The ABC of ABF (Activity Based Funding)

Brian Donovan

Head of Pricing

2nd July 2015

Agenda

- Irish Healthcare – Some Facts an Figures
- History of Casemix and ABF in Ireland
- What is ABF?
- Components of ABF
- ABF Policy Context
- ABF and Quality

Healthcare Pricing Office

Ireland – Some facts and figures

HEALTHCARE PRICING OFFICE

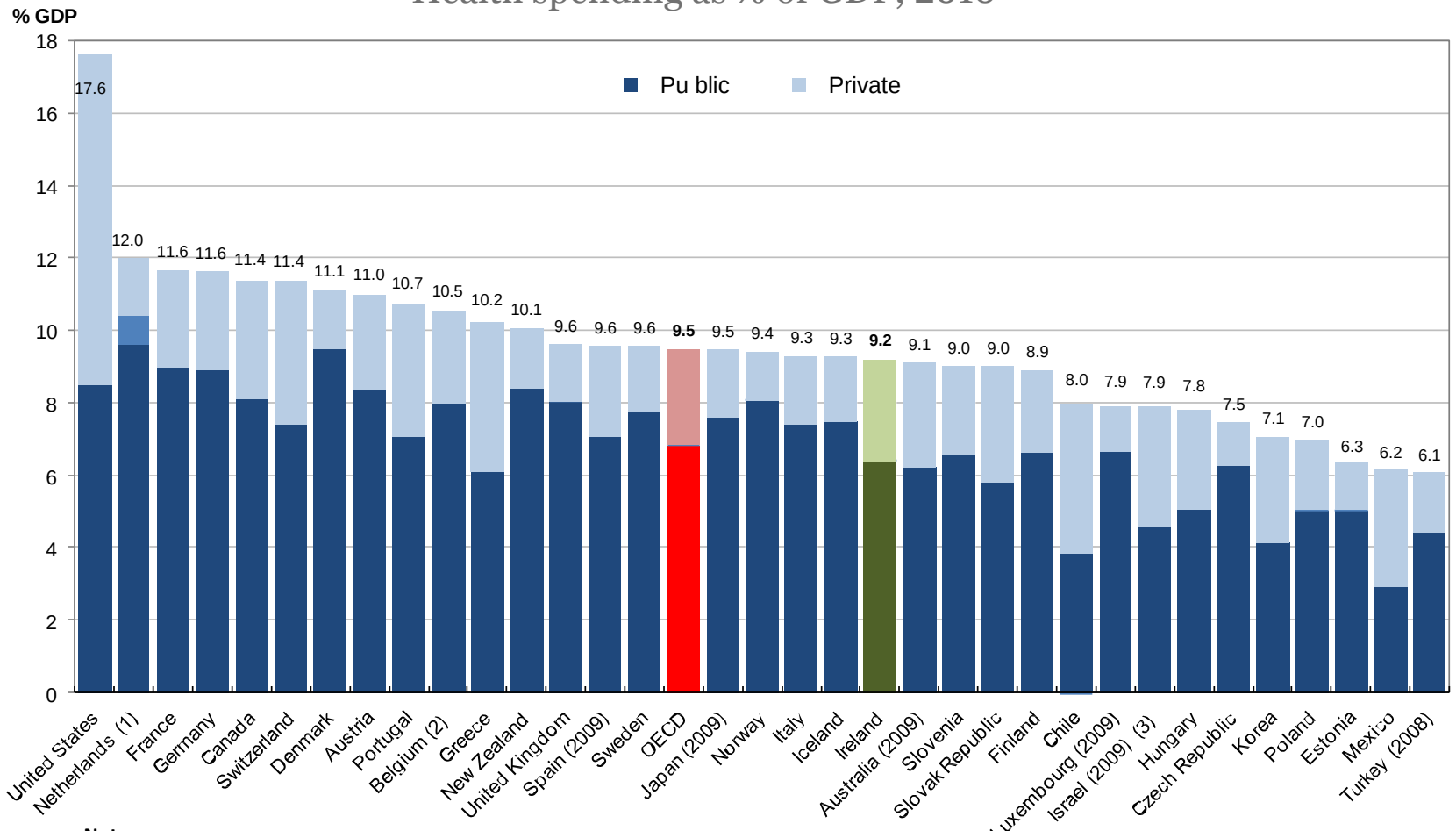
Ireland: Some facts and Figures

Population	4.5 m
Total Area	68,895 km^2
No. of Acute Beds	13,500
No. of ABF hospitals	38
No. of Hospital Discharges	1.6m
No. of Outpatient attendances	3.6m
No. of ED attendances	1.3m
Public Health Budget	*circ* € 13 billion

