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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…

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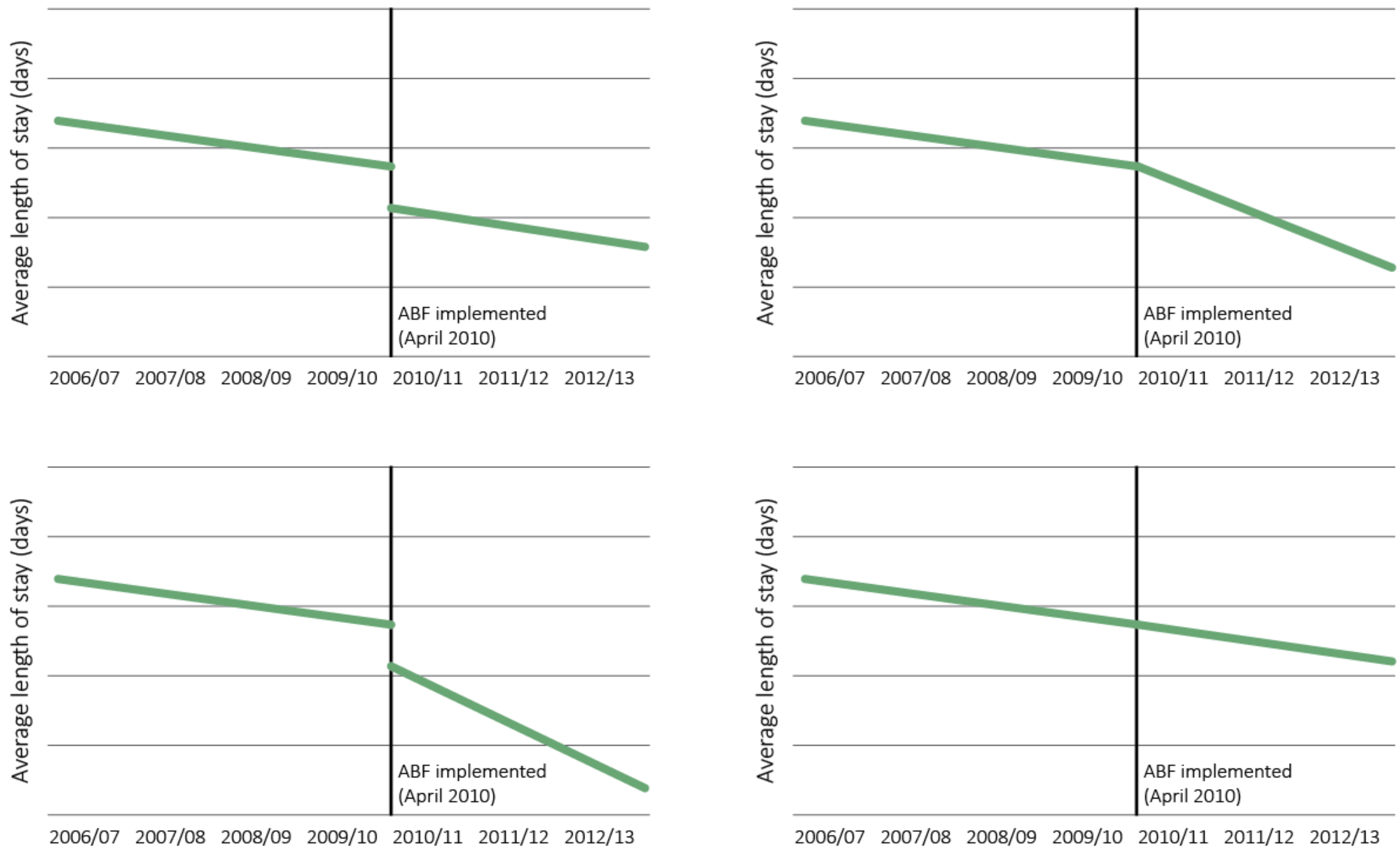
Efficiency - Length of stay



