



AQ1400 - CAPITAL PLANNING, ACQUISITION AND BILLING FOR EQUIPMENT/MIP'S & CIP'S/IMIT TACTICAL PLAN

1.0 PURPOSE

To outline the steps for planning and acquisition of capital equipment, major capital equipment, Maintenance Improvement Projects (MIP's), Capital Improvement Projects (CIP's) and IMIT Tactical Plan initiatives.

2.0 DEFINITIONS

TERM	DEFINITION
Capital Equipment	\$5,000 to \$100,000 each (including net taxes).
Construction Improvement Project (CIP) (capital in nature)	<ul style="list-style-type: none"> Construction project that is replacing or adding a component of the building which affects the whole facility or if it's an improvement, that increases its original life or capacity (installations of security systems, construction of storage shed, new buildings, new wing). Two categories exist: <ul style="list-style-type: none"> Routine Capital Investments (RCI's): <ul style="list-style-type: none"> Asset Rehabilitation – extends the life of the asset; improves facility/asset condition and/or addresses deferred asset rehabilitation backlog, including code requirements. Upgrades & Renovations – modifies existing infrastructure to meet the current standards of practice; asset improvements undertaken primarily to improve functionality or operational efficiency. Priority Investments (PI's): <ul style="list-style-type: none"> Whole Asset Replacement & Renewal – 50% or more of the asset is replaced (as a % of replacement value); work undertaken will improve the facility condition of the whole asset and reduce asset rehabilitation backlog. New & Expansion – will result in new system capacity and building footprint.
IMIT Plan	Information systems and technology and core infrastructure > \$5,000.

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TERM	DEFINITION
Maintenance Improvement Project (MIP) <i>(operating in nature)</i>	Renovations required for maintaining the normal operating efficiency or capacity of the facility (painting part of a facility, roof replacement, flooring part of a facility).
Major Capital Equipment	Over \$100,000 each (including net taxes).
Minor Equipment	Between \$500 and \$4,999 each (including net taxes).
Provincial Health Services Authority (PHSA)	An organization that delivers non-clinical services for health authorities and finds opportunities to improve cost effectiveness and enhance service quality. By working collaboratively, PHSA ensures health authorities get the most value for every dollar spent.

3.0 POLICY

4.0 PROCEDURE

Summary – Capital equipment, MIP's & CIP's and IMIT initiatives are approved for purchase, through various processes and approvals detailed below. For equipment, the purchase is initiated at the department head level by submitting a requisition to PHSA. The purchase may involve a competitive tendering process, clinical evaluations/trials and may be grouped with other similar purchases. Once the supplier is selected, a purchase order is issued for the equipment. As medical equipment is often not in stock in Canada, delivery times may be 4-12 weeks. CIP's are initiated by Facilities Management & Operations once a project department has been established by Capital Accounting. MIP's are assigned a project code and are charged to Plant Services renovation cost centers once approval has been granted by the Regional Director, Facilities Management & Operations. IMIT equipment/projects are initiated by IMIT once a project department has been established by Capital Accounting. As work proceeds and/or equipment arrives on site, Interior Health (IH) is invoiced by the supplier and the cost appears in our General Ledger (G/L). Each period, usually every 28 days, Capital Accounting identifies these charges in the GL and if externally funded, issues an invoice to the Foundation, Auxiliary, Ministry of Health, or Regional Hospital District for reimbursement.

4.1 Capital Planning

- February 1 to March 15 – VP Leadership teams and front-line Managers in liaison with local Medical Advisory Council's ascertain needs and complete the Capital Planning Forms for submission to Capital Accounting, which incorporates requests for:

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- IMIT Projects
- Equipment; and
- Building Renovation & Projects

IMIT Projects

- June – Health Informatics Strategy Council reviews list for recommended prioritization
- July – August – IMIT to review and price the various draft priorities and involve Business Support Directors to review ongoing operating implications, if applicable.

Equipment

- June - Equipment lists for < \$100,000 are reviewed by the Regional Capital Teams and the draft prioritized list is produced.
- June – IH Advisory Groups recommend prioritization within their respective equipment requests > \$100,000 (i.e. DI Senior Leadership Team, Surgical Council, Lab Steering Committee, etc.).
- July – August – PHSA will price the various draft prioritized requests and involve Facilities Management & Operations to evaluate location feasibility and Business Support Directors to review ongoing operating implications, if applicable.

