



## **FAQ – Patient Focused Funding (PFF)**

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### **1. What is PFF?**

PFF is a health funding model based on activity-based funding (ABF), where health services providers (HSPs) receive funding based on the volume, type, and complexity of the care they deliver, rather than receiving a fixed annual budget. Additional information about how ABF works in other Canadian jurisdictions is available through resources published by the Canadian Institute for Health Information.

In Alberta, PFF is intended to improve transparency, accountability, access and efficiency in acute care by aligning funding more closely with the services that are provided, while maintaining safe, high-quality care. As part of this initiative, selected procedures will begin transitioning from the current global budget model, where HSPs receive a fixed amount of funding each year, to an activity-based funding model, where funding reflects the number and complexity of procedures performed.

By making funding follow the patient, PFF also encourages efficient, patient-centred care and helps ensure the province receives measurable value for its investment across the entire acute care system.

### **2. What are PFF's objectives?**

PFF is intended to enhance transparency in health care spending by making funding rules, methodologies and allocation processes visible. It will also incentivize efficiency, strengthen performance and support improving access by tying revenue to the volume and type of care provided which encourages hospitals to optimize processes and reduce unnecessary delays.

In addition, PFF will ensure value for this funding, regardless of where care is delivered. Predefined prices for each type of patient and service aligns funding with the true resource requirements of different conditions, ensuring hospitals are paid appropriately regardless of location and adjusting prices to incentivize transparency, accountability, access and efficiency in acute care.

### **3. What procedures are included in Phase 1?**

There are four common, high-volume procedures included in the first phase of PFF implementation:

- Unilateral hip replacement
- Unilateral knee replacement



- Cataract replacement
- Shoulder (rotator cuff) repair

**4. Which facilities are participating in Phase 1?**

	Site	Service Delivery Organization	Procedure delivered per site			
			Hip	Knees	Cataracts	Shoulders
1.	Chinook Regional Hospital	Alberta Health Services	X	X	X	
2.	Grande Prairie Regional Hospital	Alberta Health Services	X	X	X	X
3.	Innisfail Health Centre	Alberta Health Services			X	
4.	Medicine Hat Regional Hospital	Alberta Health Services	X	X	X	X
5.	Red Deer Regional Hospital Centre	Alberta Health Services	X	X		X
6.	Rockyview General Hospital	Alberta Health Services	X	X	X	
7.	Royal Alexandra Hospital	Alberta Health Services	X	X	X	
8.	Westlock Healthcare Centre	Alberta Health Services	X	X	X	X
9.	Wetaskiwin Hospital and Care Centre	Alberta Health Services			X	
10.	Grey Nuns Community Hospital	Covenant Health				X
11.	Misericordia Community Hospital	Covenant Health	X	X		
12.	St. Mary's Hospital	Covenant Health	X	X		

**5. Why are we starting small?**

We're taking a phased approach to this work so we can make sure the system is fair, stable, and based on solid evidence. Beginning with a small group helps us refine our pricing model as we expand, understand what drives costs, and make sure our classifications and adjusters are accurate.



## **6. How is PFF different from previous funding models in Alberta?**

Acute care in Alberta has historically been funded by global budgets, where hospitals are given annual funding for departments. Global budgets are simple to administer and offer a strong degree of cost control. Global budgets also make it easier for hospitals to absorb the cost of providing complex or highly intensive treatment to patients with those needs.

PFF represents the introduction of an ABF component to Alberta's acute care system. ABF funds hospitals directly for individual procedures at a set price. In comparison to global budgets, ABF programs incentivize efficiency and improve access by tying funding to the care they provide. ABF is most appropriate for high-volume procedures with well-established standards of care and may not be appropriate for highly complex or low volume procedures with unpredictable patient needs and therefore, system costs.

Healthcare systems around the world have been expanding ABF programs in recent years because research shows that well-administered ABF can increase efficiency and treatment volumes, improving patient access to care without compromising quality or safety. By adopting a mixed funding approach combining global base funding with ABF for procedures where it is appropriate, Alberta is aiming to maximize the efficiency of our healthcare system and improve patient access while maintaining a focus on patient outcomes.

## **7. How are prices calculated?**

The price is the amount Acute Care Alberta pays to Alberta Health Services, Covenant Health, or other health service providers for a particular activity or procedure. The payment covers the direct cost of the procedure, plus a portion of operating costs, like maintaining the facility.