HEALTHCARE PRICING OFFICE

Key International Indicator …

Health spending as % of GDP, 2010



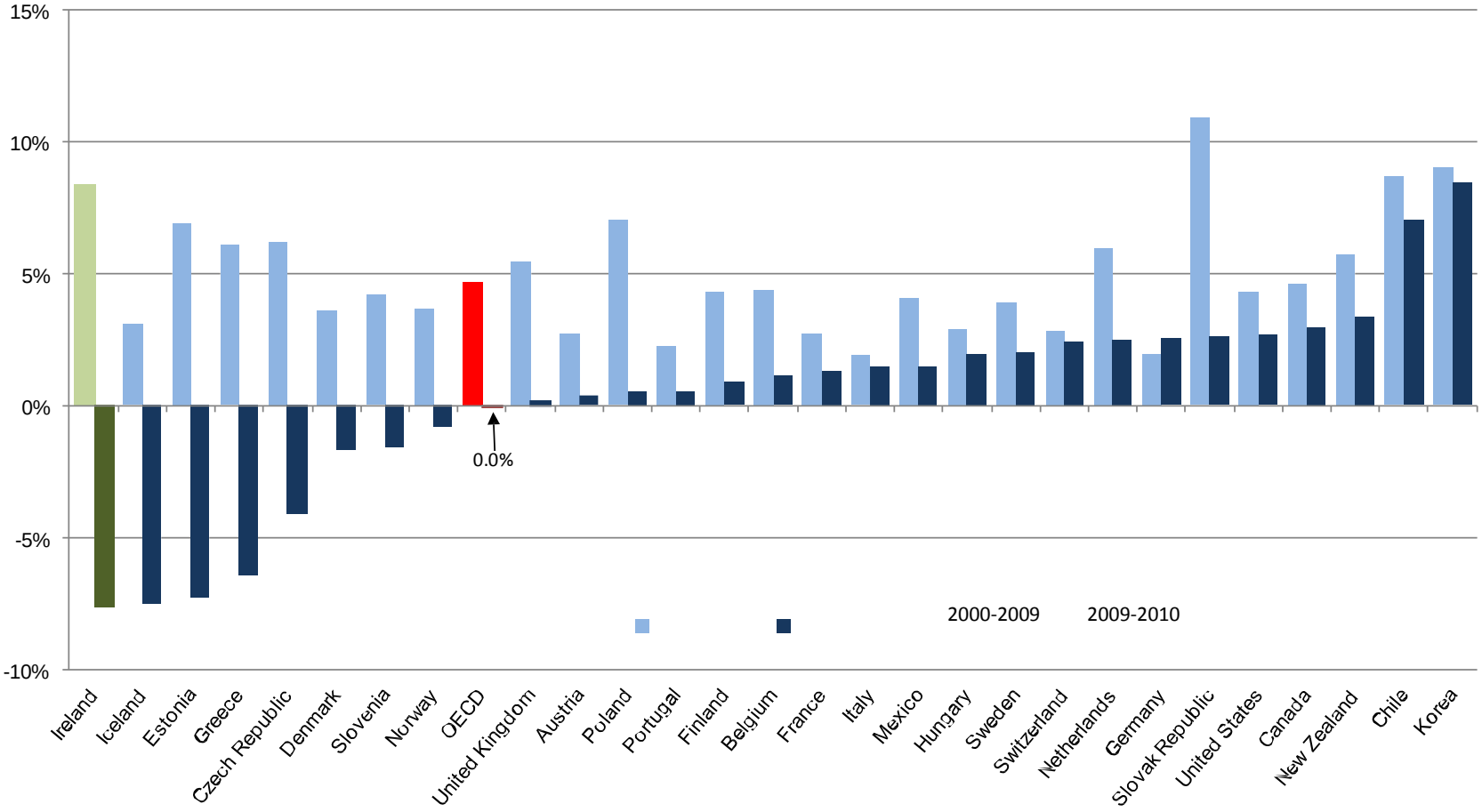
Note:

1. In the Netherlands, it is not possible to distinguish clearly the public and private share for the part of health expendit ures related to investm ents.
2. Total expenditure excluding investm ents.
3. Inform ation on data for Israel: http://dx.doi.org/10.1787/888932315602

Source: *OECD Health Data 2012*

Ireland's Economic Woes!!!!

