

Centre for  
HEALTH SERVICES AND POLICY RESEARCH

# Review and Examination of Incentives for Facility-based Care

Best Brains Exchange  
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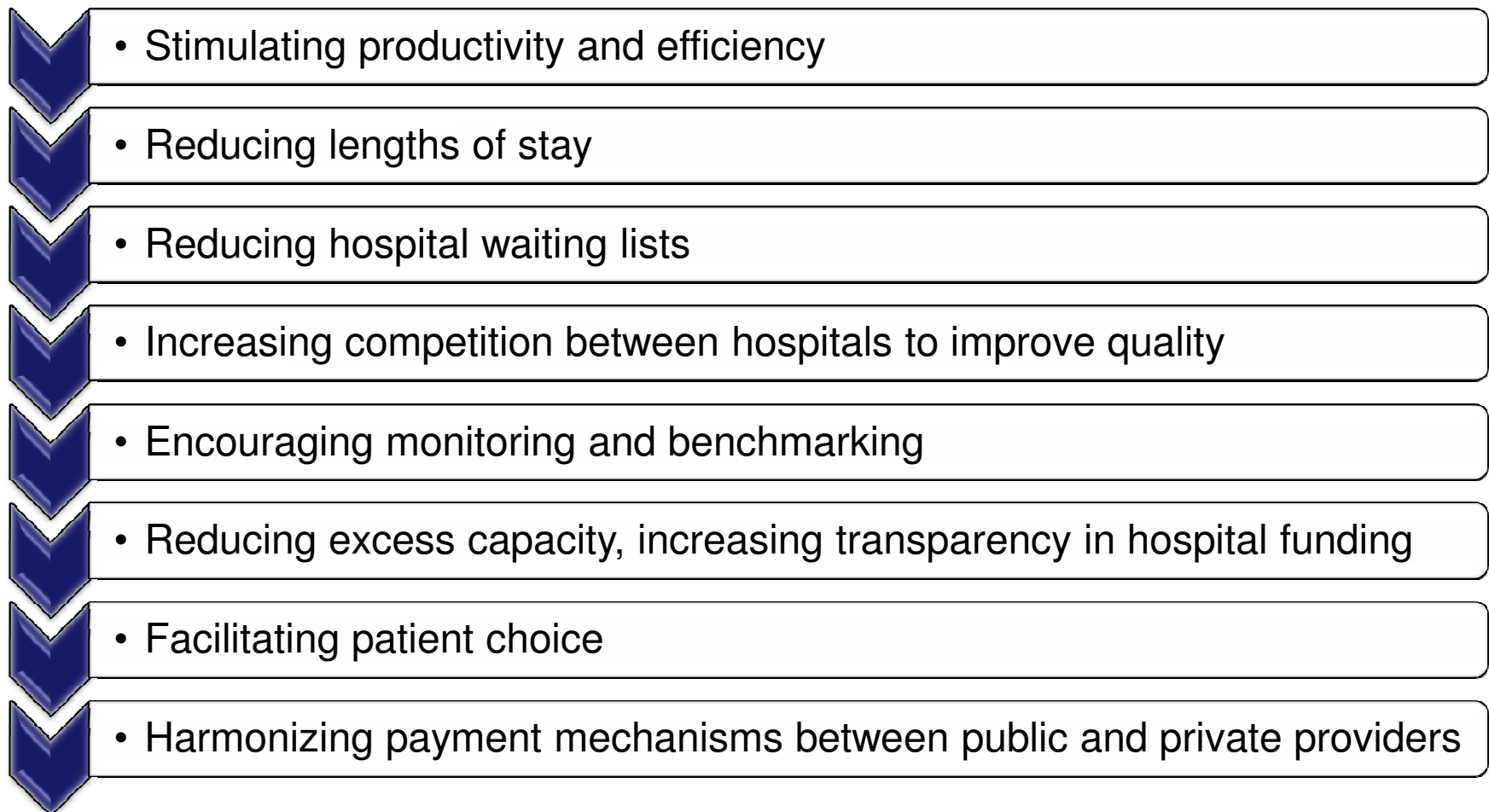
College of Health Disciplines  
THE UNIVERSITY OF BRITISH COLUMBIA

# Hospitals = \$50 billion in expenditures per year

*Seeking strategies for limitations of Global Budgets?*

- Transparency
- Perceived inefficiencies
- Wait times
- Unexplained variation in utilization/cost
- No reward for innovation
- Reduce services to control costs
- Alternative Level of Care (ALC)
- No incentive to improve quality

