



Primary Care Initiative

Guidelines for Use of Per-Capita Funding

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Alberta's
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1. Introduction

The Primary Care Initiative Committee (PCIC) developed policy to guide Primary Care Networks as they draft and implement their business plans. The following information is contained in the Primary Care Initiative (PCI) Policy Framework, and can be found on the PCI website (www.albertapci.ca) under “Developing a PCN”

2. Per-capita funding

Article 9 of the PCI agreement outlines the enrolment rules and the payment to the Primary Care Network of \$50 per annum for each patient on the enrolment list.

Funding Policy

- The primary objective of the up to \$50 per patient annual payment is to substantially improve the provision of primary care to all Albertans, as described in Article 3, section 3.1(e) of the PCI agreement.
- The \$50 per patient payment may be used to fulfill the PCI objectives by:
 - Adding value through the provision of new services and or service enhancements including support for other providers (i.e., provide incentives to expand the comprehensiveness of an existing service or fill service gaps)
 - Paying for physician services for which there is currently no remuneration (fee-for-service or other programs) from the Physician Services Budget (PSB) or RHA.
- PCI monies will not fund existing services provided currently by RHAs, PSB or other initiatives like the Physician Office System Program (POSP) (i.e., PCI monies are not intended to replace existing funding).
- PCI monies will not be used for major infrastructure development including facility construction, etc. (*See Appendix 1: Capital Expenditures Guidelines*)
- At the local level, each Primary Care Network will determine how PCI monies will be allocated, based on the application of approved principles and the approved business plan.

Further guidelines and policy

PCIC has developed further guidelines and an evaluation framework to supplement the policy outlined above. These new guidelines provide greater detail and direction concerning compensable activities, specifically those describing the use of funding for physician and regional health authority reimbursement.

3. Physician reimbursement guidelines

3.1. Policy direction

- Services/activities not currently funded from other funding pools (e.g., fee-for-service) are eligible for reimbursement from Primary Care Initiative monies. If other funding pools change the type of service/activity that is eligible for payment, then the eligibility for payment from Primary Care Initiative monies will change accordingly.
- Physicians cannot be compensated for more than one service at the same time from Primary Care Initiative monies (e.g., team management and disease management).
- Other non-Primary Care Initiative payments will be refunded to the Primary Care Network when a physician is being compensated by the Primary Care Network for that specific service or activity.

The types of proposed activities for which physicians may be compensated from PCI funds are outlined below. The objectives, desired activities and payment method are further described in Table 1.

3.2. Compensable activities

The types of proposed activities for which physicians may be compensated for PCI funds are outlined below.

3.2.1 Clinically-related activities

1. Where a physician is performing a specific role as clinical supervisor or managing a team of other health professionals such as:
 - i. Supervision of other health care providers where the providers are performing supplementary functions on behalf of the physician as opposed to providers who are practising independently and therefore, not directly accountable to the physician for the services they provide.
 - ii. Managing multi-disciplinary team functions where the physician is the designated team lead (e.g., providing clinical and financial oversight of the operation of the team).

Recommended Payment Method

- Activities related to clinical roles will be paid by a stipend as opposed to an hourly rate.

2. Where a physician is performing a clinical service for individuals or a specific group of patients such as:
 - i. Managing the care of a discrete group of patients, who share common health needs, on behalf of the Primary Care Network.
 - ii. Managing the individual care of patients with multiple and complex health needs, including the coordination of referrals, results and subsequent follow-up.
 - iii. Providing care advice and case management after regular hours of operation utilizing a formalized triage system on behalf of the Primary Care Network.

Recommended Payment Method

- Services related to the care of an individual or group of patients may be paid by a standardized daily or hourly rate, whichever is most appropriate.

3. Where a physician is performing program development and/or research functions on behalf of the Primary Care Network

Recommended Payment Method

- Services related to program development and implementation and/or research functions may be paid through a time-limited stipend.

3.2.2 Primary Care Network administrative/governance services

Governance and management of a Primary Care Network are compensable activities.

Recommended Payment Method

- The above non-clinically related services will have a provincially standardized hourly rate or stipend with no maximum. Primary Care Networks are encouraged to adopt payment methods that are consistent with other governing bodies such as RHA and municipal boards.