The PFF Price does not include physician compensation. Physicians are paid separately through Alberta's fee-for-service system (SOMB). Corporate overhead costs are funded through the HSP's regular budget for work outside the PFF model.

Prices are not meant to represent the total cost for a hospital to provide care to an individual patient. Rather, they reflect an evidence-informed estimate of what it typically costs to complete a procedure for an average patient in Alberta. The price is then adjusted to compensate for other factors like patient characteristics (complexities) that can affect cost but are outside the hospital's control.

The Alberta PFF Price for a procedure is calculated using a three-component formula:

$$A \times B + C = \text{PFF Price}$$



A = base procedure costs

Component A is the sum of several different cost types including:

- Nursing Units
- Operating Rooms (including turn-over time)
- Supply Costs (Implants)
- Drugs
- Laboratory
- Diagnostic Imaging
- Emergency Department
- Other Incremental Costs (e.g., linen supply, food services)

Costs are estimated by the Health Shared Services Activity and Costing department.

B = complexity adjustment

Not all patients require the same level of care. Some have additional health conditions that make their procedures more complex. These patients may:

- Need more time in the operating room
- Require longer hospital stays
- Use more specialized equipment or monitoring

However, clinical complexity does not always translate into higher cost. Cost adjustments are applied only when a patient's condition is expected to significantly increase the resources required.

C = other adjusters

Some hospitals may naturally face higher costs because of how and where they operate. For example:

- Rural and remote sites may have higher operating costs because of travel distances, staffing challenges, or lower procedure volumes.
- Teaching hospitals may need additional staff and resources to support training.

These differences are expected and are reflected in how funding is allocated. For 2026/27, however, there was limited evidence of meaningful cost variation across the 12 sites. As a result, no site-specific adjustments were applied, and funding for these items is based on historical averages and included in the base price.



While these adjustments were not applied in 2026/27, this component of the pricing model will be monitored and updated as needed. Future potential adjusters include increased payments for some rural sites with staffing challenges and for teaching hospitals.

For a more comprehensive explanation of pricing methodology, please see the 2026/27 Price Book [www.acutecarealberta/pff](http://www.acutecarealberta/pff).

## **8. Are Chartered Surgical Facilities (CSF) participating in PFF?**

CSFs are an important part of Alberta's surgical system, helping deliver high-volume procedures outside hospitals, and free up hospital operating rooms to focus on higher acuity and complex care.

CSFs are a routine and a practical way to manage surgical capacity and make the system work better for patients. They operate under separate contracts and funding models and are not funded through PFF. CSF pricing is set through contractual agreements and reflects different cost structures, including factors such as capital or facility costs, and uses a different approach to accounting for patient complexity.

CSFs and hospitals are funded differently because they serve different purposes. As a result of these different service models and structural differences, there is no one-size-fits-all pricing. PFF prices are not currently directly comparable to CSF fees.

Over time, PFF pricing will inform planning and funding within the CSFs delivery model.

## **9. How will quality and safety be maintained?**

PFF supports quality and safety by monitoring outcomes, resource use, and variations in care. Standardized clinical and financial data, such as case-mix information, resource intensity weights, and other indicators, help identify outliers and drive improvements in clinical practice and patient safety. While PFF primarily targets transparency, its emphasis on performance monitoring creates conditions that support ongoing quality and safety oversight.

## **10. Will surgeries be disrupted during the first year?**

No, PFF is designed to enhance the system, improve access and transparency, while increasing efficiency over the long-term. The success of PFF is in the long-term benefits, not short-term savings or disruptions. It will take time for service providers to shift their thinking from fixed global funding to receiving funding on a per service basis – therefore, to get the most from PFF, the service providers' understanding is essential to its success.



To ensure there are no disruptions, PFF implementation incorporates multiple communication avenues with service providers and increased monitoring of included procedures, ensuring service providers have the time needed to successfully adapt to this new model while maintaining safe, high-quality care.

#### **11. How will PFF be expanded over time?**

The scope of PFF is expected to expand in future years in several different directions:

- Expand current PFF procedures to all public hospitals.
- Expand the number of procedures funded under PFF.
- Evolve the PFF methodology to better reflect the full cost of care across an episode, where appropriate.
- Use PFF prices as an input to inform future contracting and procurement decisions for services delivered through chartered surgical facilities.