



Health Financing systems

Economic tools for effective health care



*Presentation at MAPS: School of Public
Health. Winter school 2002*

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STOCKHOLM



Basic rules for economic governance

- There will never be money enough to do everything possible in relation to available technologies. (Scarce resources)
- If you do not know what you want to achieve - your system will always be ineffective
- If you do not know the costs of institutions, processes and production factors, and if you do not consider alternatives, you will never achieve an effective system.
- If you do not measure the extent to which you achieve your goals, all your efforts to create an effective system will be futile
- Inefficiency in health care means that resources are stolen from children, men and women in pain and distress

Mobilising resources for Health Care

Requirements of effective health financing system

- Possible to direct flow of resources on grounds of possible health gains
- Guarantees of macro economic stability - cost containment
 - universal coverage versus voluntary insurance
 - macroeconomic dependence of health financing
- Incentives for productivity in health care
 - dilemma of cost containment and productivity stimulants
- Fair financing
 - in relation to what?

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How much is “just right”?

- Volume judgements by comparisons

– general health care cost levels according to GDP/cap

- Equalisation of health gains

– Health gains predicted with cost-effectiveness investigated technologies

- The frustrating experience

– inflexibility of health technology (and lack of data)

– professional conservatism

– vested interests rather than health gains

– the external role of health care (employment)

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Strategic measurements in health care

- Health care objectives
- Health care costs
- Outcomes

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Objectives:

- Child health (IMR and U5M)
- Life expectancy at birth
- DALY and DALE
 - disability adjustment based on disease classification
 - Value adjustment based on expected remaining life years

Serious ethical matters involved in use of DALY concept

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Costs

- DRG and KOKS
 - diagnose related costs based on “best use of technology and production resources”
- Operative accounting
 - allocating costs where they belong
- Cost benefit analysis
 - Health Technology Assessment for “best use of technology”

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Cost management mechanisms

- Factor budgeting
- internal pricing with caps (incl DRG)
- capitation and german corset techniques
- prioritisation rules
 - Oregon list solutions
 - General prioritisation rules
 - Covert local prioritisation
- co-payment - out of pocket financing

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Outcomes

- Always in objective terms
- Integrated (costs, quantity and quality) systems for outcome evaluation
 - *Internal post-treatment analysis*
 - *Peer review systems*
 - *Independant monitoring of cost associated outcomes*
- Transparency of outcome data/analysis for use of purchasers, politicians, media - and patients - not often available

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Main models of health care financing

- Nordic model
- American model
- UK model
- German model
- Russian model

MAIN FEATURES

- financing model
- provision model
- governance model

- * Fee for service
- * Capitation
- * Global budgets
- * Voucher model

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Purchaser and Provider split

- Single purchaser mechanisms

- top down - state/region/municipality purchasers
- bottom up - GP or primary health care trusts as purchasers

- Multiple purchaser mechanisms

- Insurance companies, health maintenance organisations as purchasers

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Purchaser-Provider Split solutions

- The idea of an internal market - competition
- top down procurement
- bottom up purchasing
- The competition fallacy in health care
 - local monopolies - non existing surplus of production capacity
 - provider cartels
 - information on alternatives unavailable
 - Professional ethics competing with profit motives

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Health care optimum - can it be achieved?

- Measurements - *difficult but gradually possible*
- Formulation of objectives - *in need of predictability*
- Rational distribution of resources - *health gain not always known*
- Implementing effective production technology - *institutional conservatism and technology thrill syndrome*
- Evaluation - *lack of independent institutions*

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Is Health Care Manageable?

- Tell me ... what do you think?
- And what is the alternative?
- Perhaps one may approach the problem by means of small steps and a lot of obstinacy...