# Drivers of hospital funding reform vary

- 
- Stimulating productivity and efficiency
  - Reducing lengths of stay
  - Reducing hospital waiting lists
  - Increasing competition between hospitals to improve quality
  - Encouraging monitoring and benchmarking
  - Reducing excess capacity, increasing transparency in hospital funding
  - Facilitating patient choice
  - Harmonizing payment mechanisms between public and private providers

## Activity-Based Funding ‘Rushing In’

- BC, AB, ON; incremental funding in SK, NL
- CMA, BCMA, OMA, OHA, Kirby Commission (v.6)
- International norm
- Much more complex to administer

### Major Motivating Factors



# Pluses and Minuses of Activity-Based Funding

## Opportunities

Using funding as a 'lever' to increase technical efficiency

- Economic incentives: retain surpluses
- Political incentives

## Challenges

Problems well known:  
Rewards Volume....

- No incentive to coordinate care, fragmented care
- Over-provide profitable services
- Upcoding ....



# Decades of Research and Application

## Evidence

- Tends to shorten lengths of stay
- Tends to increase the volume of hospitalizations
- Tends to increase spending
- Little evidence of effect on hospital quality

### Mixed effects

- Efficiency

### Other potential impacts

- Geographic access
- Equity of access

## No Evidence

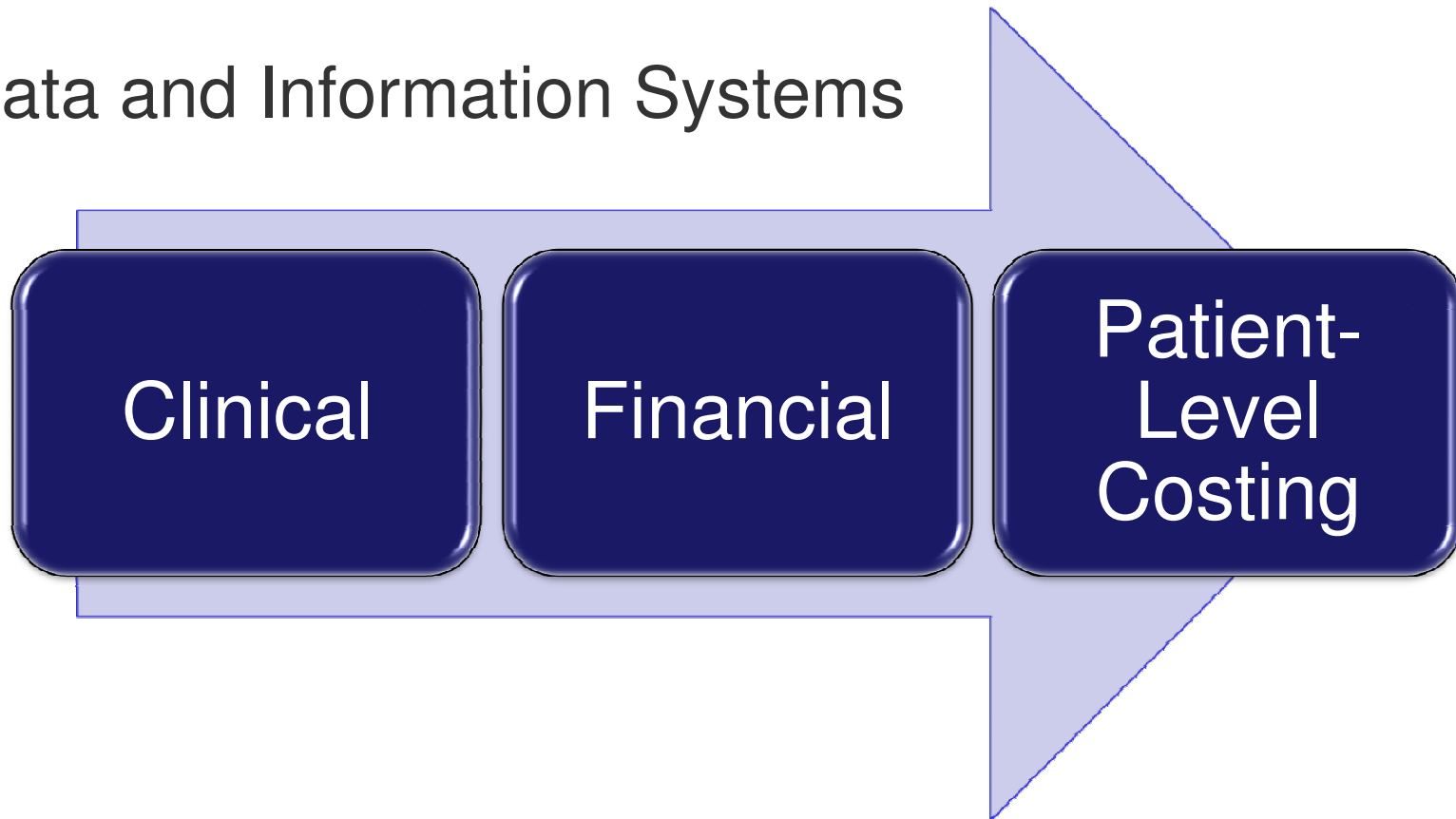
- Improves evidence-based care
- Improves effectiveness or appropriateness
- Impact on other sectors
- Provider engagement