3.2.3 Cost recovery related to the operation of the Primary Care Network such as:

- Rent and lease costs
- Equipment (refer to guidelines on allowable capital costs – see Appendix 1)
- Medical and office supplies
- Staffing
- Specialized training
- Evaluation costs
- Recruitment
- Innovative initiatives that add value to the Primary Care Network

Recommended Payment Method

- Costs may be recovered at a standardized rate or a market rate where applicable.
- It is the responsibility of the Primary Care Network to clearly define and describe the cost and how it is being measured
- Costs that are already being paid through other means are not eligible for reimbursement and it is the responsibility of the Primary Care Network to establish that this will not occur.
- “Recruitment” refers to the cost directly associated with recruitment activities and is not for signing bonuses or other incentives.

Table 1

Objectives and Activities	Type	Description	Payment Method
1. Clinically-related activities			
<p>Improves access by expanding capacity while ensuring appropriate supervision and coordination.</p> <p>Enhances the Primary Care Network’s capacity to provide effective and efficient care.</p>	Supervision	<p>A payment to a physician for supervising another health care provider who is performing supplementary functions on behalf of the physician. This role extends the efficiency of the physician by the other provider assuming part of the tasks, which are generally technical in nature.</p> <p>Key elements:</p> <ul style="list-style-type: none"> • Other health care provider performing a supplementary role not other health care providers who are acting independently 	No limit, but a stipend
<p>Promotes teamwork amongst the group including the engagement of other health care providers to their full scope of practice.</p>	Team management	<p>A payment to a physician for leading a multi-disciplinary team supporting a discrete group of patients. This would include taking clinical and/or financial responsibility for the primary care functions assumed by the team (e.g., providing clinical and financial oversight of the operation of the team).</p> <p>Key elements:</p> <ul style="list-style-type: none"> • Multi-disciplinary team • Discrete group of patients • On behalf of the Primary Care Network 	No limit, but a stipend

Objectives and Activities	Type	Description	Payment Method
<p>Encourage an organized, long-term approach to screening and preventive services.</p> <p>Encourage the comprehensive care of patients including the coordination of care and the appropriate completion of reports, problem lists, etc.</p>	Disease management	<p>A payment to a physician for managing the care of a discrete group of patients who share common health needs, on behalf of the Primary Care Network.</p> <p>Key elements:</p> <ul style="list-style-type: none"> • Managing the care of a group of patients • On behalf of the Primary Care Network 	A standard hourly or daily rate but no limit
Encourage the care of patients with complex/multi-problem health issues.	Case management including coordination	<p>A payment paid for the case management of patients with complex/multi-health issues that may require specialist services (e.g., multiple specialist referrals).</p> <p>Key elements:</p> <ul style="list-style-type: none"> • Providing direct individual care • Complex patient, who has multiple care providers • Coordinating clinical information from a variety of sources and is also receiving specialist services 	A standard hourly or daily rate but no limit
Improve timely and appropriate access.	Management of 24/7 access	<p>A fee paid for being available to provide and/or actually providing care advice and case management services after regular hours of operation, utilizing a formalized triage system as part of a program provided by the Primary Care Network, for example services provided to complement normal referrals to Health Link.</p> <p>Key elements:</p> <ul style="list-style-type: none"> • Case management • Formalized triage system 	A standard hourly or daily rate but no limit
Promotes the development of new programs and their effective implementation.		A payment for program development and implementation and evaluation activities.	A time-limited stipend
2. Primary Care Network Administrative/Governance Services			
Promotes the effective operation of the Primary Care Network.		A payment for governance and management-related functions of the Primary Care Network.	Standard hourly or daily rate or a stipend.

