenditures against the funding approved by Members. More recently, financial performance metrics such as CPU have been used to focus and track financial performance at a productivity level for Transfusable Products.

Canadian Blood Services agrees that further emphasis on financial performance metrics will be beneficial to us and our Members. In the 2014–2017 Corporate Plan, Canadian Blood Services will place further emphasis on KPIs by reporting on productivity gains through LHU, product discards and FTEs measures. Other measures such as plasma protein product prices will also be disclosed as we advance our cost reduction journey through further emphasis on strategic sourcing. Canadian Blood Services participates with other blood operators in the development of financial metrics under the auspices of the Cost Management Working Group. Canadian Blood Services will continue this work.

Final Report Response:
Canadian Blood Services remains committed to the work identified in the response above.
**Recommendation #74:** As part of developing and implementing a Risk Communication, Awareness and Training Program, CBS should create a mechanism that allows its employees to provide feedback on CBS’ enterprise risk management program and enablers.

Accountable Lead: Canadian Blood Services

Interim Response: All employees are responsible for complying with the ERM policy. To help with this, Canadian Blood Services is currently developing a risk communication and training program, plus other improvements to our enterprise risk framework, as outlined in the white paper *Management’s response to Internal Audit’s review of the ERM Program*, dated November 30, 2012. In accordance with our process management approach, we intend to obtain feedback from employees to regularly improve the ERM program. While informal at this juncture, we do obtain feedback from employees. By way of example, the first edition of the Risk Management Process Guide in the ERM guidance materials was vetted by employees from five different functional groups before its launch. We continue to get user feedback for consideration in the next edition. The best approach for developing and implementing a formal feedback mechanism will be considered in the training program development.

**Final Report Response:**
Canadian Blood Services remains committed to continuing the work described in the interim response above.

The organization is currently developing a formal process to obtain feedback from employees to regularly improve the ERM program. This work is incorporated as part of the Board ERM Change Agenda with a deliverable date in the 2015/2016 fiscal year.

**Recommendation #75:** CBS should develop guidance to support the consistent and efficient integration of ERM principles into existing activities, as well as standardized risk management procedural guidelines to guide employees at all levels on how to integrate risk management into their day-to-day activities.

Accountable Lead: Canadian Blood Services

Interim Response: When management responded to the internal audit’s review of the ERM program, it created a supporting implementation plan. That plan includes the development and publication of guidance materials such as a risk management process map and process guide. Publication is scheduled for the end of 2013. Regular review of the documentation is planned along with publication of further versions to incorporate the planned improvements to the ERM program.

As well, a plan for integrating ERM into existing activities is being developed. This project is to formally commence in fall 2013. One of the priorities in the plan is to link ERM to the organization’s talent management process. A first step in this linkage includes a comprehensive description of roles and responsibilities, which has been drafted and is set for review alongside
the draft risk guidance materials. Following this, there will be consideration to linking risk management responsibilities with performance objectives and evaluations.

**Final Report Response:**
Canadian Blood Services remains committed to the implementation plan work as described in the interim response above. Regular review of the documentation is planned along with publication of further versions to incorporate the planned improvements to the ERM program.

Canadian Blood Services published its employee-facing online “Risk Management Navigator” in the fall of 2013, and has developed draft guidance material and process mapping for ERM. The project to integrate ERM activities into existing activities commenced in late 2013, including examining alignment between risk and audit practices, and evaluating risks at the project and portfolio levels.

**Recommendation #76:** For CBS to reach the strategic level of maturity against Risk Tolerance, Risk Response & Decision-Making attributes, it should implement the ERM review’s recommendation that it leverage risk tolerance limits and cost/benefit analyses to support risk management decisions.

**Accountable Lead:** Canadian Blood Services

Interim Response: In June 2013, the Board of Directors approved the organization’s risk appetite statement and published it in version three of the ERM policy. Related risk tolerance levels have been endorsed by the Board and are incorporated in the enterprise risk framework. These are leveraged along with the cost/benefit analysis approach outlined in Canadian Blood Services’ project management methodology to support risk management decisions.

**Final Report Response:**
Canadian Blood Services continues to support the work described in the interim response above.

**Recommendation #77:** Given that CBS’ Board of Directors retains overall responsibility for risk management within the organization, it is imperative that Directors have a fulsome and common understanding of CBS’ ERM program and their role within it. As such, CBS should develop training on ERM for its Board Members.

