Innovations in Sustainable Health Care
Aligning Funding to Support Change

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Overview

• 2014:
  – Spending on healthcare in Canada was estimated to be $214.9 billion
  – Over $6,000 per Canadian

• Hospitals are ~47% of provincial government’s budget
  • Hospitals are the largest and most costly segment of the Canadian healthcare system (~40%)
  • Crowding out other sectors of public spending: Education
Overview

• Provider payment reforms:
  – Implementing activity-based funding for hospitals
  – Marginal pricing models for surgical treatment
  – Pay-for-performance for decreasing Emergency Department waits

• Context:
  – Access to hospital-based care is a significant policy issue in all provinces despite comparatively high spending
Overview

• Global Budgets for Hospitals
  – Pay for all the services delivered by the hospital irrespective of the volume and type of care delivered
  – Cost containment and opaque
  – No incentive for increasing access
    • Decreasing wait times
    • Discouraging early discharge
  – Predictable budgets and cost certainty
Overview

• Physician Payment
  – Fee-for-service payments based on fee schedules
    • Paid by provinces directly
    • By-pass hospitals and regions
  – Incentive for increasing volume of services
  – No incentive for increasing effectiveness or quality
  – No alignment with population need
Overview

• State of Affairs:
  – Hospital budgets have increased ~5%, each year, for the last decade
  – Wait times have not improved despite significant expansion of $ and capacity
    • Why is this? Elasticity of supply?
  – Significant political and health policy issue
Hospital Payment Reform

• Activity-based funding in two provinces
  – A single amount for each patient’s type of care during hospitalization (DRG)
  – Most significant funding reform in Canada in decades
  – International norm
    • Right steps to take?
      – Transparent, incentives for cost-efficiency
      – Hospitals manipulate data to increase funding
  • Physician payment remains unlinked to hospital activity
Hospital Funding Reform

• Public messaging regarding the program:
  – Increase access, decrease wait lists, improve efficiency of hospitals
• Independent evaluation: Funded by CIHR
• Access to Ministry of Health data holdings
• Interrupted time series analysis
• Change one thing…
Efficiency - Length of stay
Quality - Readmission rate

![Graphs showing readmission rate from 2006/07 to 2012/13 with ABF implemented (April 2010).]
Discussion

• The reforms enacted are very modest
• The impacts of the reforms can be considered, at best, mixed
  – Temporal increases in volume and persistent decreases in lengths of stay were maintained, though the change was unrelated to the policy intervention
Discussion

• Why are the results from hospitals in BC different from those reported in other countries?
  – Three year horizon of the program limited hospital’s response to the incentives, such as expanding capacity
  – Less than 20 percent of hospital’s government revenues and a no-loss provision
  – Hospital-focused with no commensurate changes in the post-acute care sector
Pay-for-Performance

• Program:
  – Attempt to decrease ED wait times

• Findings:
  – Percentage of patients attaining wait time thresholds equates to incremental hospital funding
  – Small financial incentive, renewed annually

• Results:
  – No change observed in ED wait times
Marginal Pricing Surgical Treatment

- **Program:**
  - Attempt to unlock marginal surgical capacity within hospitals
  - Provided a price for each surgical CMG/DRG

- **Findings:**
  - Price was less than hospitals’ marginal cost in most scenarios regarding excess capacity
  - Joint replacements were profitable in all scenarios
Conclusions

• Governments are beginning to experiment with funding policy changes
  – Hospital focused
  – Disconnected from physicians, long-term care and community-based care

• Little or no effect yet
  – Many possible reasons and barriers

• Cautious steps may translate to bolder policy actions: integrated funding models across sectors
• Questions

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