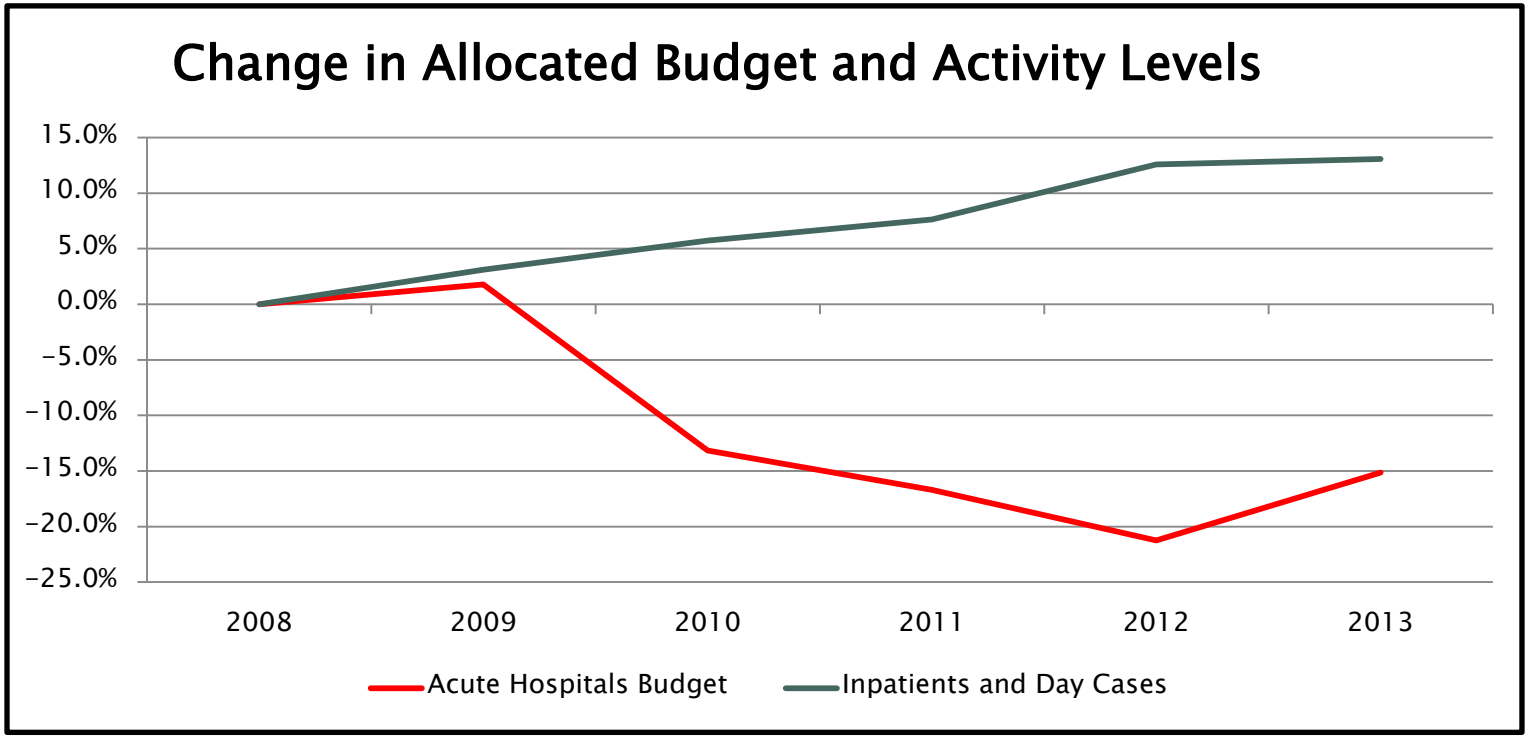
Average OECD health expenditure growth rates in real terms



Note:
Growth rates for 2009/10 are not available for Australia, Japan, Luxem bourg, Israel, Spain and Turkey. Growth rates for Chile calculated using the Consum er Price Index (CPI).

Source: *OECD Health Data 2012*.

