



Centre for
HEALTH SERVICES AND POLICY RESEARCH

Is there a role for funding incentives in a sustainable system?

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Hospitals = \$50 billion in expenditures per year

Seeking strategies for limitations of Global Budgets?

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- 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

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

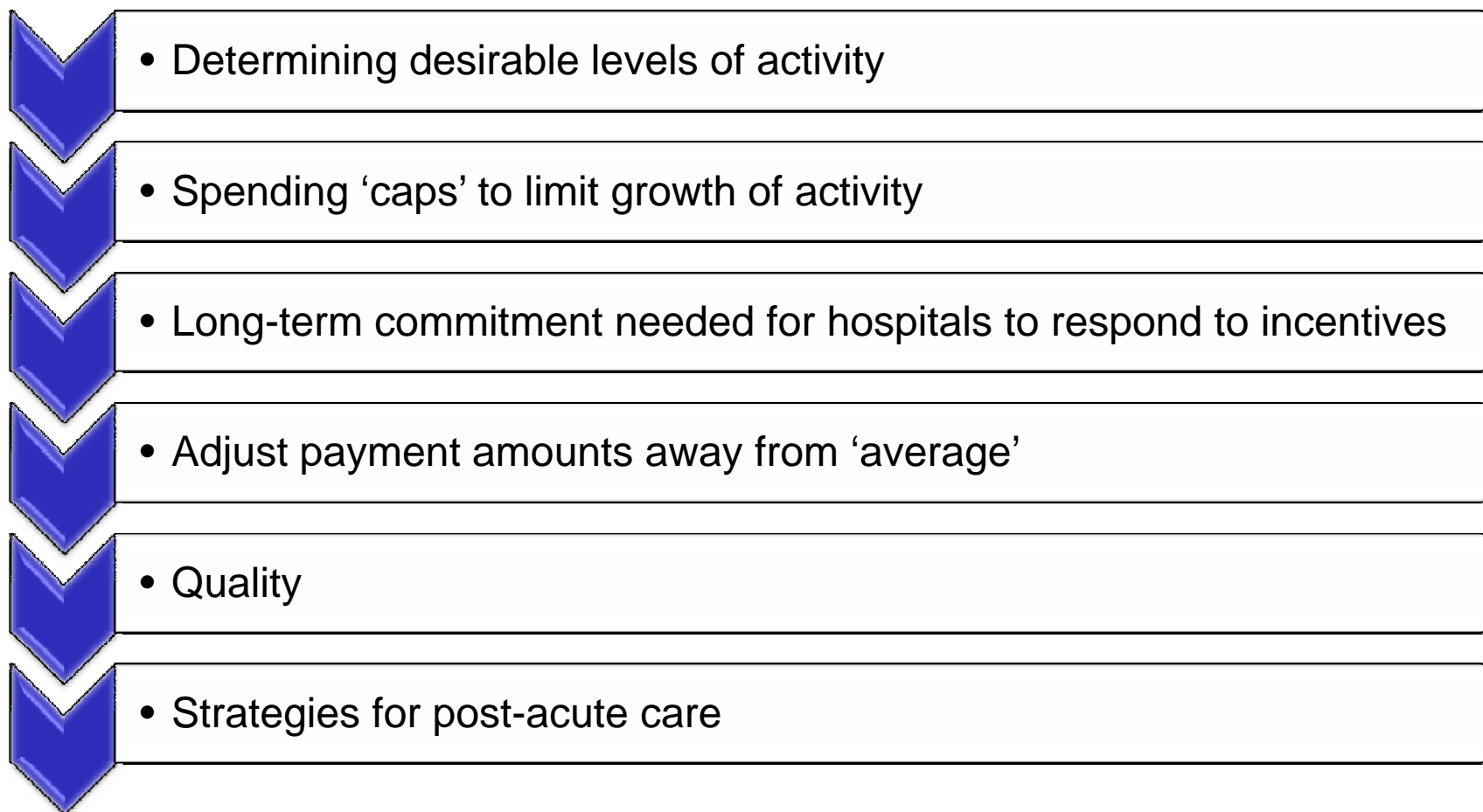
No Evidence

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