Objectives and Activities	Type	Description	Payment Method
3. Cost Recovery			
Costs must be related to the provision of Primary Care Network services (Examples are listed in the next column)	Rent and lease costs	Cost to acquire and maintain the space required to support Primary Care Network programs	Reasonable limits established and market rates applied
	Minor equipment and other approved capital expenditures	Cost to acquire and maintain the equipment required to support Primary Care Network programs	Reasonable limits applied within PCI Capital Expenditure Policy
	Specialized training	Payment to encourage and cover the costs of specialized training directly related to advanced primary care services	Limited to direct (e.g., travel and tuition) and indirect (e.g., compensation for physician's time) costs of obtaining the training
	Primary Care Network evaluation	Overall evaluation of the Primary Care Network and other related activities	Amount established per capita
	Medical and office supplies	Supplies related to Primary Care Network activity that are not covered by other payment systems	Reasonable limits established and market rates applied
	Staffing	Payments for Primary Care Network staff	Reasonable limits established and market rates applied
	Recruitment	Costs directly associated with recruitment activities (not for signing bonuses and other incentives)	Reasonable limits established and market rates applied
	Innovative initiatives that add value to the Primary Care Network	Initiatives that add value and are not already funded by other payment systems	Initiative-dependent (within reasonable limits)

4. RHA reimbursement guidelines

4.1. Policy direction

Services/activities for which RHAs are compensated must:

- Substantially improve the provision of primary care to Albertans
- Add value through the provision of new services and/or enhanced services, including support for other health care providers
- Not duplicate services for which RHAs are already funded
- Not be major infrastructure development (must follow Primary Care Network capital expenditure guidelines)

PCIC will focus on assessing the impact of RHA reimbursement proposals within the context of achieving PCI objectives, rather than trying to address the shortcomings of other funding sources.

Primary Care Network funding cannot be used to replace and/or subsidize existing services provided by RHAs. However, some overlap may be allowed for a fixed period of time to allow for transition to new models.

5. Evaluation of business plan compensation components

The approach used to evaluate Primary Care Network business plan compensation components will include an overall assessment and application of a “reasonableness” test within the context of the PCI objectives, parameters and desired behaviors. The approach also creates the flexibility required to accommodate the variety of clinical and regional circumstances that will exist in the PCI program.

5.1. Evaluative questions/criteria

A set of evaluative questions/criteria has been developed for each major component and its associated elements as they relate to each of the key PCI objectives. These questions/criteria are designed to be used by:

- Physicians and RHAs as a self-assessment tool to assist in the development of their business plans and to facilitate compliance with the policy framework established by the PCIC
- The PMO to facilitate the initial evaluation of Primary Care Network business plans to expedite the approval process
- The PCIC to complete a final assessment and evaluation of Primary Care Network business plans, following the PMO’s preliminary evaluation

5.2. Evaluation principles

The following principles will be applied when using the evaluative questions/criteria for each of the business plan components:

- Questions should be considered together in totality. No one question stands independent of the others, and no one question will unilaterally determine the outcome of the evaluative process except where a question requires a mandatory “YES” response.
- If any question requiring a mandatory “YES” response has a “NO” response, the business plan cannot be approved. PCIC will discuss and decide on next steps.
- For an individual service and/or payment to be approved, at least 75% of the questions relating to that service and/or payment must have a “YES” response.
- The evaluation process is qualitative rather than quantitative.

5.3. Compensation principles

- Physicians and RHAs will be reimbursed for providing primary care services using new approaches to service delivery (e.g., supervision of other health care providers, managing care, and case management) that fulfill the five objectives outlined in the agreement.
- Physician and RHA services eligible for compensation will be defined by a provincial framework, which may establish minimum and maximum limits for various compensation types.

- Physician and RHA services eligible for compensation may be adjusted from time to time by PCIC with appropriate notice to all parties.
- RHAs and physician groups will establish locally, through their business plans, specific compensation elements for eligible services, within the provincial framework, as outlined in Table 1.
- Primary Care Network monies will not be used to “top up” payment for currently remunerated services.
- Physicians and RHAs will be compensated for at least a portion of the costs directly incurred as a result of implementing and operating the Primary Care Network.
- Reimbursement will be designed to avoid “double dipping” with other payment and funding systems.

5.4. Compensation components

Evaluation of physician and RHA reimbursement proposals will be based on how the proposal addresses each of the following major components:

- PCI program objectives
- Systemic considerations
- Economic considerations
- Social/public implications

Each of these major components is further defined by a number of evaluative questions. This technique allows for a comprehensive assessment using a consistent set of evaluative elements.