The Picture Since 2008



HEALTHCARE PRICING OFFICE

History of Casemix and ABF in Ireland

HEALTHCARE PRICING OFFICE

Casemix in Ireland

- Up to 2012 Casemix data was used to make an efficiency based adjustment to hospitals budgets based on data from the previous year
  - Single line item in hospital allocation
- In 2012 this process was halted in preparation for the introduction of ABF in Ireland
- Under ABF Casemix data will form the basis of the hospital's funding

Healthcare Pricing Office

Australian Casemix in Ireland

- In 2004 Ireland adopted
  - ICD-10-AM & ACHI classification systems
  - AR-DRG system
- Long standing relationship between Australia and Ireland in terms of Casemix
  - States of Victoria and NSW
- Much of the Casemix development in Ireland has been informed by Australian experts

What is ABF?

HEALTHCARE
PRICING
OFFICE

What is ABF

Patient Care

Activity

Funding

€

Activity based funding (ABF) is the provision of funding to healthcare providers based on the quantity and quality of services they deliver to patients.

Funding patient care rather than hospitals

Healthcare Pricing Office

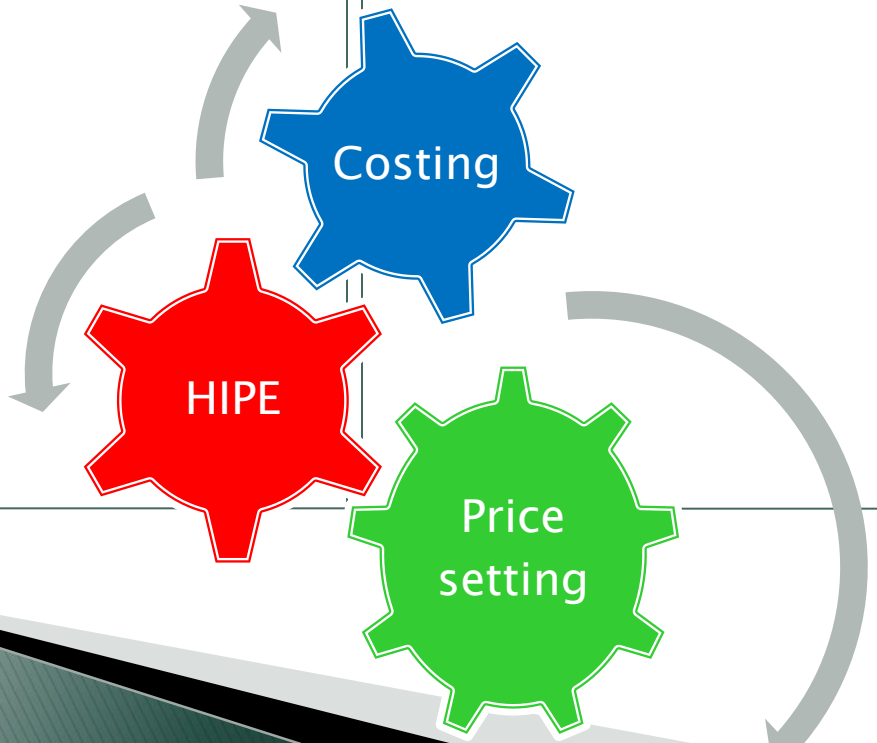
Clinical information + Financial information

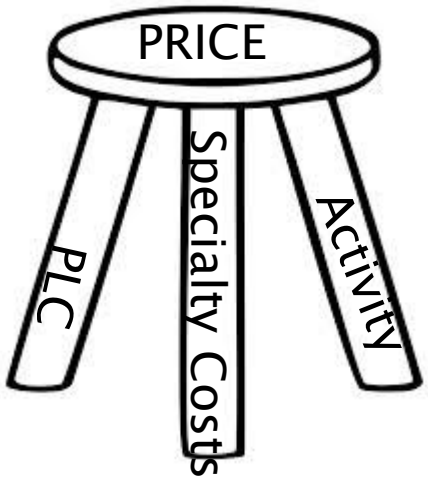
Bed sheeters +Spreadsheeters

HEALTHCARE
PRICING
OFFICE

ABF Components

- Activity Information
  - HIPE
- Costing Information
- Price Setting





Healthcare Pricing Office

Activity Information (HIPE)

»

