

Operational Stability Fund (OSF) Policy

Frequently Asked Questions

What is the OSF Policy?

The purpose of this policy is to enable a Primary Care Network (PCN) to maintain a fund that will provide operational stability and can be used for operational expenses not anticipated in its approved Annual Budget, or otherwise approved at the Minister's discretion.

Why is the OSF Policy needed?

The OSF Policy was created:

1. To enable a PCN to maintain a fund that will provide operational stability and can be used for operational expenses not anticipated in its approved Annual Budget or otherwise approved at the Minister's discretion.
2. To align with the provisions of the 2017/2020 Grant Agreement and the Health Grants Regulation (A.R. 146/2002).

How will the OSF Policy work?

If PCNs have unexpended grant funds at the end of a fiscal year, PCNs may maintain a fund up to a maximum amount of 5% of the Annual Maximum Grant funding¹ from the previous Fiscal Year, the OSF, to be used in accordance with the OSF Policy. Any amount over 5% of the Annual Maximum Grant funding from the previous fiscal year will be used to offset the October or April per capita payments based on the audited financial statements.

For fiscal years-ends that coincide with the expiry of a grant agreement, PCNs will use the OSF Unexpended Grant Funding Retention Request.

Also see Appendix 1 Examples/Sample Calculations at the end of this document.

Process for how the OSF works:

1. A note will be included in the 2017/2018 Annual Reports, which will guide PCNs in determining the eligible OSF for the year and the actual OSF. Eligible OSF is the maximum amount a PCN can retain in OSF (up to a maximum amount of 5% of the Annual Maximum Grant funding). Actual OSF is the actual amount retained in OSF.

¹ Annual Maximum Grant funding is the total annual per capita amount calculated based on April and October enrollees.

2. Approval of the Annual Report establishes the OSF fund for a PCN².
3. Once the Annual Report is approved, PCN can then apply to use OSF fund.

What if adjustments need to be made following approval of the Annual Report?

The October per capita payment will be calculated based on the submitted Annual Report - Audited Financial Statements. Subsequent adjustments will be made to the April per capita if the PCN has received an under or over payment based on the approved Annual Report - Audited Financial statements.

How can I use OSF Funding?

A PCN may only utilize the OSF with and in accordance with prior written approval of Alberta Health. Subject to prior Alberta Health approval, PCNs may use OSF funding as a contingency reserve against unexpected expenses from the current fiscal year. Examples of unexpected expenses may include costs to recover from a natural disaster, costs of temporary employees to cover for unanticipated absences, one-time sustainable expenses such as leasehold improvements, costs to maintain PCN frontline service levels in the event of a sizable patient panel drop after exhausting all other options, or other expenses at the Minister's discretion.

How do I apply to use OSF funding?

1. A PCN applies for OSF funding by completing a Business Plan Amendment (BPA)
2. Alberta Health will provide a written response to the BPA. *PCNs must obtain Alberta Health's prior written approval before using OSF funding.*

When is the OSF Policy effective?

The OSF Policy will be effective April 1, 2018.

Where and how can I find additional information about the OSF Policy?

For support and helpful information on processes and procedures in implementing the OSF Policy, please contact Shannon Berg at shannon.berg@gov.ab.ca or 780 641-9067.

² At the end of the Grant Agreement term, a PCN must submit a request to retain OSF.

Appendix 1: Examples/Sample Calculations

The following are illustrative example calculations of the OSF and do not form part of the OSF Policy. All the examples are isolated scenarios and not a continuation from year to year.

SCENARIO 1: MORE THAN 5% UNEXPENDED GRANT FUNDS

PCNs are allowed to retain 5% of the Annual Maximum Grant Funding as operational stability fund.

| | | |
|---|---|--------------|
| 1 | Annual Maximum Grant Funding for previous year | \$12,400,000 |
| 2 | Expenses from previous year | \$10,000,000 |
| 3 | Unexpended Grant Funds from previous year (Line 1 minus Line 2) | \$2,400,000 |
| 4 | Eligible OSF for this year (5% of Line 1) | \$620,000 |
| 5 | Actual OSF for this year | \$620,000 |

- The PCN did not spend their entire grant funding and was left with \$2,400,000 of surplus funds.
- Since PCNs are allowed to hold OSF based on 5% of prior year's Annual Maximum Grant Fund, this PCN would be allowed to have OSF in the amount of \$620,000.
- \$1,780,000 [line 3 – line 5] will be used to offset October per capita payment

SCENARIO 2: ACCUMULATED SURPLUS

The PCN has more than 5 % of **the Annual Maximum Grant Funding** as Unexpended Grant Funds from previous year and is eligible to retain up to 5% of **the Annual Maximum Grant Funding** as operational stability fund.

