

# Health Care Funding NEWS

October 2011 | Volume 1 | Issue 2

## From the Editor

The summer months were busy. Health care funding was discussed at number of meetings across the country and we have generated a lot more content for our website, [www.healthcarefunding.ca](http://www.healthcarefunding.ca) (launched June 2011). This new content has resulted in some design changes, which we think have made information more accessible and less redundant. The article below provides some detail regarding these changes and the impetus for making them.

We hope you enjoy the changes. Please feel free to contact us ([editor@hospitalfunding.ca](mailto:editor@hospitalfunding.ca)) with comments or suggestions.

## Aligning financial incentives across the spectrum of care

One of the primary objectives of introducing activity-based funding (ABF) as a method for funding acute care is to increase the volume of hospital-delivered services. However, it does little good to increase the volume of acute care if there is insufficient post-acute capacity to handle the additional patient load. Hospitals risk seeing an increase in alternate level of care (ALC) patients as a result of the introduction of ABF. Herein lies one of the unintended consequences of this funding policy.

It is, therefore, important to ensure that financial incentives are aligned across the spectrum of care. As ABF financially rewards hospitals for “pushing” patients out efficiently, there must be a complimentary policy rewarding post-acute care providers for “pulling” patients into their services. This consideration is what motivated some of the new content on our website, which summarizes the evidence from the international community on different models of post-acute care funding.

View this new content at  
[www.healthcarefunding.ca/post-acute-care](http://www.healthcarefunding.ca/post-acute-care).

## Activity-based funding: Considerations for small hospitals

In May, Jason Sutherland (Chief Editor of Health Care Funding) spoke at a meeting in Winnipeg, Manitoba, hosted by the Canadian Institute for Health Information and the Canadian Health Services Research Foundation. The Manitoba government, health regions and hospitals are exploring new options for funding hospitals. Dr. Sutherland compared ABF to the global budgeting method currently used there.

Like many provinces, Manitoba has a main urban care centre, with hospitals of various sizes providing care in rural communities. Because of this mix of larger urban and smaller rural hospitals, Dr. Sutherland cautioned Manitoba to consider several issues before initiating ABF. For example, ABF may limit access to care for those in rural areas because hospitals in these areas may not be able to deliver services at a cost below the ABF payment. The cost structure of these smaller hospitals may be very different from those of the larger peers.

The challenge of maintaining appropriate health care access in small hospitals, particularly those in rural areas, is not unique to Canada. Both Australia and the U.S., which have a long history of using ABF to fund the delivery of hospital services, have grappled with this issue. We've summarized their experiences in new content recently added to our website.

View this new content at  
[www.healthcarefunding.ca/hospital/small-hospitals](http://www.healthcarefunding.ca/hospital/small-hospitals).



Figure 1 Excerpt from the Manitoba presentation:  
Addressing common stakeholder concerns

View the Manitoba presentation slides at  
[www.hospitalfunding.ca/resources/presentations](http://www.hospitalfunding.ca/resources/presentations).

Visit our website at [www.healthcarefunding.ca](http://www.healthcarefunding.ca)

## CIHR grant to study effects of activity-based funding on gains in health status

Drs. Jason Sutherland, Trafford Crump, Terri Jackson, and Kimberlyn McGrail have been awarded a three-year grant from the Canadian Institutes of Health Research (CIHR) to study the effect of British Columbia's activity-based funding (ABF) of hospital care on patients' health status.

ABF creates financial incentives for hospitals to reduce lengths of stay and increase the number of hospitalizations per bed, potentially reducing waiting times for some surgical procedures. While this may be an important outcome for some policymakers, it does not address whether or not this expedited hospital care is beneficial to the health of patients.

While an important body of research suggests that increasing the supply of care does not translate into significant gains in health, the relationship between hospital funding policies designed to increase the 'volume' of hospital care and patients' health have yet to be specified. The *Value and Limitations in Hospital Utilization and Expenditures* (VALHUE) study is designed to do just that. The objectives of this study are to determine the relationship—if any—between volume-driven hospital funding policies being pursued in BC and health status.

The VALHUE study will inform policymakers of the implications for the relationships between purchasing additional surgical volume to reduce wait times and the trajectory of change in health status. There is no comparable research reported in the literature; the researchers expect the results will be immediately relevant in British Columbia, other provinces, and the many other countries exploring changes to their hospital funding models.

This newsletter was produced by the editorial team of [www.healthcarefunding.ca](http://www.healthcarefunding.ca), a central, reliable and impartial resource for literature, news and discussion regarding activity-based hospital funding policies in Canada and internationally.

## Upcoming events

### Each Patient Counts

27th Patient Classification Systems

International Conference

Montreal, PQ | Oct 19-22, 2011

### Health, Everyone's Concern

Conference presented by the Institut du Nouveau Monde, Cirano, and CHSRF

T. Crump, Co-Editor, will present on improving efficiency through financial incentives.

Montreal, PQ | Nov 2-3, 2011

### Une culture de gestion des coûts : c'est payant

Conference presented by L'Association québécoise d'établissements de santé et de services sociaux (AQESSS) and CHSRF

J. Sutherland, Chief Editor, will present on possibilities for ABF in Quebec.

Montreal, PQ | Nov 11, 2011

### Will Paying the Piper Change the Tune?

UBC Centre for Health Services and Policy Research 2012 Health Policy Conference

Theme: Health care funding reform

Keynote: Professor Reinhard Busse, Head, Health Care Management Dept., Technische Universität Berlin; Associate Head of Research Policy, European Observatory on Health Systems and Policies

Vancouver, BC | February 28-29, 2012

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