**Accountable Lead:** Canadian Blood Services

Interim Response: ERM has been and continues to be a key function of the Board. Since 2007, the Board has had a specific focus on the ERM program, with the first corporate risk profile published in 2008. The Board sought further understanding of ERM from an external risk expert in late 2009 and early 2010. It then created a special committee to enhance the ERM program,
from which the ERM Change Agenda was generated. The Board now oversees the ERM program. Its work can be seen in the Board agendas, and the annual formal update and review of Canadian Blood Services’ corporate risk profile. The Board reviews the ERM policy annually.

The Board has a plan to enhance its ERM understanding. Over the next two years, directors will participate in special ERM sessions. In particular, members will participate in deep-dive discussions every six months to understand specific risks. The Board’s plan also ensures that ERM remains part of the orientation for new directors.

Based on this, the noted recommendation appears to have missed the significant activity undertaken by the Board and the organization in this area and we note that ERM is now factored into and reflected in all committee reports to the full Board.

Final Report Response:
ERM has been, is and continues to be a key function and priority of the Board. For the past four years the Board has had a specific focus on the ERM program, first through a special committee of the Board, and thereafter, at the Board as a whole. This is manifested by an ongoing review of ERM as can be seen through the agendas of the Board, and the annual formal update and review of the organization’s corporate risk profile, now in its third iteration. This corporate risk profile is also reviewed annually by the Board.

Notwithstanding the existing and ongoing focus of the Board on ERM, the Board seeks to identify further areas in which the understanding of ERM can be enhanced and, as new directors join the Board, to ensure ERM remains part of the orientation effort for them. This includes Board ERM education sessions and ERM education materials.

**Recommendation #78: Internal Audit remains a vital component in CBS’ approach to risk management, governance, and control. CBS’ Internal Audit function should continue to drive strategic value by further broadening the scope of the services it offers and the nature of the engagements it conducts. The Internal Audit function should plan to conduct a mix of assurance and advisory-related engagements, as well as further diversify the nature of the engagements it conducts, so that its focus is not strictly on assessing compliance, but value-for-money, performance, efficiency of operations, etc.**

Accountable Lead: Canadian Blood Services

Interim Response: The nature of Canadian Blood Services’ business necessitates that the Internal Audit function provide an assurance focus on the organization’s governance, risk management and control processes to help the organization achieve its strategic, operational, financial and compliance objectives. In addition, Internal Audit has planned and completed advisory related projects including a review of Canadian Blood Services’ ERM program and a pre-opening security design review of the production and distribution centre in Dartmouth, Nova Scotia. As a trusted advisor, Internal Audit provides insight and advice to management regularly on various topics.
Canadian Blood Services agrees that the mix and diversity of audit activities enhances the value proposition of Internal Audit. The approved 2013/2014 risk-based Internal Audit plan includes a combination of assurance and advisory-related engagements. We anticipate using this approach in the future. Past Internal Audit reports have resulted in positive change to the organization and are well received by the Board. Board members are regularly consulted and polled with respect to Internal Audit and Board participation in Internal Audit activities is an ongoing activity.

Final Report Response:
Risk-based Internal Audit planning continues as noted in the interim response.

Recommendation #79: When undertaking its annual risk-based audit planning exercise, CBS’ Internal Audit function should consult with a variety of external stakeholders (e.g., the PT representatives, suppliers). In doing so, CBS will be able to capture a more fulsome view of the risk environment facing the organization and develop a more comprehensive audit plan.

Accountable Lead: Canadian Blood Services

Interim Response: In Canadian Blood Services’ approach to undertaking the risk-based audit planning exercise, Internal Audit consults directly with its primary stakeholders (the Board of Directors, the Board’s Finance & Audit Committee and the executive management team). External stakeholders are considered primary stakeholders of management. Management is responsible for understanding the needs and concerns of such stakeholders, and thereby the underlying risks, and factoring that knowledge into the organization’s corporate risk profile, corporate planning and strategic initiatives. Internal Audit relies on that process and reviews the related documentation during its planning. In Canadian Blood Services’ view, this approach effectively facilitates the formulation of a risk-based and comprehensive audit plan.

Final Report Response:
Canadian Blood Services remains committed to the activities and approach described in the interim response above.