



Hospital Funding Policies: Interpreting Average Length of Stay

BCHeaPR Study Data Bulletin #3 (April 2012)

Hospital funding policy and length of stay

During hospitalizations, patients require different types of services, such as nursing care, diagnostics and therapeutic care, specific to their course of treatment. These services vary over the course of the hospitalization (length of stay). Some patients are hospitalized for short durations while others, suffering from severe or complex conditions, may be hospitalized longer.

Currently, health authorities in BC are funded with a global budget—a single amount to care for all patients over a given period of time. This approach has drawbacks; hospitals funded by health authorities do not see any financial benefit to shortening lengths of stay, nor in discharging patients to more appropriate settings like outpatient or home-based care (1).

In April 2010, an activity-based funding (ABF) program was initiated in BC, under the direction of the Health Services Purchasing Organization (HSPO). One aspect of the program was to create financial incentives for hospitals to operate more efficiently while reducing the incentives for restricting services to meet budget targets. While the program is still in its infancy, the anticipated changes in hospital activity should, if international research holds true in Canada, lead to a reduction lengths of stay (2–5).

Information about length of stay is collected and reported by all of BC's hospitals. The Canadian Institute for Health Information (CIHI) reports the hospital data to the BC Ministry of Health on a regular basis (6).

What is this research about?

The CIHR-funded *BC Hospitals: examination and assessment of Payment Reform (BCHeaPR)* study examines the impact of activity-based funding on acute care hospitals and related services in BC. Over time, the study team will release analyses on the effects of the change in funding policies. Check www.healthcarefunding.ca for updates and policy implications.

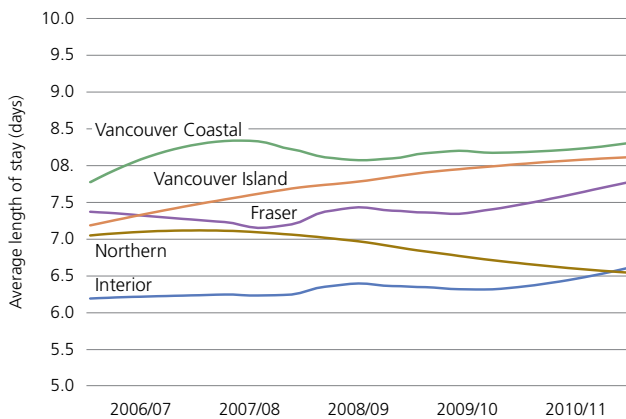
Impact of the incentive

It is early to expect changes as a result of ABF in BC. Evidence suggests that there is a lag between the time when financial incentives are introduced and when the effects on length of stay at the hospital level are observed (7). Therefore, depending on the intensity of BC hospitals' response to the introduction of ABF in 2010, the effects should not be expected to emerge until 2012/2013.

Based on the most recent data, hospitals' average length of stay has been increasing over time in all BC health authorities except for Northern Health (Figure 1). The average length of stay in Northern Health has gradually declined since 2008. The most notable increase has been in Vancouver Island Health.

Looking more closely at hospital-level data for Fraser Health (Figure 2) shows that, while most hospitals follow the identified trend, two hospitals have seen reductions in average length of stay over time.

Figure 1: Average length of stay, 2006/07 to 2010/11, for hospitals beginning activity-based funding in April 2010, by health authority



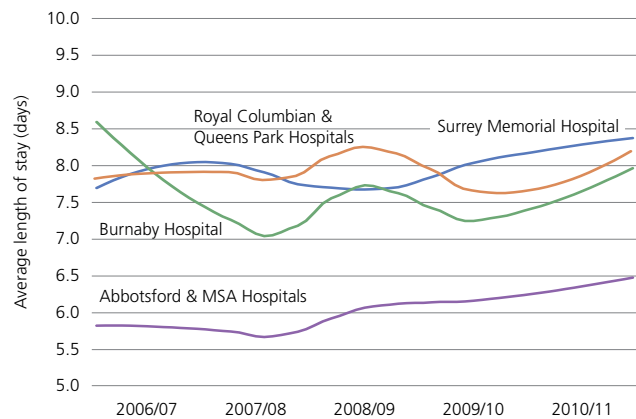
Trends in average length of stay do not show evidence of the program having an effect on the health system; however, it may be too early to see the impact of ABF in length of stay data. As this is an important indicator of the effectiveness of ABF's ability to change hospitals' behavior and respond to financial incentives, these statistics will be monitored over time and reported periodically.

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Figure 2: Average length of stay in Fraser Health, 2006/07 to 2010/11, for four largest hospitals beginning activity-based funding in April 2010



Note: Hospital size based on number of cases in 2010/2011.

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