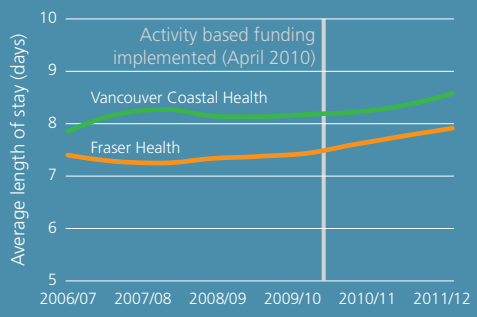
Health Care Funding NEWS

January 2013 | Volume 3 | Issue 1

From the Editor

This edition of *Health Care Funding News* examines recent advances in measuring healthcare quality and possibilities for using quality metrics to design funding models. We also invite you to visit **www.healthcarefunding.ca** for our monthly data bulletins assessing the effects of the introduction of activity based funding in BC. The January 2013 data bulletin examines trends in average length of hospital stay.



Please feel free to contact us (**editor@healthcarefunding.ca**) with comments or suggestions.

MEASURING QUALITY

A Growing Focus on Patient Reported Outcome Measures

Patient reported outcome measures (PROMs) are receiving increasing attention as indicators of health care quality. Health care policy evaluation often relies on indicators of efficiency (whether resources are being used to their maximum potential) and efficacy (whether resources are being used to deliver the right kind of care). For example, an ongoing evaluation of the impact of activity-based funding on acute care in BC is using indicators of volume and alternate level of care (ALC) to gauge changes in efficiency and indicators of readmission and in-hospital mortality to monitor changes in efficacy.

Continues on following page...

FUNDING QUALITY

Paying for Quality Hospital Care

Hospitals in Canada are paid the same amount to treat patients regardless of the quality of care they provide. Only in situations of patient endangerment or fiscal recklessness do provincial governments intervene in hospitals or physician practices. Yet, according to the Canadian Institute for Health Information (CIHI), adverse events occur in 1 out of every 13 hospitalized patients. The most common events are hospital acquired infections or medication errors (Baker et al 2004; CIHI 2007).

CIHI research shows that adverse events and medical mistakes have been declining since 2000, yet patients and health care practitioners have little faith in hospitals. About 60% of Canadians feel that, in a hospital, they will experience a serious medical error and 74% of nurses feel the same way (CIHI 2007).

What factors contribute to sub-par quality in hospitals? Funding hospitals with a single lump sum irrespective of the quality of care provided means hospitals' investment in training, personnel, equipment, or layout register as costs, not quality improvement opportunities. So, how should the funding method align with providing high quality care?

Recently, BC and Ontario have made reforms to their methods for paying hospitals. The new policies are, in part, based on the amount and type of work hospitals do. While these reforms are being implemented to address the shortcomings of fixed budgets, neither funding method pays hospitals for delivering high quality services. Payment is the same whether a patient goes home with no incident or experiences an adverse event.

Some countries have taken steps to align hospital funding with high quality care. Specifically, there are a number of examples in the US and Europe where funding is provided to the highest quality care, or disincentives for poor quality care. Value-based purchasing (VBP) is one such strategy. This hospital funding policy

Continues on following page...

Continued from PROMs...

Equally important are indicators of effectiveness (whether resources are being used to produce the desired results). Desired results include improved population health and patient satisfaction with care. These can be measured from a clinical or a patient perspective.

Asking patients about their own health and their experience with the health care system is not a new concept. The UK National Health Service (NHS) suggested doing this in the 1984 Griffiths Report, and now systematically collects PROMs for four common acute care procedures (see www.ic.nhs.uk/proms). The US recently established the Patient-Centered Outcomes Research Institute (PCORi), in part to help incorporate patient-reported information into policy and clinical decision making.

These initiatives are helping to establish rigorous instruments, sampling processes, and analytic methods for collecting PROMs, giving it more credence in health care research circles. For example, the NHS and PCORi are pairing PROMs data with efficiency and efficacy data to derive new outcomes for evaluation (e.g., comparative effectiveness research). It is conceivable that this kind of data will be used as a basis for funding in the future.

Health policymakers and health services researchers in Canada can benefit from these international experiences. NHS collection of PROMs helped inform the design of the Value and Limitations in Hospital Utilization and Expenditures study, one of the largest PROMs studies currently underway in Canada. Working closely with the Vancouver Coastal regional health authority, the VALHUE study will further our understanding of how PROMs can be collected in Canadian health care settings and how the data can be used to inform resource allocation.

Upcoming events

Academy Health National Health Policy Conference
Washington, DC | Feb 4-5, 2013

Patient Classification Systems International
2013 Winter School
Sydney, Australia | Feb 11-15, 2013

Pharmacare 2020: Envisioning Canada's Future
Vancouver, BC | Feb 26-27, 2013

Continued from funding quality..

links quality and funding by rewarding the delivery of high quality and efficient care (Damberg et al 2007) by using incentive payments to drive quality (and cost containment) (Mehrotra et al 2009).

Another strategy is to not pay extra for unplanned readmissions. This is an approach taken by Germany and the UK, where payments to hospitals for unplanned readmissions are reduced or eliminated (Averill et al. 2009; Busse et al 2011).

No Canadian province has developed funding policies which reward high quality or penalize low quality. However, the new Quality-Based Procedures (QBP) initiative in Ontario is now taking tentative steps in this direction by aligning medical evidence with funding for hospitals. Efforts to improve quality and constrain costs will have other provinces paying close attention to Ontario's experience aligning funding and quality.

Averill RF, McCullough EC, Hughes JS, Goldfield NI, Vertrees J, Fuller RL. Redesigning the Medicare inpatient PPS to reduce payments to hospitals with high readmission rates. Health Care Financ Rev. 2009; 30(4):1–15.

Baker GR, Norton PG, Flintoft V, Blais R, Brown A, Cox J et al. The Canadian Adverse Events Study: the incidence of adverse events among hospital patients in Canada. CMAJ. 2004; 170(11):1678–86.

Busse R, Geissler A, Quentin W, Wiley M. Diagnosis-Related Groups in Europe: Moving towards transparency, efficiency and quality in hospitals. Maidenhead: Open University Press; 2011.

Canadian Institute for Health Information (CIHI). Patient Safety in Canada: An Update 2007. Ottawa, ON: CIHI; 2007.

Damberg C, Sorbero M, Mehrotra A, Teleki S, Lovejoy S, Bradley L. An Environmental Scan of Pay for Performance in the Hospital Setting: Final Report. US Department of Health and Human Services; 2007.

Mehrotra A, Damberg C, Sorbero M, Teleki S. Pay for performance in the hospital setting: What is the state of the evidence? Am J Med Qual. 2009; 24(1):19–28.

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

Chief Editor:
Jason Sutherland

Co-Editor:
Trafford Crump

Editorial Team:
Nadya Repin, Rachael McKendry, Dawn Mooney

Contact us:
editor@healthcarefunding.ca