



BC Hospitals: Examination and Assessment of Payment Reform

BCHeaPR Study Backgrounder

A fundamental change to the method of funding acute hospital activity was implemented in British Columbia (BC) as of April 2010. This initiative is being led by the BC Health Services Purchasing Organization (HSPO) and funded by BC's Ministry of Health. The HSPO is an independent entity responsible for the implementing patient-focused funding (PFF) in BC.

This program is designed to create financial incentives for increasing access to, and quality of, health care in BC. With funding from BC, the HSPO was allocated \$80 million in fiscal year 2010/2011 and \$170 million in fiscal year 2011/2012 for a series of health care funding innovations, including Activity-Based Funding, Emergency Department Pay-for-Performance (EDP4P), Procedural Care Program, and Care Model Redesign and Quality Improvement. Together, these programs are referred to as 'Patient-Focused Funding' (PFF).

The most significant component of PFF is activity-based funding (ABF), a mechanism which directs funding to health care providers for the number and type of care they provide. These types of funding programs are now the international norm for hospital-based care (Hurst 1991; Moreno-Serra and Wagstaff 2009).

The theory underlying the program is based on: 1) creating financial incentives for hospitals to become more efficient in the provision of surgical services, and 2) reducing the ability of hospitals or health authorities to cut services to meet budget targets. The objectives are to increase the amount of surgical care to residents of BC, thus improving access to care and decreasing wait times. This initiative represents BC's first step beyond the federally-funded Wait Time Strategy to create financial incentives for health authorities and their hospitals to increase the number of surgeries conducted.

There is an evidence-base underlying this program. The creation of financial incentives has been shown to be effective in increasing the amount of surgical care in other countries. Similar financial incentives have become common in Australia, the UK and Scandinavian countries (O'Reilly et. al. 2012; Street et. al. 2007).

For BC health care institutions, the change in funding approaches is significant in an industry long accustomed to historically-based global budgets.

The effects of this policy are expected to be far-reaching, and touch many aspects of BC's health system. First

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among Canadian provinces to move in this direction, BC's policy experiment is being closely watched by other provinces considering similar moves.

The Canadian Institutes for Health Research (CIHR) Institute for Health Services and Policy Research (IHSPR) has funded research to examine the effects of the change in funding policy in BC. Entitled *British Columbia Hospitals: examination and assessment of Payment Reform* (BCHeaPR), the study will examine the multi-dimensional ripple effects of the new funding policy on patients, spending, health care providers, and the health system. This study will provide an evidence base for policy- and decision-makers, in BC and elsewhere in Canada, on the impacts of the policy change.

Over time, the BCHeaPR study team will release timely analyses of the effects of the change in funding policies in BC. Please visit www.healthcarefunding.ca for regular updates on findings and policy implications.

References

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