Healthcare Pricing Office

Activity Information

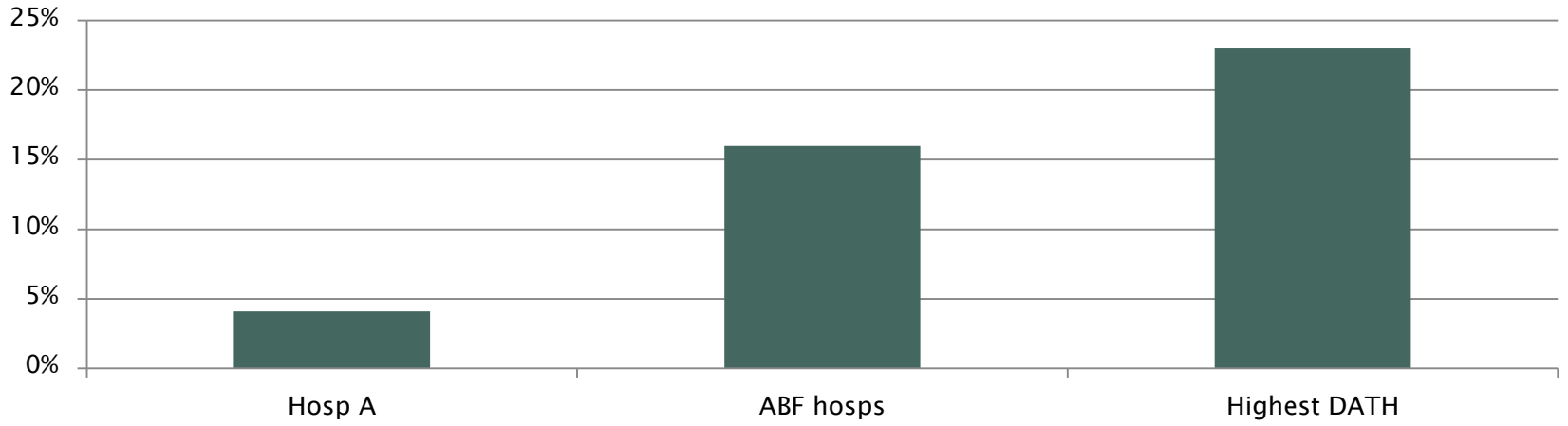
- Each admitted discharge coded to HIPE
  - Administrative, demographic and clinical data
  - HIPE must reflect the Chart
  - Capture information relevant to episode of care
    - Principal diagnosis
    - All relevant secondary diagnoses
    - Principal procedure
    - All relevant secondary procedures
  - In accordance with coding standards and guidelines

All discharges are assigned to one and only one DRG

Healthcare Pricing Office

Case Study: B70 Strokes

B70A – Stroke with catastrophic complication



DRG	Description	Price	2014 cases	2014 %	ABF hosps
B70A	Stroke and other cerebral disorder with catastrophic complications/co-morbidities	€23,261	15	4%	16%
B70B	Stroke and other cerebral disorder with serious complications/co-morbidities	€9,410	79	22%	27%
B70C	Stroke and other cerebral disorder without catastrophic or severe complications/co-morbidities	€5,159	226	62%	47%
B70D	Stroke and other cerebral disorder died/transferred within 5 days	€1,707	46	13%	10%
			366	100%	

HEALTHCARE PRICING OFFICE

Key Issues re HIPE Coding and ABF

- Coverage
  - Code every chart : No coding = no funding
- Complexity
  - Ensure that all diagnosis are captured : Incomplete coding = incomplete funding
- Deadlines
  - Coded late – funded late = gap between costs and funding
- Guidelines
  - HPO Irish coding standards
  - Activity is subject to audit

- **If it is not on the chart it did not happen**

HEALTHCARE PRICING OFFICE

Costing Information

»