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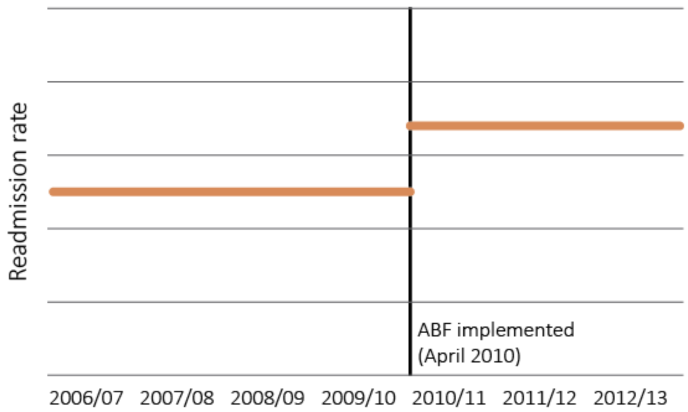
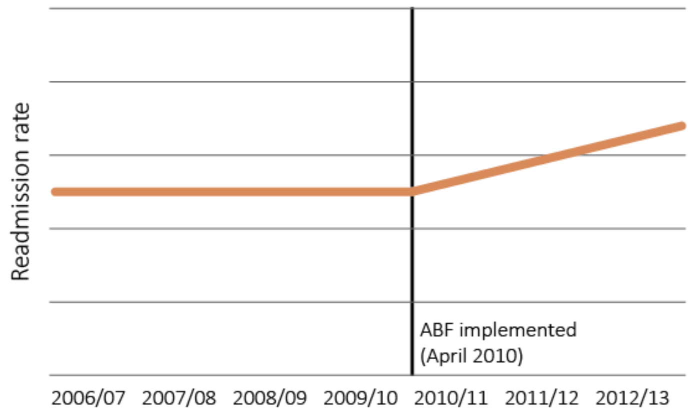
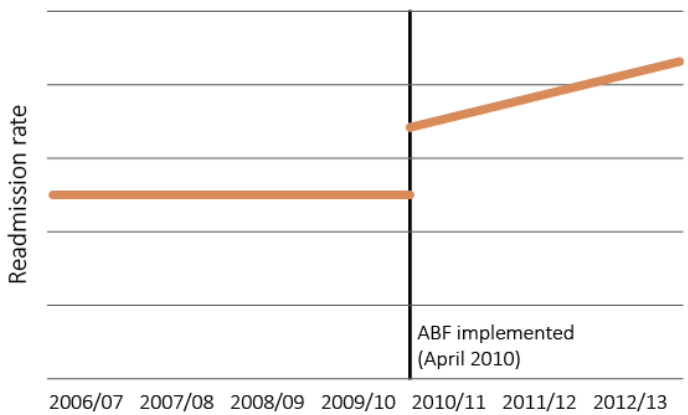
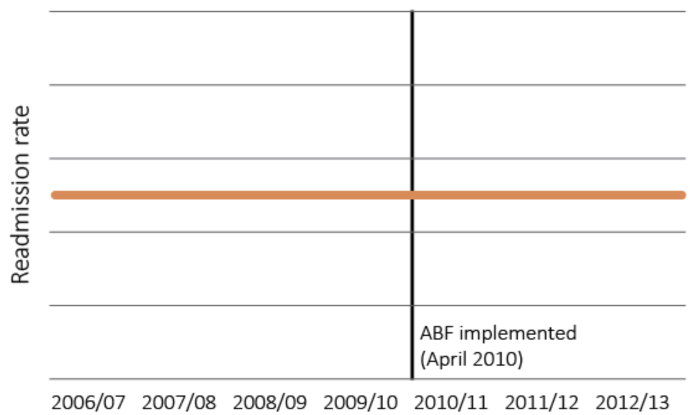
Quality - Readmission rate









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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