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MEDIA RELEASE

Alternative hospital-funding proposal risky says study

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A new study led by a Simon Fraser University health services and policy researcher says we should be concerned about Canadian federal and provincial policymakers' increasing interest in moving to activity-based funding (ABF) of hospitals.

Funded by the Canadian Institutes of Health Research (CIHR), this study is the first systemic review of worldwide evidence on ABF. It involved 19 researchers at several Canadian, Swiss and Australian universities.

Just published in PLOS ONE, the study reveals a 24-per-cent increase in discharge from hospitals to post-acute services after implementing ABF. More patients were discharged to community-based providers, such as convalescent care, long-term care, inpatient rehabilitation facilities, skilled nursing facilities and homecare.

ABF is an alternative to more traditional hospital-funding mechanisms, such as per diem payments, retrospective cost-based reimbursements and negotiated global budgets (predominant in Canada) in which hospitals receive an annual lump sum.

Under ABF, hospitals receive a pre-determined fee for each episode of care. The fee is intended to cover the bundle of services and products ordinarily provided to patients with particular diagnoses, such as appendicitis, pneumonia, traumatic injury or childbirth.

"The message emerging from this comprehensive systematic review of the worldwide evidence available is that governments may not necessarily get the benefits they are expecting with activity-based funding," warns Karen Palmer. The SFU adjunct professor in both health sciences and science is the study's principal investigator and lead author. "There may be adverse consequences for which governments are unprepared."

British Columbia, Ontario and Quebec are among the Canadian provinces actively pursuing ABF following its adoption in the United States in 1983. ABF has since spread elsewhere, including to England, Australia, Switzerland and Germany.

The study's international research team screened 16,565 articles produced during the last 30 years, finding 65 relevant studies from Australia, Austria, England, Germany, Israel, Italy, Scotland, Sweden, Switzerland and the United States.

The researchers conclude that ABF encourages a "sicker and quicker" discharge of patients from hospitals. Compared to other hospital-funding mechanisms, study results show that ABF puts far more pressure on delivering post-acute care in the community and may also increase readmissions to hospital.

"Governments ought to consider the evidence we found, and exercise due caution before making big changes affecting entire populations," cautions Palmer. "If they move ahead with ABF, they should implement it in stages, and evaluate the impact as they proceed, especially on post-acute-care burden, readmissions, death rates and administrative costs.

The authors point out that although Canada has publicly funded hospital and physician care, there is comparatively little public funding for home care, rehabilitation care and other forms of post-acute care.

"Governments implementing ABF in hospitals need to watch out for increasing burden on post-acute services, particularly homecare," says co-investigator Gordon Guyatt, the study's senior author, a physician and professor of the Michael G. DeGroote School of Medicine at McMaster University. "If they don't make sure the funding is available, patients could suffer."

Given that results varied across hospitals and jurisdictions, Danielle Martin, project co-investigator, a physician and University of Toronto professor, says: "We don't understand what precise combination of ingredients makes ABF work better or worse. That means that things could go badly wrong, including increases in death rates and increased administrative costs—wasteful spending our system cannot afford."

Thomas Agoritsas, one of the study's Swiss medical investigators and currently a McMaster University researcher adds: "Countries worldwide have specific expectations when implementing ABF, but research shows they cannot count on meeting those expectations. In Canada, some hope that ABF will reduce waiting times through faster patient turnover. Our systematic review found no consistent improvements in the volume of hospital care with ABF, particularly in the number of acute admissions."

Backgrounder:

ABF is a component of British Columbia's Patient Focused Funding (PFF) initiative, Ontario's Quality-based Procedures (QBP) and Quebec's Financement Par Activité (FPA). All ABF funding systems worldwide are based on diagnosis-related groups (DRGs) originating from the United States.

Study Overview:

- The study assessed the effect of ABF on key measures potentially affecting patients and health systems: mortality (acute and post-acute care); readmission rates; discharge rate to post-acute care following hospitalization; severity of illness; volume of care.
- Consistent and robust finding of 24-per-cent increase in discharge to post-acute care with ABF compared to other incumbent hospital-funding mechanisms.
- Possible increase in readmissions to hospital under ABF, consistent with shortened length of hospital stay.
- Apparent increase in severity of patient illness with ABF possibly due to coding patient illnesses in ways that maximize payments to hospitals. With ABF there is a financial incentive to upcode diagnoses so patients appear as sick as possible, thus maximizing payments to hospitals.
- No evidence of consistent differences in mortality rates with ABF though results varied widely across studies, with some showing appreciable benefits, and others deleterious consequences.
- No evidence of consistent differences in volume of care provided in hospitals with ABF, though results varied widely across studies.

Methodology:

- Systematic review and meta-analysis of the worldwide evidence produced from 1980-2012.
- Using a pre-defined scoring system, paired reviewers independently screened for eligibility, abstracted data and assessed study credibility. The reviewers used discussion or adjudication to resolve any conflicts.

Implications:

- Increased pressure on post-acute care has implications for health-care system capacity and equitable access to care.
- Though Canada has publicly funded hospital and physician care, there is comparatively little publicly funded home care, rehabilitation care and other forms of post-acute care in the community.
- If ABF is being considered as an intervention to reduce wait-times, the results for volume of care provided, including

admission rates, are highly variable and thus uncertain.
- Large unexplained variability in results of some outcomes (other than discharge to post-acute care) leaves the impact of ABF in particular settings uncertain, and may not allow a jurisdiction to predict if ABF would be harmless.

Recommendations:

- Decision-makers considering ABF should plan for a likely increase in post-acute care admissions and be aware of the significant uncertainty around impacts on other critical outcomes.
- Decision-makers considering ABF should carefully consider the effects of this model on health system capacity and equitable access to care.
- Given wide variation in readmission rates and mortality rates across studies, hospitals should monitor readmission rates and mortality rates following discharge from acute care hospitals before and after ABF implementation. The study did not address administrative costs that hospitals should also consider monitoring.
- If ABF is implemented, hospitals should design and implement mechanisms to closely monitor and evaluate upcoding of diagnoses.

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