HEALTHCARE
PRICING
OFFICE

Allocation of Costs

Gross Costs €200m

- IP €120m
- DC €30m
- OPD €20m
- ED €10m
- Extern €20m

IP Cardiology

Cost €36m

Discharges 4,000

Cost per discharge €9,000

Weighted units 7,500

Cost per WU €4,800

DC Cardiology

Cost €10m

Discharges 8,000

Cost per discharge €1,250

Weighted units 10,000

Cost per WU €1,000

- Cardiology OPD
- Chest pain OPD
- Hypertension OPD

Chest pain

Cost €3m

Attendances 30,000

Cost per attendance €100

Weighted units 20,000

Cost per WU €150

Cost €10m

Attendances 40,000

Cost per attendance €250

What

Labs €10m

X-ray €7m

Medical pay €3m

Where

GPs €14m

Other hosps €5m

Comm care €1m

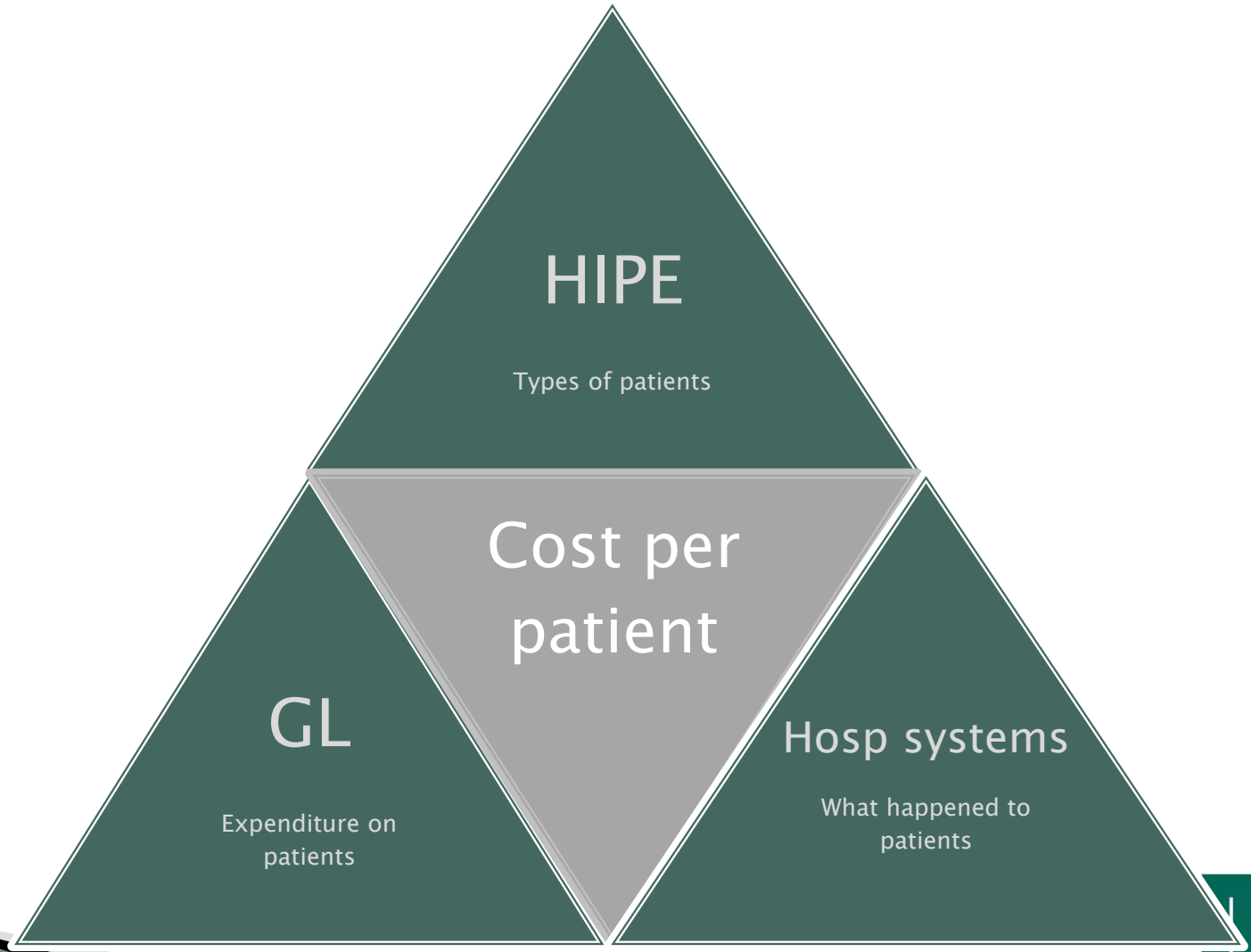
HEALTHCARE PRICING OFFICE

Patients are different

	ED	Ward	ICU	Labs	Radiology	Theatre	Physio	Procedure Room	Overheads
Leg fracture									
Car crash multiple trauma									
Stroke without complications									
Heart transplant									
Hip replacement									
Colonoscopy									
GP referral									