6. Physician reimbursement evaluation

PCIC has developed the following evaluative framework for assessing the appropriateness of physician reimbursement proposals contained in Primary Care Network business plans.

6.1. Evaluative parameters

<p><i>PCI Objectives</i> The proposed service and/or payment:</p> <ul style="list-style-type: none"> • directly enables one or more of the PCI objectives. • is directly attributable to one of the service responsibilities. • promotes and or enables service delivery by other health care providers. • promotes best practice and research. 	<p><i>Systemic Considerations</i> The proposed service and/or payment:</p> <ul style="list-style-type: none"> • is measurable and verifiable. • does not cross the boundary of another provincial payment or funding system.
<p><i>Economic Considerations</i> The proposed service and/or payment:</p> <ul style="list-style-type: none"> • supports physician productivity and promotes the efficient and effective use of other health care providers within the Primary Care Network. • provides for recovery of costs related to implementing and operating the Primary Care Network. 	<p><i>Social/Public Implications</i> The proposed service and/or payment:</p> <ul style="list-style-type: none"> • enables the delivery of enhanced primary care services within the established and defined legislative and accountability frameworks including appropriate accountability, performance measurement and monitoring approaches.

6.2. Questions for the initial evaluation by PMO staff

PCI Program Management Office staff will conduct a preliminary assessment of the compensation components proposed in the business plan, using the following questions as a guide.

**** denotes a mandatory "YES" response is required for the proposal to be approved.*

PCI Objectives

1. **Supports objectives:** Does the proposed service and/or payment directly support/enable one or more of the PCI objectives? ***
 - If so, which ones?
 - Access
 - Comprehensive care

- Care of patients with chronic diseases or complex problems
 - Health promotion, and disease and injury prevention
 - Coordination and integration of care
 - Use of multi-disciplinary teams
2. **Service responsibilities:** Is the proposed service and/or payment directly attributable to one or more of the Primary Care Network service responsibilities?
 - If so, which ones?
 3. **Other health care providers:** Does the proposed service and/or payment support physician productivity and promote the efficient and effective use of other health care providers within the Primary Care Network? For example:
 - Are more services provided to the same number of patients and/or are more patients served?
 - What is the percentage increase in patients served, what is the percentage increase in the number of services provided, what is the change in access and waiting times?
 - Does the payment incent supplementary function, extend the efficiency of the physician, or substitute for physician functions? Or is it complementary to what the physician does?

Systemic Considerations

4. **Measurable and verifiable:** Is the proposed service and/or payment measurable and verifiable? For example, is there a record of the service that can be reviewed retrospectively?
 - If the proposed service and/or payment is not quantifiable, does the establishment of a rate or total limit (minimum/maximum) address the policy concern (e.g., by limiting potential misuse)?
5. **Another payment or funding system:** Is the proposed service and/or payment separate from and independent of other provincial payment or funding systems? For example, is there an existing fee code for the proposed service or is the service explicitly included in an existing bundled payment (e.g., ARP)?
 - If it does overlap, how? What are the resulting consequences and mitigating strategies?
6. **Information management and technology:** Does the proposed service and/or payment encourage greater use of information management and technology to delivery primary care (e.g., decision support tools, screen tools)?
 - Is the proposed service and/or payment separate from and independent of other provincially funded IM/IT programs (e.g., POSP)?

7. **Clinical best practices and/or research:** Does the proposed service and/or payment encourage the development and/or implementation of clinical best practices and/or research?
 - If so, how?
 - What percentage of total Primary Care Network funding is being directed to this service and/or payment?

Economic Considerations

8. **Recovery of costs:** Does the proposed service and/or payment provide for the recovery of reasonable expenses directly related to implementing and operating the Primary Care Network (e.g., governance, management, infrastructure)?
 - If yes, are financial limits proposed?

6.3. Additional evaluative questions to be considered by PCIC

The following questions will be used by PCIC to assess the overall acceptability of the reimbursement proposal, after the PMO has completed the initial assessment.