***....but, neither does global budgeting***




# Can ABF be credibly executed in Canada?

Data and Information Systems



# What are key implementation challenges?

- 
- Determining desirable levels of activity
  - Spending 'caps' to limit growth of activity
  - Long-term commitment needed for hospitals to respond to incentives
  - Adjust payment amounts away from 'average'
  - Quality
  - Strategies for post-acute care



# What are the known risks?



- **Preparing for change within hospitals**

- Activity
- Hospital financial performance
- Management changes



- **Changes in other sectors**

- Greater reliance on post-acute care settings
- Aligning incentives to achieve objectives of effective and efficient care for all residents



- **Pricing**

- Increase in volume of most profitable patients
- Spending increases are NOT equal to improvements in health: Target 'value' or health gain



# Important success factors?

Vision and leadership

Political risk related to changing hospital activity and capacity

Understanding the effects of natural geographic monopolies

Applicability in less-populated provinces/regions

Understanding demand and supply of post-hospital services

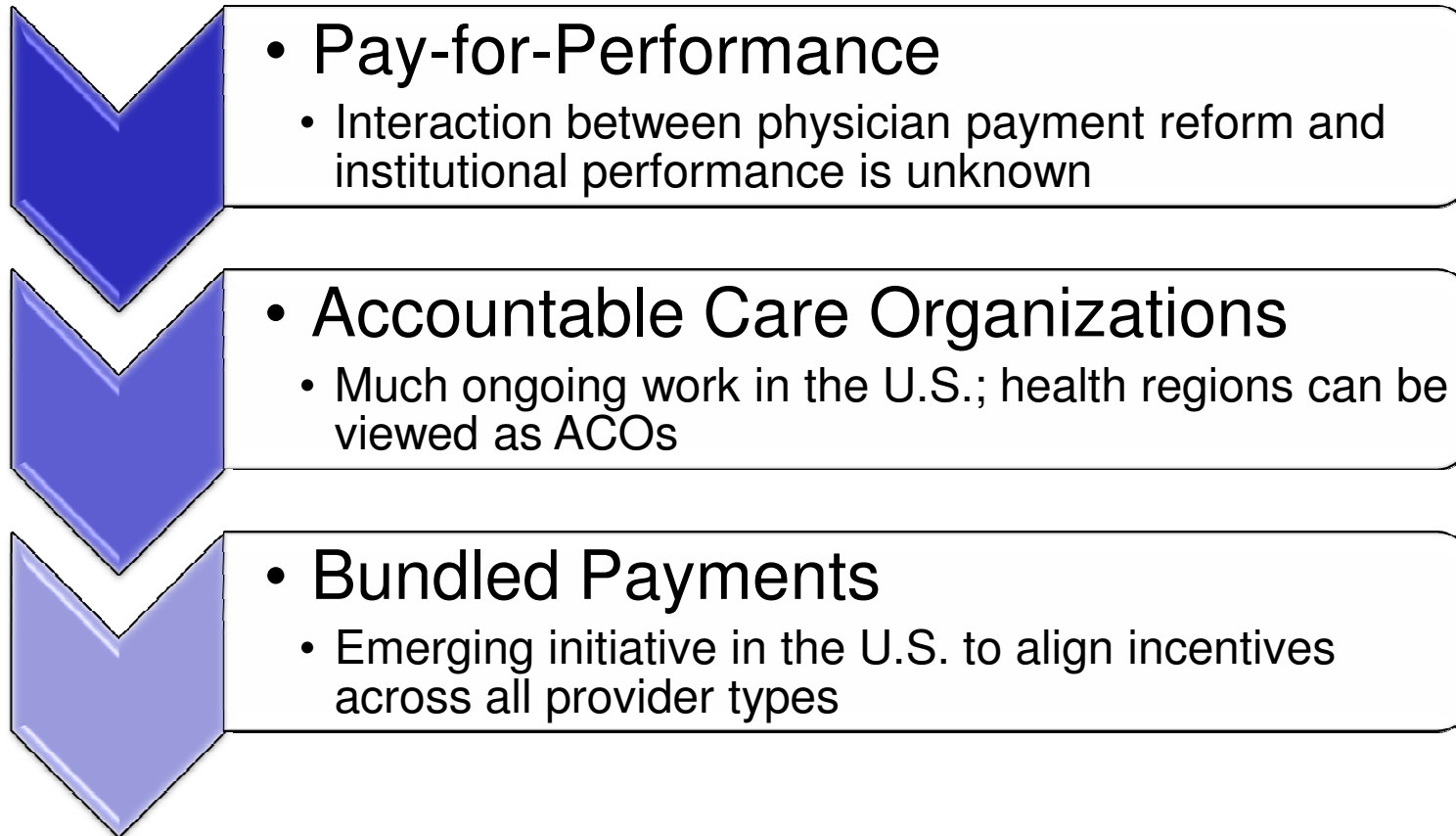


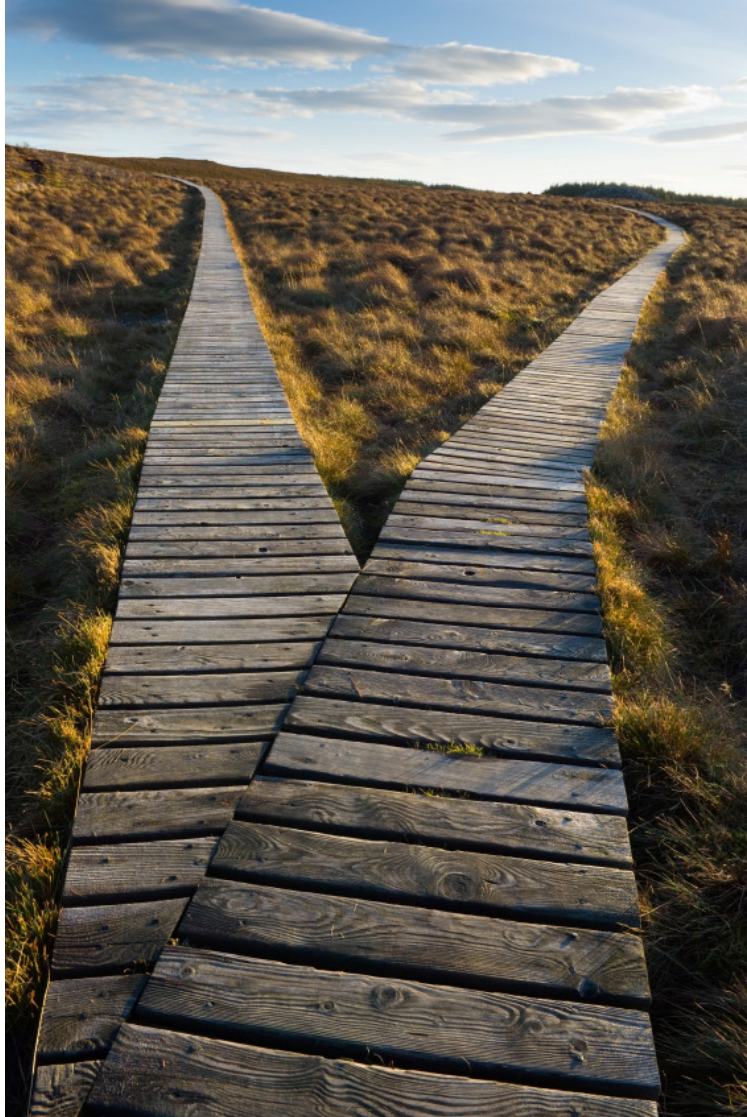
## Institution-based Funding: Options

- Aligning incentives across institution types
  - ABF provides 'push' out of acute care; no associated 'pull'
  - Alternate level of care (ALC)
    - >10% of acute beds
  - Get patients out of acute care
    - Dis-invest in acute hospital beds
    - Re-invest in post-acute care
    - Keep patients out of hospital



# Interaction with health system reforms:





# Thank you!

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