HEALTHCARE PRICING OFFICE

Costing requires connecting



HEALTHCARE PRICING OFFICE

Healthcare Reform and Activity Based Funding Policy Context

HEALTHCARE PRICING OFFICE

4 Pillars of Reform

1. Health and Wellbeing
2. Service Reform
3. Structural Reform
4. Financial Reform (ABF)

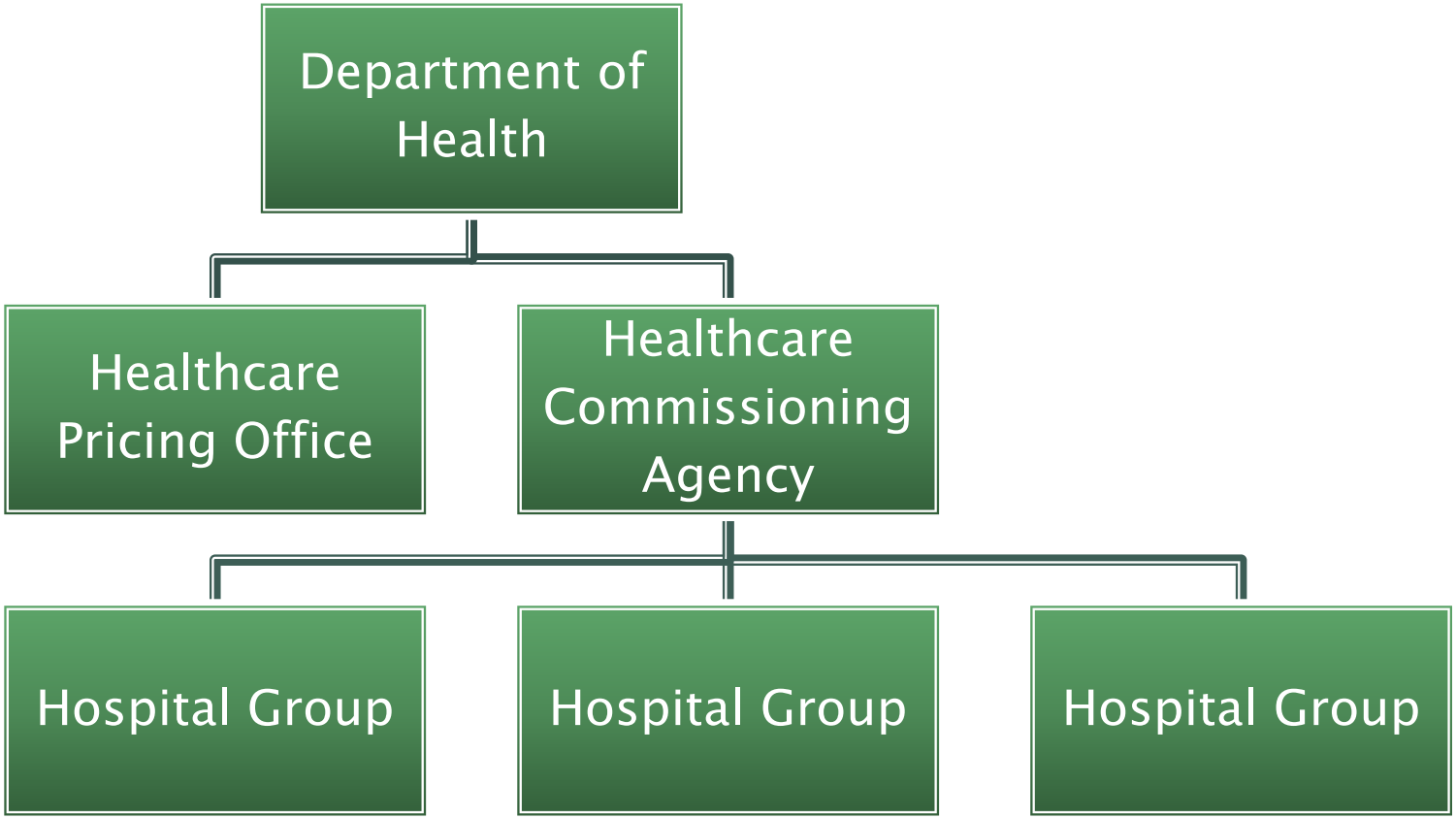
HEALTHCARE PRICING OFFICE

Policy Objectives

- To support the move to an equitable single-tier system
- To have a fairer system of resource allocation
- To drive efficiency in the provision of hospital services
- To increase transparency in the provision of hospital services
- Any ‘ABF’ system must support and reinforce the delivery of quality care in the most appropriate setting

