

Health Care Funding NEWS

February 2012 | Volume 2 | Issue 1

From the Editor: A look forward at 2012

The past weeks have been busy in terms of health care funding. The federal government unexpectedly announced their plan for provincial health care transfer payments beyond 2014. Under the plan, the federal government has committed to maintaining the current 6% annual increase in transfer payments until 2017, at which point payments will be tied to the rate of economic growth with a minimum guaranteed increase of 3% per year.

In his annual round of year-end interviews, Prime Minister Steven Harper commented on this plan, noting that it will be up to the provinces to decide on the most effective use of the added funds. "...they're [the provinces] the ones who are going to have to really come up with the solutions on health care delivery." Prime Minister Harper told the National Post during his [year-end interview](#).

We expect these policy changes will undoubtedly have provinces looking at their own funding mechanisms for remunerating health care services.

By placing a floor on transfer payments of 3%, the Feds have minimized future uncertainty regarding transfer payments for provinces. Canada's real growth in its gross domestic product (GDP) has been 3.1%, 3.0%, 2.8%, 2.2%, 0.7%, -2.8%, and 3.2% from 2004 to 2010, respectively, [according to the World Bank](#).

Had the 2004 accord been structured as proposed for the new accord, in only two years—2004 and 2010—would federal transfer payments have exceeded the 3% floor, and only by a small amount. In contrast, total health care expenditures grew at an adjusted rate of 3.0% in 2009, and were [projected by CIHI](#) to grow by 3.0% and 1.8% in 2010 and 2011.

However, this funding policy masks a potential problem: the difference between provincial and federal economic growth. Take Alberta, for example, which experienced a 5.3%, 4.5%, 5.8%, 1.7%, 0.9%, -4.5%, and 3.3% growth in provincial GDP from 2004 to 2010 respectively, [according to Statistics Canada](#). Alberta's growth outstripped federal growth in 5 out of past the 7 years. So, the proposed cap's effect on managing smaller transfer payments may be unequal across provinces.

Effectively managing health care expenditures under the proposed new transfer payment model is a challenge facing provincial policymakers. If implemented, this new model will have unequal effects across the country. We expect the solutions to be equally variable.

Provincial profile: British Columbia



In 2010, the British Columbia (BC) provincial government implemented plans to introduce patient-focused funding (PFF) as a basis for funding additional surgical and diagnostic procedures. This policy initiative was implemented through the BC Health Services Purchasing Organization (HSPO), and BC committed \$250 million to this policy.

The implementation of PFF was seen as a way to curb wait time growth and represented a major policy shift: moving away from the conventional global budgets to a volume-driven policy. The scope of this initiative has since expanded to include continuing care projects whose objectives are to divert patients away from hospital-based care.

To date, BC uses a blended model to fund hospitals: global budgets fund the majority of care and PFF creates financial incentives for treating additional patients.

Continues on following page...

Visit our website at www.healthcarefunding.ca

Continued from previous page...

This blended model is designed to ensure that no hospitals are left worse off through the introduction of PFF. The full impact of the implementation of PFF in BC remains to be seen.

An evaluation of this policy is currently underway, led by a Canadian Institutes of Health Research (CIHR)–funded project at the University of British Columbia. Early results of this evaluation are available at www.healthcarefunding.ca/projects.

Evaluation of this program is being watched closely by policymakers and hospital administrators in and out of the province.

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:
Rachael McKendry, Dawn Mooney, Barbara Weinberg

Contact us:
editor@healthcarefunding.ca

Upcoming events

Will Paying the Piper Change the Tune?

Promise and pitfalls of health care funding reform

UBC Centre for Health Services and Policy Research

2012 Health Policy Conference

Vancouver, BC | February 28-29, 2012

Registration and more information is at www.chspr.ubc.ca/hpc

Drawing from international experiences, speakers will examine the complex roles funding policies play in creating efficient, effective and safe health care systems and discuss the role of, and emerging evidence for, innovations in funding policies in Canada and beyond.

Topics include:

- Incentives and behaviours in health system funding
- Innovations in health funding models
- Funding arrangements and quality improvement
- Paying for quality and outcomes
- Realistic funding options for Canada

Featured speakers include:

- John Appleby, Chief Economist, Health Policy, The King's Fund
- Maureen Bisognano, President and CEO, Institute for Healthcare Improvement
- Adalsteinn Brown, Assistant Professor, Dalla Lana School of Public Health, University of Toronto
- Reinhard Busse, Professor, Berlin Technical University, Department of Health Care Management
- Duncan Campbell, Chief Financial Officer and Vice President, Systems Development and Performance, Vancouver Coastal Health Authority
- Graham Whitmarsh, BC Deputy Minister of Health

Canadian interRAI Conference

Meet researchers, policy makers and practitioners using the interRAI system of instruments in various health care settings across Canada.

Vancouver, BC | May 7-10, 2012

Visit our website at www.healthcarefunding.ca