PCI Objectives

9. **Scope of practice:** Does the proposed service and/or payment encourage an appropriate scope of practice (breadth, depth, variety) by physicians and other health care providers given different care settings and geographic locations?

Economic Considerations

10. **Reasonable limits:** Are the expenditure levels for the physician compensation components within reasonable limits given the local service delivery environment and the availability of providers? For example, is the payment consistent with other payments for similar work in a similar environment (i.e., internal equity within family medicine)?

Social and Public Implications

11. **Ethical, legislative and accountability frameworks:** Do the proposed physician compensation components comply with established and/or defined ethical, legislative and accountability frameworks? ***
 - For example, does the payment create an incentive to violate the physician/patient relationship or violate privacy laws?

12. **Value for money:** Do the proposed physician compensation components fulfill the criterion of providing value for money, especially as it relates to other comparable services provided by physicians? Are resources used prudently?

- For example, could the same service be provided with the same quality at a lower cost?

7. RHA reimbursement evaluation

PCIC has developed the following evaluative framework for assessing the appropriateness of RHA reimbursement proposals contained in Primary Care Network business plans.

7.1. Evaluative parameters

<p><i>PCI Objectives</i> The proposed service and/or payment:</p> <ul style="list-style-type: none"> • directly enables one or more of the PCI objectives. • is directly attributable to one of the service responsibilities. • promotes and or enables service delivery by other health care providers. • promotes best practice and research. 	<p><i>Systemic Considerations</i> The proposed service and/or payment:</p> <ul style="list-style-type: none"> • is measurable and verifiable. • does not cross the boundary of another provincial payment or funding system. • promotes the establishment of a healthy relationship between RHAs and other health professionals.
<p><i>Economic Considerations</i> The proposed service and/or payment:</p> <ul style="list-style-type: none"> • supports RHA productivity and promotes the efficient and effective use of other health care providers within the Primary Care Network. • provides for recovery of costs related to implementing and operating the Primary Care Network. 	<p><i>Social/Public Implications</i> The proposed service and/or payment:</p> <ul style="list-style-type: none"> • enables the delivery of enhanced primary care services within the established and defined legislative and accountability frameworks including appropriate accountability, performance measurement and monitoring approaches.

7.2. Questions for the initial evaluation by the PMO

PCI Program Management Office staff will conduct a preliminary assessment of the compensation components proposed in the business plan, using the following questions as a guide.

**** denotes a mandatory "YES" response is required for the proposal to be approved.*

PCI Objectives

1. **Supports objectives:** Does the proposed service and/or payment directly support/enable one or more of the PCI objectives? ***
 - If so, which ones?
 - Access
 - Comprehensive care
 - Care of patients with chronic diseases or complex problems

- Prevention and health promotion
 - Coordination and integration of care
 - Multi-disciplinary teams
2. **Service responsibilities:** Is the proposed service and/or payment directly attributable to one or more of the Primary Care Network service responsibilities?
 - If so, which ones?
 3. **Other health care providers:** Does the proposed service and/or payment support RHA productivity and promote the efficient and effective use of other health care providers within the Primary Care Network? For example, are more services provided to the same number of patients and/or are more patients served? What is the percentage increase in patients served, what is the percentage increase in the number of services provided, what is the change in access and waiting times? Does the payment incent supplementary function, extend the efficiency of the RHA, or substitute for RHA functions? Or is it complementary to what the RHA does?

Systemic Considerations

4. **Measurable and verifiable:** Is the proposed service and/or payment measurable and verifiable? For example, is there a record of the service that can be reviewed retrospectively?
 - If the proposed service and/or payment is not quantifiable, does the establishment of a rate or total limit (minimum/maximum) address the policy concern (e.g., by limiting potential misuse)?
5. **Another payment or funding system:** Is the proposed service and/or payment separate from and independent of other provincial payment or funding system or existing services?
 - If it does overlap, how? What are the resulting consequences and mitigating strategies?
6. **Strong and effective RHA-physician relationship:** Does the proposed service and/or payment promote service integration between the RHA and family physicians?
 - How much money is being proposed to support this objective and what is the anticipated outcome?
7. **Information management and technology:** Does the proposed service and/or payment encourage greater use of information management and technology to delivery primary care (e.g., decision support tools, screen tools)?
8. **Clinical best practices and/or research:** Does the proposed service and/or payment encourage the development and/or implementation of clinical best practices and/or research?
 - If so, how?
 - What percentage of total Primary Care Network funding is being directed to this service and/or payment?