Building Projects - Maintenance Improvement Projects (MIP's)/Capital Improvement Projects (CIP's) defined as Routine Capital Investments

- April – Capital Accounting summarizes the requests and splits it into 2 categories:
 - Under \$100,000
 - Over \$100,000 which is further summarized by:
 - Routine Capital Investments; and
 - Priority Investments
- June - Both the under \$100,000 and over \$100,000 listings are forwarded to the Regional Capital Teams and VP Leadership teams requesting they rank the priorities for their respective areas with the assistance of their Business Support Directors.

Under \$100K projects

- June – Regional Teams prioritize under \$100,000 *program* project requests and return to Regional Director, Facilities Management & Operations

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- June – Regional Director, Facilities Management & Operations prioritizes under \$100,000 *infrastructure* project requests and provides the combined infrastructure and program priorities to Capital Accounting
- July – August – Facilities Management & Operations prices prioritized requests and involves Business Support to review ongoing operating implications, if applicable.
- September – Regional Director, Facilities Management & Operations combines listings and provides highest prioritized items to Capital Accounting
- October - Capital Accounting reviews the draft prioritized requests and seeks clarification, if necessary, from the project requester to determine if the project is operating (MIP) or capital (CIP) in nature.
- October – Regional Director, Facilities Management & Operations reviews top priorities classified as MIP's and CIP's and confirms against known funding sources to determine the final approved list.
- December – Approved MIP's are assigned a tracking project number and are charged to Plant Services renovation cost centre's.
- December - Approved CIP's are sent to Capital Accounting to establish departments for tracking purposes.
- December - Capital Accounting liaises with Directors of Business Support to determine which, if any, of the CIP's should be included on the letter to the Regional Hospital Districts requesting cost sharing.

Over \$100K projects (defined as Routine Capital Investments)

- June – VP Leadership teams prioritize over \$100,000 *program* requests and return to Capital Accounting.
- June – Regional Director, Facilities Management & Operations prioritizes over \$100,000 *infrastructure* requests and returns to Capital Accounting
- July – August – Facilities Management & Operations prices prioritized requests and involves Business Support to review any ongoing operating implications, if applicable.

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All Categories > \$100,000 (IMIT/Equipment/Building Projects)

- October – Capital Planning Steering Committee reviews IH-wide prioritizations in all categories and determines ranking against known funding sources to determine the final recommended list to SET
- November – Senior Executive Team approval of master capital budget.
- December – IH Board approval of master capital budget.
- December – Regional Hospital District funding request letters sent.
- Capital accounting sets up the equipment tracking reports (both over and under \$100,000) and establishes capital project departments for approved items. Only equipment items that are listed on the tracking report may be ordered.
- April 1 – Department Heads may submit Purchase Requisitions to initiate the ordering/tendering process for equipment. Facilities Management & Operations and IMIT staff initiate approved projects.

Building Projects – Capital Improvement Projects (CIP's) defined as Priority Investments (projects approved on a project by project basis by Government)

- May - Business cases for project requests are reviewed by Corporate Director Capital Planning with assistance from the Business Support Directors and IH advisory members and ranked using the MoH scoring tool to determine initial prioritization.
- October – Capital Planning Steering Committee reviews IH-wide prioritization and recommends Capital Plan to SET
- November – Senior Executive Team approval of IH Capital Plan.
- December – IH Board approval of IH Capital Plan and submission to Ministry of Health, upon request.
- Government approval is provided at the business case stage on a project by project basis and notifies Interior Health of approval to proceed.

4.2 Capital Acquisition - Equipment

- Only items on the approved capital equipment list may be purchased. Items are placed on the approved capital equipment list either through the process described above under *Capital Planning* or below under *New Funding or Contingency*

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Purchases.

- Department heads submit a purchase requisition to PHSA. PHSA should ensure that Facilities Management & Operations has reviewed the requisition for any installation costs and in the case of KGH and VJH any on-going maintenance costs.
- The acquisition may involve a competitive tendering process, clinical evaluations/trials and may be grouped with other similar purchases. If the equipment being acquired has an established IH standard, the standard will be ordered with options as defined by the ordering department. The buyer from PHSA will contact the department to assist in the evaluation of the suppliers' proposals and make a product choice.

