



Hospital Funding Policies: Resource Intensity Weights

BCHeaPR Study Data Bulletin #8 (Sept. 2012)

Hospital Funding Policy and Resource Intensity Weights

In April 2010, an activity-based funding (ABF) program was launched in BC, under the direction of the Health Services Purchasing Organization (HSPO), an entity independent from BC's Ministry of Health. One aspect of the initiative was to create financial incentives for hospitals to operate more efficiently by reducing the incentive to restrict services in order to meet budget targets (thus, increasing wait times).

An important dimension of this funding reform that should be monitored is changes over time in Resource Intensity Weights (RIWs). These values represent the intensity of resource use (cost) associated with different hospitalization types, and take into account the demographic characteristics of a patient, including pre-existing conditions that affect the intensity of care and discharge status (1). RIWs are developed by the Canadian Institute for Health Information (CIHI) and are attributed to each hospitalization in BC.

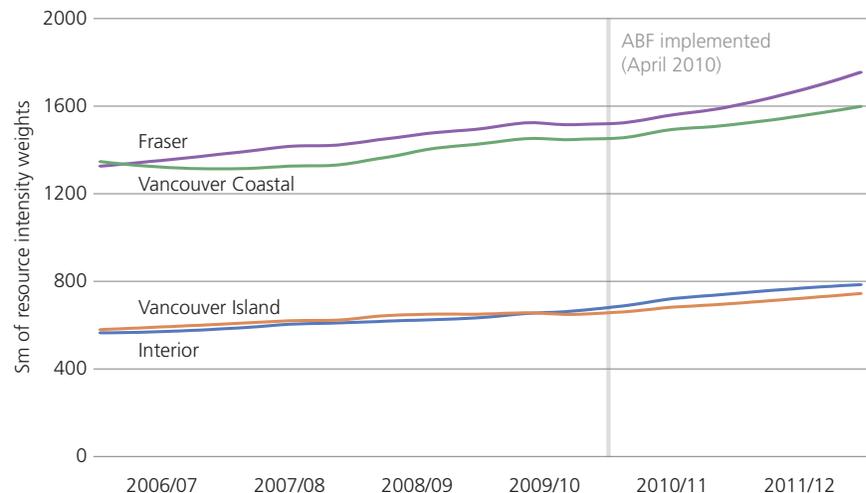
RIWs are valuable to health system managers because they measure the volume and intensity of clinical activities in hospitals. Changes over time in the sum of RIWs signal changes in the amount or complexity of patients a hospital is treating. The higher the sum of RIWs, the higher the expected total cost of treating patients.

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.

Hospitals under ABF are paid (in part) based on their output, as measured by RIWs. Thus, hospitals may seek to increase the sum of RIWs in order to gain additional funding for treating more or more complex patients if their costs are less than the funding amount.

Figure 1: Sum of resource intensity weights for day surgery, 2006/07 to 2011/12, for hospitals beginning ABF in April 2010, by health authority



Impact of the Incentive

Figure 1 shows the change over time in RIWs for day surgeries for hospitals partially funded based on their activity. In all health authorities, the long term trend is of an increasing sum of RIWs. Thus, we know that the number or intensity of day surgeries in BC continues to increase over time.

Figure 2 examines Fraser Health Authority more closely, showing that Burnaby, Abbotsford and Royal Columbian hospitals all report increasing RIWs for day surgery activity over time, affirming a long-term trend of increasing volume or intensity of care.

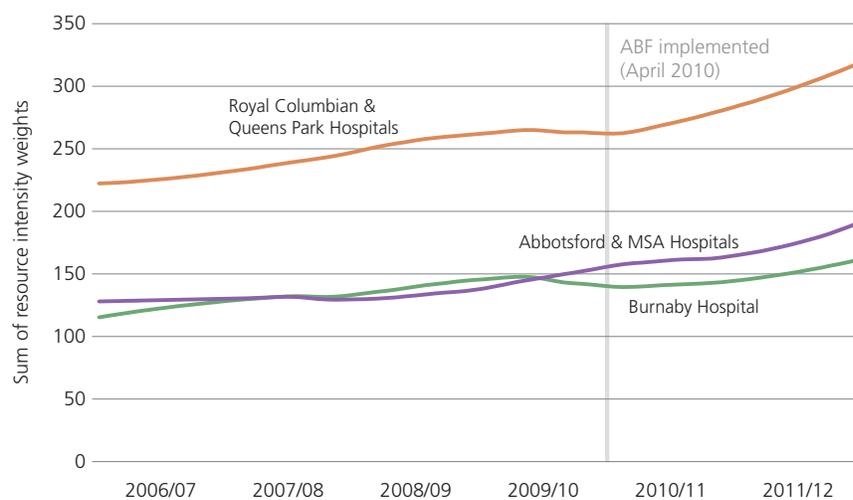
Conclusion

In BC the total sum of RIWs has continued to trend upwards since the introduction of ABF. Changes in RIWs provide one important point of data regarding hospital cost and reimbursement and point to the ongoing increase in surgical activities within hospitals. This project will continue to calculate and report on changes in RIWs on a periodic basis.

Technical Notes

The data source is the BC version of the Discharge Abstract Database (DAD). The study population includes

Figure 2: Sum of resource intensity weights for day surgery, 2006/07 to 2011/12, for selected Fraser Health hospitals beginning ABF in April 2010



all BC residents as well as the non-BC residents who received health care services in BC. Northern Health was excluded from this analysis as it has only one hospital funded through ABF.

The RIW values were generated using the 2011 version of RIW methodology developed by CIHI.

References

1. Manitoba Centre for Health Policy. Term: *Resource Intensity Weights (RIWTM)* [Internet]. 2009. Available from: <http://mchp-appserv.cpe.umanitoba.ca/viewDefinition.php?definitionID=103807>.

How to cite this material:

Sutherland J, Liu G, Crump T, Repin N. Hospital Funding Policies: Resource Intensity Weights. BCHeaPR Study Data Bulletin #8 (September 2012). Vancouver: UBC Centre for Health Services and Policy Research; 2012.

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