Economic Considerations

9. **Productivity:** Does the proposed service and/or payment support RHA productivity and/or promote the effective and efficient use of other health care providers within the Primary Care Network?
10. **Recovery of costs:** Does the proposed service and/or payment provide for the recovery of reasonable expenses directly related to implementing and operating the Primary Care Network (e.g., governance, management, infrastructure)?
 - If yes, are financial limits proposed?

7.3. Additional evaluative questions to be considered by PCIC

The following questions will be used by PCIC to assess the overall acceptability of the reimbursement proposal, after the PMO has completed the initial assessment.

PCI Objectives

11. **Scope of practice:** Does the proposed service and/or payment encourage an appropriate scope of practice (breadth, depth, variety) by physicians and other health care providers given different care settings and geographic locations?

Economic Considerations

12. **Reasonable limits:** Are the expenditure levels for the RHA reimbursement components within reasonable limits given the local service delivery environment and the availability of providers? For example, is the payment consistent with other payments for similar work in a similar environment?

Social and Public Implications

13. **Ethical, legislative and accountability frameworks:** Do the proposed RHA compensation components comply with established and/or defined ethical, legislative and accountability frameworks? ***
 - For example, does the payment create an incentive to violate the physician/patient relationship or violate privacy laws?
14. **Value for money:** Do the proposed RHA compensation components fulfill the criterion of providing value for money, especially as it relates to other comparable services provided by RHAs? Are resources used prudently? For example, could the same service be provided with the same quality at a lower cost?
15. **Accountability:** Do the proposed RHA compensation components have a mechanism that clearly establishes accountability for quality and effective use of resources? ***

Appendix 1: Capital Expenditures Guidelines

Primary Care Network decisions regarding whether a purchase is a capital or operating expenditure will be guided by generally accepted accounting principles, including the matching and materiality principles. Some criteria to help the decision include:

- If the use of a purchase can be reasonably applied to the current fiscal year, then it should be an operating expense.
- If a single purchase has a useful life exceeding one fiscal year, but is not of significant dollar value, then it should be an operating expense.
- If the sum total of several small purchases of the same type of product or service exceeds a large dollar value, then there is a case for capitalizing the expenditure.

PCI policy states that Primary Care Network per-capita funding may not be used for “major infrastructure development including facility construction, etc.” (i.e., funding of large capital projects). However, direction has been given that smaller capital items, such as renovations to accommodate a new services or additional health providers, would be allowed.

Guidelines

- Capital expenditures made with Primary Care Network funds must directly enhance and support service delivery related to the Primary Care Network service delivery model.
- A Primary Care Network may not expend more than \$100,000 in PCI funding annually on (the total set of) capital expenditures without prior approval from PCIC.
- Expenditures totaling more than \$100,000 annually require PCIC approval.
- Any individual item purchased for more than \$5,000 is considered to be a capital expense. This is consistent with AHW and RHA reporting limits. Approval for purchase of capital items would be made within the Primary Care Network.

Accounting Rules for Capitalization

These guidelines are intended to ensure consistency in reporting across networks. The rules are summarized as follows:

- If the cost is less than \$1,000, it should be recorded as an expenditure in the current period only.
- If the cost is between \$1,000 and 5,000, it should be recorded as an expenditure in the current period only, but records should be maintained in an asset log for audit and accountability purposes.

- If the cost is more than \$5,000, it should be capitalized and reported as a depreciation expense in applicable semi-annual periods. A history of the asset should be maintained in the asset log

General Rules for Expense vs. Capital Expenditures

For accounting purposes, the term “capital” implies that the useful life of the asset exceeds one annual reporting period and is therefore depreciated according to recognized accounting rules (e.g., CICA and CCRA). Expenditures for goods that are consumable within a year, or for services that have immediate and short-term benefit, are not included in the definition of capital expenditure.