4.3 New Funding or Contingency Purchases

- Occasionally the need for equipment arises after the planning process has completed. A funding source must be identified which is usually a Foundation, Auxiliary or VP/site contingency.
- If funded by Foundations or Auxiliaries, they would complete the Funding Confirmation Form for any items for which they have funding in place.
- For items < \$100,000 final approval must be provided by the Director of Business Support who will consider the impact of the equipment on operations and budgets. The Director of Business Support advises Capital Accounting that the item is approved for purchase and identifies the funding source.
- For replacement or new additional items > \$100,000 for which the Foundation would like to fundraise 100%, the following applies:
 - The operational lead (i.e. Area Director or Site Administrator) needs to be in support of the additional item;
 - The program lead (e.g. Clinical or Diagnostic Regional Director) needs to be in support of the additional item;
 - The Business Support representative to assist with identifying any new incremental ongoing operating costs associated with the new additional item and determine the funding source;
 - *The appropriate Vice President needs to be in support of the additional major equipment item and demonstrate how it fits with Interior Health's Integrated Service Plan, etc.;*
 - Final approval must be provided by the Chief Financial Officer, SET or the Board depending on spending authority (see IH Policy AE0100 – Signing Authority);
 - Formal sign off by the parties listed above on the Foundation/Auxiliary Pledge Form along with the Foundation representative to demonstrate that everyone is on board with the fundraising campaign and future acquisition;

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- The Foundation to sign a Funding Confirmation Form once 100% of the funds are available;
- Upon receipt of the funding confirmation form, Capital Accounting will work with PHSA and Plant Services to initiate the order; and,
- If the Foundation falls short of their fundraising objective and is no longer able to fund 100% of the item, the decision on an alternate funding source (i.e. IH equity, MoH funding, RHD funding, etc.) will be evaluated as part of the IH overall capital prioritization process and/or the purchase delayed until the Foundation raises all of the funds.
- Occasionally the Foundation or Auxiliary has additional funding available throughout the year. When possible, the Foundation or Auxiliary should be choosing equipment that has already gone through the prioritization and approval process but is waiting for a funding source.
- With approval in place, the department may submit a purchase requisition to PHSA.

4.4 Minor Capital Equipment funded by Foundation / Auxiliary

- **Summary** – Non-capital items do not flow through the same process and are much more ad-hoc in the funding and approval process. In most cases, PHSA is sent a requisition that indicates that the purchase is being funded by the Foundation / Auxiliary. PHSA will verify the funding source with the manager. A Funding Confirmation Form is not required. The purchase may involve a competitive tendering process, clinical evaluations/trials and may be grouped with other similar purchases. Once the supplier is selected, a purchase order is issued for the equipment. Delivery times of minor equipment are often less than with Capital Equipment but may still take weeks or months. The goods are received, invoiced by the supplier and appear in our General Ledger (G/L). If externally funded, the Corporate Accounting Department identifies these charges in the GL and issues an invoice to the Foundation or Auxiliary for payment.
- Department heads submit a purchase requisition to PHSA using EOC 7900000.

4.5 Major Capital Equipment, Capital Equipment, IMIT and CIP's Billing Procedure

- **Summary** – capital item is received and/or work is performed and invoiced by the supplier. Invoiced amounts are posted to the General Ledger (G/L). Only invoiced amounts are billed. Funding source is billed each period. A 30-day payment period is expected.

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- **MoH** – Claims are prepared each period and are electronically submitted to the MoH using the “Certificate of Approval Program and COA Disbursement System” provided by the MoH. This submission creates an EFT (electronic funds transfer), which directly transfers funds to Interior Health's bank account.
- **RHD** – Claims are prepared and scanned each period to the appropriate RHD. The RHD's pay the claim by mailing a cheque to Capital Accounting, which is deposited into Interior Health's bank account.
- **Foundations, Auxiliaries and Other Organizations** - invoices are prepared by Capital Accounting if the majority of the cost has been posted to the General Ledger. If requested by Foundation/Auxiliary Capital Accounting includes copies of supplier invoices obtained from PHSA Accounts Payable. This requirement is an exception, rather than the norm.

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