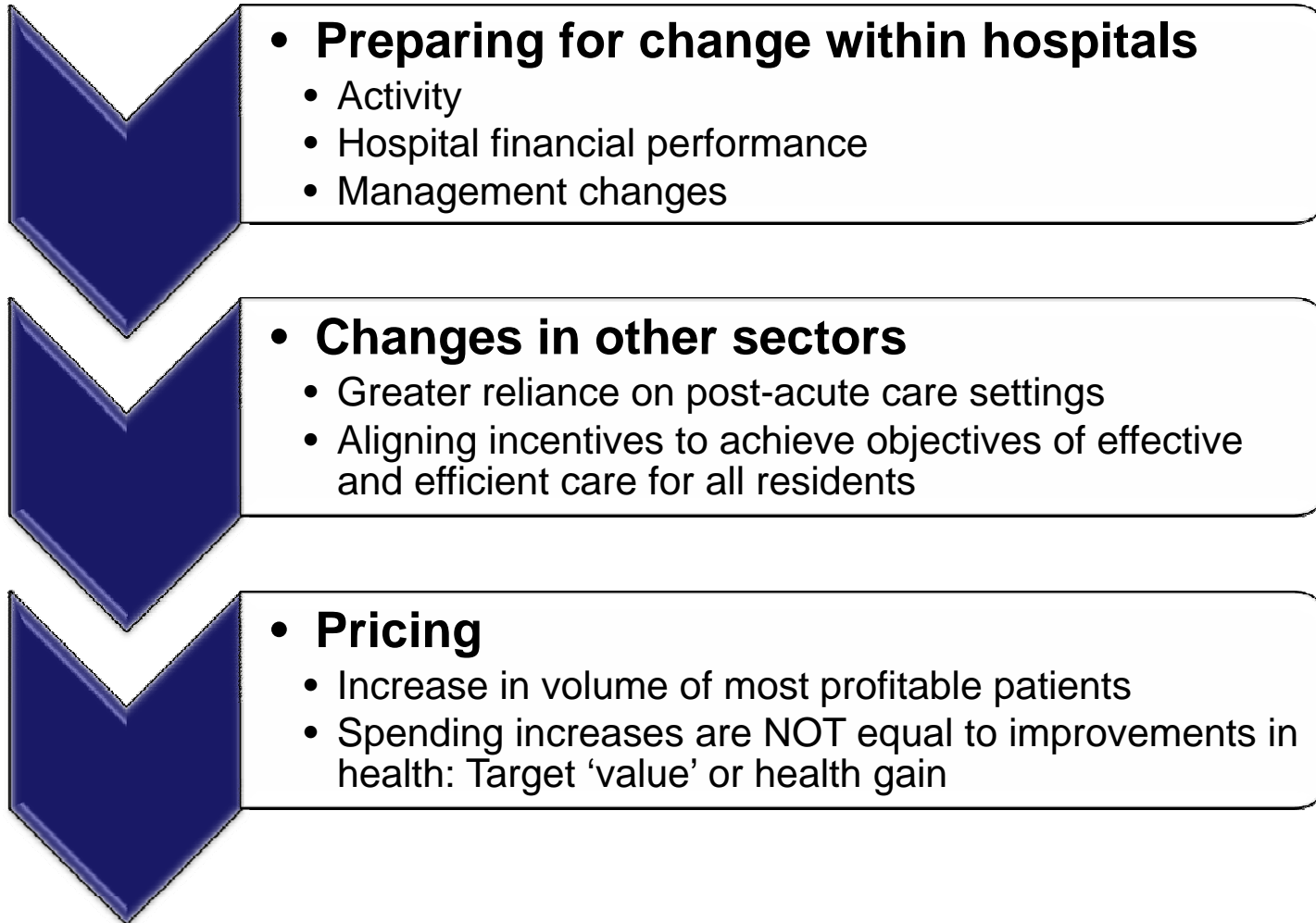
....but, neither does global budgeting



What are key implementation challenges?

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- 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

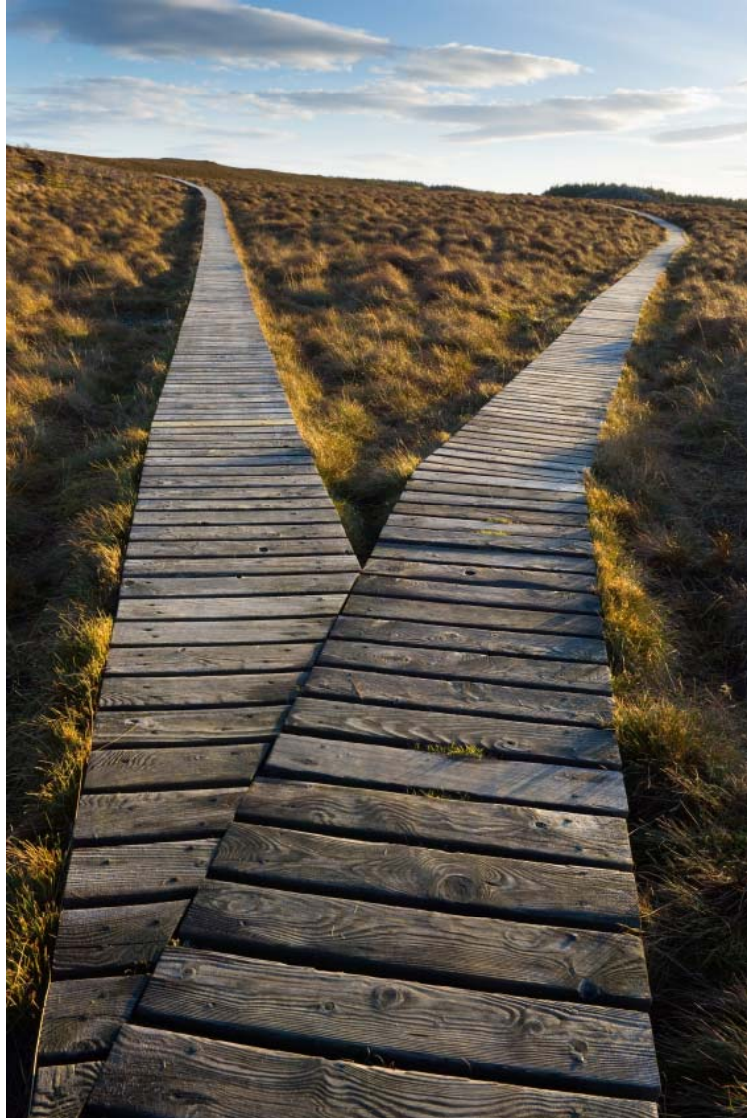
What are the known risks?



Institution-based Funding: Options

- Aligning incentives across institution types and care settings
 - 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





Thank you!

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