| | | |
|---|---|-------------|
| 1 | Annual Maximum Grant Funding for previous year | \$5,000,000 |
| 2 | Expenses from previous year | \$4,900,000 |
| 3 | Unexpended Grant Funds from previous year (Line 1 minus Line 2) | \$100,000 |
| 4 | Previous Grant Agreement surplus | \$200,000 |
| 5 | Eligible OSF for this year (5% of Line 1) | \$250,000 |
| 6 | Actual OSF for this year | \$250,000 |

- The PCN did not spend their entire grant funding and was left with \$100,000 of Unexpended Grant Funds. It also had retained \$200,000 of accumulated surplus from the 2014-2017 grant agreement
- Since PCNs are allowed to hold OSF based on 5% of prior year's Annual Maximum Grant Fund, this PCN would be allowed to have OSF in the amount of \$250,000.
- \$50,000 [line 3 + line 4 – line 6] will be used to offset October per capita payment

SCENARIO 3: LESS THAN 5% UNEXPENDED GRANT FUNDS

The PCN has less than 5 % of **the Annual Maximum Grant Funding** as Unexpended Grant Funds from previous year. Although the PCN is eligible to retain 5% of **the Annual Maximum Grant Funding from previous year** as operational stability fund, they do not have that much in unexpended funds and hence will retain whatever remains as Unexpended Grant Fund.

| | | |
|---|---|-----------|
| 1 | Annual Maximum Grant Funding for previous year | \$300,000 |
| 2 | Expenses from previous year | \$295,000 |
| 3 | Unexpended Grant Funds from previous year (Line 1 minus Line 2) | \$5,000 |
| 4 | OSF from previous year | \$7,000 |
| 5 | Eligible OSF for this year (5% of Line 1) | \$15,000 |
| 6 | Actual OSF for this year | \$12,000 |

- On March 31, 2019, this PCN has \$7,000 in OSF. For 2019/2020, in this example, the PCN did not spend their entire grant funding and was left with \$5,000 of Unexpended Grant Funds.
- Since PCNs are allowed to hold OSF based on 5% of prior year's Annual Maximum Grant Fund, this PCN would be allowed to have OSF in the amount of \$12,000.
- Although the eligible OSF amount for this year is \$15,000, in this case the PCN only has \$5,000 in Unexpended Grant Funds. The resulting OSF for this year is \$12,000 (Unexpended Grant Funds + Previous OSF)

SCENARIO 4: PCN REQUESTED AND WAS APPROVED TO USE OSF

The PCN requested to access the operational stability fund and was approved by AH. As a result, the PCN has used up the OSF and has no Unexpended Grant Funds to carry over in the next fiscal year.

| | | |
|---|---|-------------|
| 1 | Annual Maximum Grant Funding for previous year | \$2,000,000 |
| 2 | Expenses from previous year | \$2,000,000 |
| 3 | Unexpended Grant Funds from previous year (Line 1 plus Line 4 minus Line 2) | \$0 |
| 4 | OSF from previous year (approved for use by AH) | \$80,000 |
| 5 | Eligible OSF for this year (5% of Line 1) | \$100,000 |
| 6 | Actual OSF for this year | \$0 |

- On March 31, 2019, this PCN has \$80,000 in OSF. For 2019/2020, in this example, the PCN spent their entire grant funding and was left with \$0 as Unexpended Grant Funds. PCN requested and was approved to use their previous OSF in accordance with OSF Policy.
- Since this PCN spent their entire Annual Maximum Grant Funding and previous OSF, they are left with \$0 in OSF.

SCENARIO 5: APPROVED BUSINESS PLAN AMENDMENT (BPA)

The PCN has an approved **Business Plan Amendment** (BPA) from the 2017-18 year that is expected to be fully utilized in the 2018/19 fiscal year.

| | | |
|---|---|-------------|
| 1 | Annual Maximum Grant Funding for previous year (2017/18) | \$5,000,000 |
| 2 | Total Expenses from previous year (2017/18) | \$4,900,000 |
| 3 | Unexpended Grant Funds from previous year (2017/18 - Line 1 minus Line 2) | \$100,000 |
| 4 | Approved Business Plan Amendment (BPA) from previous year (2017/18) to be utilized in 2018/19 | \$100,000 |
| 5 | Eligible OSF for this year (5% of Line 1) | \$250,000 |
| 6 | Actual OSF for this year | \$0 |

- For 2018/19, in this example, the PCN did not spend their entire grant funding and was left with \$100,000 of Unexpended Grant Funds.
- Since the PCN has approved BPA with \$100,000 in the next fiscal year to spend, their Unexpended Grant Funds from which to draw eligible OSF is \$0 [Unexpended Grant Funds – BPA].
- Although the PCN is eligible to hold OSF based on 5% of prior year’s Annual Maximum Grant Fund (\$250,000), this PCN would have \$0 in OSF.