HEALTHCARE PRICING OFFICE

ABF Governance Structures



HEALTHCARE PRICING OFFICE

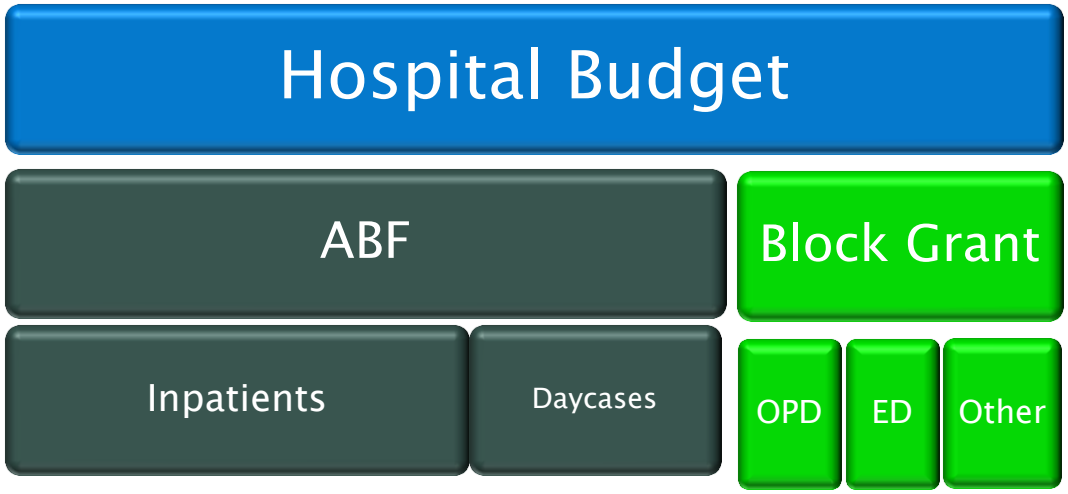
ABF Process

- Pricing Office sets national price list using cost and activity data
- Minister sets global hospital budget and national service targets and priorities
- Healthcare Commissioning Agency agrees performance contracts with Hospital Groups – capped cost and volume contracts
- Additional activity must be pre-approved and can be paid at different rates
- Payment based on submission of claims for agreed activity

HEALTHCARE PRICING OFFICE

Current Scope of ABF

- Currently restricted to acute admitted care
  - Covers daycase and inpatient activity
  - All other activity funded in block grant



- All other hospital costs funded in the block budget

HEALTHCARE PRICING OFFICE

What ABF is not ?

- Not about increasing the level of funding available to acute hospital system
- Not about carrying out additional unapproved activity to increase size of hospital budget
- Not panacea for all ills in the health system
  - It is essentially about the *distribution* of the pie rather than the *size* of the pie

ABF -Quality

HEALTHCARE PRICING OFFICE

ABF and Quality of Care

- Aim to improve patient access to care together with the overall quality and safety of care they receive
- The funding mechanisms should encourage quality care in the most appropriate setting
- This will involve working closely with the clinical programmes to align pricing with clinical objectives
- How can we use DRG payments to incentivise prevention, hospital avoidance, quality and safety, care pathways and appropriate patient outcomes ?

HEALTHCARE PRICING OFFICE

Coding of Sepsis –New Codes

- Jan 2015 = 8th edition ICD-10-AM/ACHI/ACS

- New category for SIRS including
  - R65.1 Systemic inflammatory response syndrome [SIRS] of infectious origin with acute organ failure
    - includes Severe sepsis

- New code for Septic shock
  - R57.2 Septic shock

- Revised Sepsis Coding Guideline for HIPE Coders

HEALTHCARE PRICING OFFICE

Classification of Sepsis

- There are two specific DRG'S for Sepsis within the Australian DRG system
- T60 A Septicaemia + CCC
- T60 B Septicaemia – CCC
- Sepsis can also appear as a Secondary Diagnosis in other DRG'S which can cause an impact on DRG assignment
- Obvious question is should you pay the additional cost of a more complicated DRG caused by the Sepsis?
- Should you pay if it is Hospital Acquired?
- Can you determine if it was hospital acquired?

HEALTHCARE PRICING OFFICE

Funding of Sepsis –Some Issues

- Should there be an additional payment for following an agreed clinical pathway?
- Should there be a reduction for not following the pathway?
- How do you collect the information to determine whether an agreed pathway has been adhered to?
- Is this administratively feasible?
- Is the data verifiable and auditable?
- Do you have a sliding scale ie if 70% of pathway adhered to you get 70% of additional payment?
- Is it 100% adherence or nothing?

HEALTHCARE PRICING OFFICE

Thank You

Any Questions?

HEALTHCARE PRICING OFFICE