Table 1: General rules for expense vs. capital based on dollar value

Criteria	Accounting Rule	Notes
If <\$1,000:	Record as an operating expense	
If between \$1,000 and 5,000	Record as an operating expense	<ul style="list-style-type: none"> • Maintain details only in an asset log • No reconciliation with balance sheet since no book value • Verify physical inventory for audit purposes to ensure goods are accounted for
If >\$5,000	Capitalize and record depreciation expense	<ul style="list-style-type: none"> • Use CCRA Capita Cost Allowance depreciation rules to keep book values the same • Maintain details, including a depreciation schedule and book value in the asset log • Verify physical inventory for audit purposes • Reconcile to the balance sheet

7.4. Tracking and Reporting of Capital Expenditures

- The Asset Log is a document in which records are kept of expenditures, depreciation and net book values. This information will be required for the network’s annual audit, and should also be made available to the PCI program.

- Primary Care Networks should calculate and report depreciation on the same basis as their Regional Health Authority. For purposes of health reporting, accounting for capital assets should be in accordance with Section 4430 of the Canadian Institute of Chartered Accountants (CICA) Handbook and follow MIS guidelines for amortization rates. The following guidelines should be used:
 - Capital assets are recorded at cost
 - Capital assets costing less than \$5,000 are expensed as incurred and reported in the same year
 - Accumulate and depreciate costs using asset classes, rather than depreciating individual assets
 - Use the “straight-line method”
 - Where applicable, leases transferring substantially all of the benefits and ownership of capital assets to the regional health authority are accounted for as acquisitions of capital assets financed by long-term obligations.
 - Most eligible Primary Care Network capital expenditure types have useful life of five years for reporting purposes, and this is what is recommended for all asset types. Suggested rates by asset type are included in Table 2.
- For reporting to Canada Revenue Agency (CRA), Capital Cost Allowance (CCA) rules apply. Although CCA uses the “declining balance” method by asset class, the useful life shown in Table 2 is consistent with CRA. Primary Care Network accountants will likely have further information on tax reporting.
- Use a standard depreciation schedule (refer to Table 2).

Table 2 Capital Expenditure Types, Eligibility and Method of Depreciation

Type of Expenditure	Description	Allowed/ Not Allowed	Method of Depreciation
Information technology	Purchase and implementation of VCUR compliant physician office systems to support Primary Care Network business	Allowed <i>* PCIC to be informed of plans in these situations</i>	Straight line over 5 years for hardware Straight line over 1 year for software
Information technology	Acquisition of desktop hardware, software and services for Primary Care Network administration purposes: Includes: personal computers, printers, scanners, LAN, PDA, etc.	Allowed	Straight line over 5 years for hardware Straight line over 1 year for software

Type of Expenditure	Description	Allowed/ Not Allowed	Method of Depreciation
Medical (or clinical) equipment	Minor equipment for diagnostic and treatment services that supplements existing equipment in support of the Primary Care Network service delivery model (e.g., blood cuff monitors, glucose monitors, examination tables)	Allowed	Straight line over 5 years
Office equipment and furnishings	Furniture and office equipment Upgrades to fixtures and furnishings	Allowed	Straight line over 5 years
Upgrades to physical infrastructure	Expansion/renovation of existing facilities (e.g., remodeling)	Allowed	Straight line over 5 years, or amortize over the period of the lease
Minor leasehold improvements other than upgrades to physical infrastructure (as above)	Accounting rules depend on the lease arrangements; otherwise, use the same accounting rules as with other capital assets. Excludes major physical infrastructure improvements, as in next row	Allowed	Straight line over 5 years, or amortize over the period of the lease
Major physical infrastructure	New facility construction Major expansion/upgrades to existing facilities Leasing and/or mortgage financing of major physical infrastructure	Not allowed	N/A
Medical laboratory and diagnostic imaging equipment and services	Major equipment used in the provision of medical laboratory and diagnostic imaging services	Not allowed	N/A
Information technology	Development of interfaces from physician office systems to RHA systems and/or the provincial EHR to support the delivery of laboratory, drugs, and diagnostic imaging information	Subject to further guidance	