

# Health Care Funding NEWS

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## From the Editor

We are excited to announce new content for our website, [www.healthcarefunding.ca](http://www.healthcarefunding.ca), that addresses the topic of bundled payments, currently a subject of increasing interest among policy makers.

We are also pleased to provide a summary (at right) of the Centre for Health Services and Policy Research annual conference. The theme was the “promise and pitfalls of health care funding reform,” and the speakers and discussion created much food for thought.

As always, please feel free to contact us ([editor@hospitalfunding.ca](mailto:editor@hospitalfunding.ca)) with comments or suggestions.

## Provincial Profile: Alberta

When the health regions in Alberta were consolidated into Alberta Health Services (AHS) in 2008, there were considerable intra-provincial variations in the cost of delivering care (1). Prior to AHS, each health region was responsible for developing its own funding model and allocation strategy for the remuneration of health care providers. Moreover, each had its own data collection and reporting requirements. In long term care alone there were at least 17 different funding formulas (2).

It is understandable, then, that AHS is looking to streamline its funding policies. This has been initiated in long term care (LTC), where activity-based funding (ABF) began to replace the profusion of funding formulas in 2010. ABF is seen as a fair and transparent way to link patients' care needs with funding. AHS hopes that ABF will facilitate consistent prices, access, and quality of LTC across the province (3).

AHS' ABF model for LTC is comprised of three cost components: variable, fixed, and quality (4). The first uses the care needs of the patient (based on their clinical complexity) to adjust the payment amount to the LTC

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## Will Paying the Piper Change the Tune? Conference Summary

The Centre for Health Services and Policy Research at the University of BC held its annual conference February 28-29 in Vancouver. The conference was inspired by recent interest by provincial governments in examining and experimenting with alternative funding mechanisms for health care. Decision-makers at all levels in the health care sector are concerned with the overall sustainability of the system and are looking at alternatives to the current methods of funding health care. The goal of the conference was to help participants understand the roles that funding policies can play in creating incentives for high-performing health care systems that are efficient, effective and safe.

At the conference, national and international speakers shared their evidence and experiences with funding reforms. Professor Reinhard Busse of Berlin Technical University set the stage by giving a broad overview of European funding mechanisms, including the various objectives of each mechanism and an evaluation of their effectiveness.

The morning panel explored the implementation of activity-based funding (ABF) and pay-for-performance (P4P) in Alberta and BC, as well as international experience in the UK. While no consensus was reached regarding the efficacy of the funding methods, the experiences shed light on possible reforms in BC.

The lunch talk was a poignant and honest session led by members of the Southcentral Foundation in Alaska. The role of holistic health care system reformation that the Foundation has undertaken for health care services was discussed in relation to the mainly Aboriginal population in Alaska. Speaker Doug Eby downplayed the role of payment mechanisms in the creation of high performing health care systems.

The afternoon panel discussed innovations in health funding models that go beyond the scope of a single

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provider. Providers with a mix of relatively higher-need-patients are paid more than those providers with a mix of relatively lower-need-patients. The fixed component pays the provider a flat amount based on its number of beds. The final component, quality, is an incentive-based program aimed at promoting high-quality care across LTC providers. Providers that meet set quality targets are awarded with a bonus payment.

To support the implementation of ABF, AHS has introduced the interRAI Long Term Care (interRAI LTCF) instrument to assess patient complexity and care needs (4). Data from the interRAI LTCF populate the Minimum Data Set (MDS 2.0), which is then used to define the Resource Utilization Groups (RUG-III) Case Mix Index. This index determines a provider's patient complexity mix. The MDS can also be used to define care plans and some research has used it to establish quality indicators.

AHS is taking a phased approach to implementing ABF (2). They initiated this policy first with publicly-owned LTC providers, and plan to later implement it with the privately-owned providers. If successful, ABF could be initiated in supportive living, acute care, and home care in the future.

1. Donaldson C. Fire, Aim... Ready? Alberta's Big Bang Approach to Healthcare Disintegration. *Healthcare Policy* 2010;6(1): 22–31.
2. Mazurkewich C. [Activity Based Funding. Presentation to the Pan-Canadian Discussion on Hospital Funding](#). Edmonton, AB; 2010.
3. Alberta Health Services. [Activity based funding of long-term care](#). User summary. Edmonton, AB; 2011.
4. InterRAI. [interRAI LTCF - Long Term Care Facility](#). [interRAI](#).

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

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sector in health (e.g., hospitals) to attempt to alter the quantity and quality of services across several sectors (e.g., acute care and post-acute care), or across the health system as a whole. The session also looked at funding models that use incentives to produce improvements in health outcomes. The final speaker of the afternoon delivered examples of the potential for innovation in health care without the use of financial incentives. She spoke about how providers might harness the experience and expertise of their patients to innovate in the delivery of care.

The second day opened with a panel that featured speakers from Canada, the UK and the US on measuring and monitoring quality. They discussed the benefits and limitations of linking funding and outcomes or quality measures together and elaborated on what data needs to be available to ensure that systems are, in fact, paying for what they want to be purchasing.

The final panel discussed realistic options for how Canada can approach these policy options, with speakers from three Canadian jurisdictions. The panelists reflected on the geographic, historical and political realities in Canada, and how they might help and hinder the adoption of new and innovative funding mechanisms on a larger scale. While it is clear that provinces want effective, efficient and safe care for their health care dollars, it's not clear what combination of factors will drive the changes necessary to deliver these outcomes.

## Upcoming events

[Canadian interRAI Conference](#)  
Vancouver, BC | May 7-10, 2012

[CAHSPR Annual Conference: Innovations for Health System Improvement: Balancing Costs, Quality and Equity](#)  
Montréal, PQ | May 29-31, 2012

[Patient Classification Systems International 2012 Summer School](#)  
Tallinn, Estonia | June 11-15, 2012

[Priorities 2012: Partnerships for Improving Health Systems](#)  
Vancouver, BC | September 16-19, 2012

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