

***Pan-European road towards
future healthcare***

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***Incentive
systems***

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Vote 1

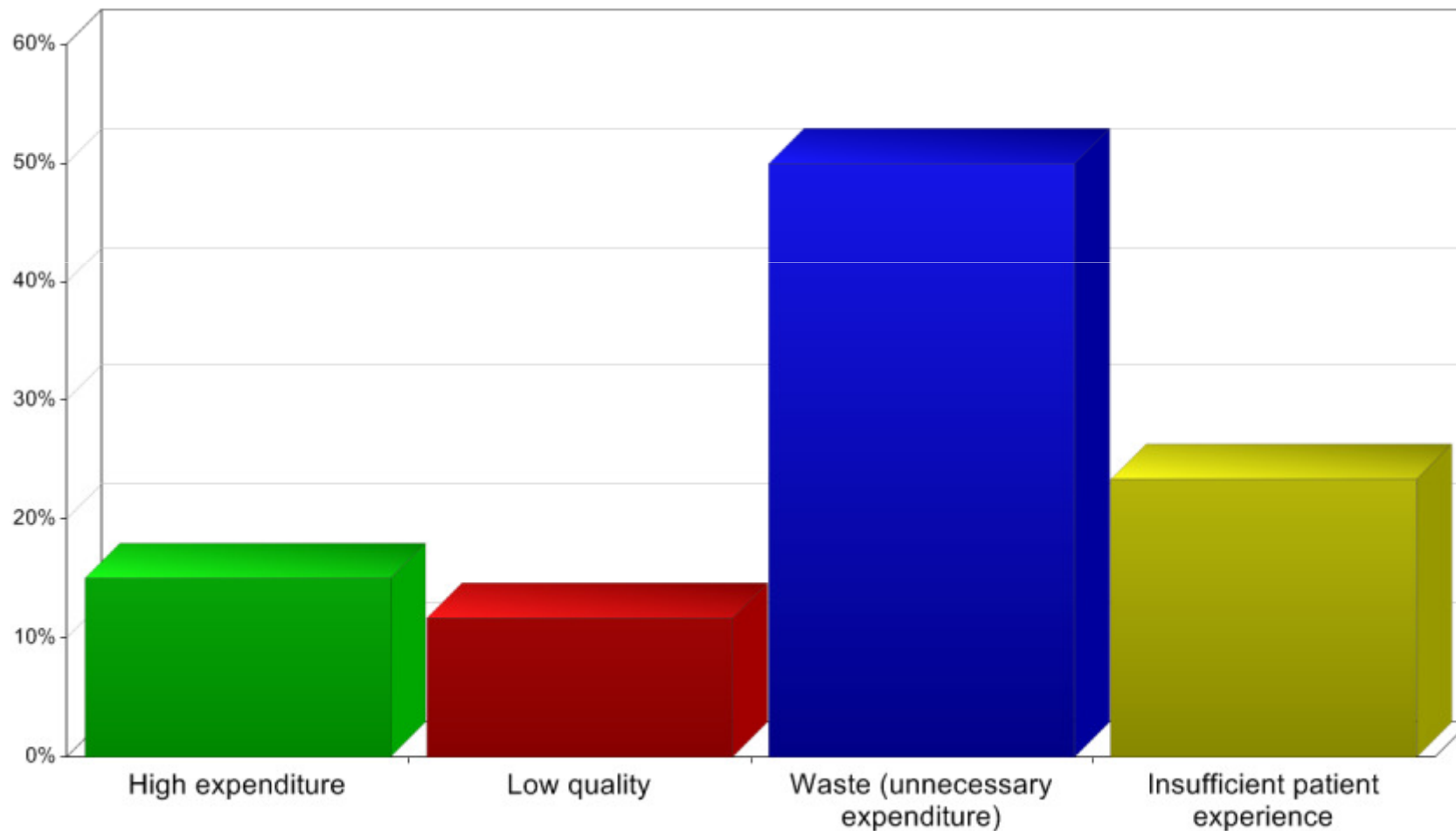
What is the greatest problem of health systems in high-income countries?

1. High expenditure
2. Low quality
3. Waste (unnecessary expenditure)
4. Insufficient patient experience

Vote 1: results



What is the greatest problem of health systems in high-income countries?



STRATEGIC AIM:

to develop incentive systems that support innovation and change towards cost containment

—

while improving the quality of care (defined as health, patient safety, and patient experience)

Don Berwick estimating U.S. health care waste: 1/3 of expenditure, of which 40% due to bad quality

Eliminating Waste in US Health Care

Donald M. Berwick, MD, MPP
Andrew D. Hackbarth, MPhil

NO MATTER HOW POLARIZED politics in the United States have become, nearly everyone agrees that health care

The need is urgent to bring US health care costs into a sustainable range for both public and private payers. Commonly, programs to contain costs use cuts, such as reductions in payment levels, benefit structures, and eligibility. A less harmful strategy would reduce waste, not value-added care. The opportunity is immense. In just 6 categories of waste—overtreatment, fail-

Table. Estimates of Annual US Health Care Waste, by Category^a

	\$ in Billions					
	Annual Cost to Medicare and Medicaid in 2011 ^b			Annual Cost to US Health Care System in 2011		
	Low	Midpoint	High	Low	Midpoint	High
Failures of care delivery	26	36	45	102	128	154
Failures of care coordination	21	30	39	25	35	45
Overtreatment	67	77	87	158	192	226
Administrative complexity	16	36	56	107	248	389
Pricing failures	36	56	77	84	131	178
Fraud and abuse	30	64	98	82	177	272
Total^c	197	300	402	558	910	1263
% of Total Spending				21	34	47

^aTable entries represent the range of estimates of waste in each category from sources cited in the text. The total waste estimates are simply the sums of the category-level estimates. This simple summing is feasible because the categories are defined in such a way that wasteful behaviors could be assigned to at most 1 category and because, like Pacala and Socolow,⁹ we did not attempt to estimate interactions between or among the categories.

^bIncluding both state and federal costs.

^cTotals may not match the sum of components due to rounding.

- Technological, pharmaceutical and managerial innovations potentially result in better health outcomes, higher efficiency and possibly more ‘value for money’.
- Unfortunately, reality often shows that instead of more ‘value for money’, the aggregate costs of healthcare provision to European citizens increase.
- This is primarily caused by the reactive mechanisms in the entire healthcare system and its environment:
 1. HTA (health technology assessment) looks at the cost-effectiveness of innovations, but is limited to available evidence which often concentrates on patients with high ability to benefit;
 2. after the innovation is included in the public benefit baskets, it is also “inappropriately” applied to patients in which it may not be cost-effective;
 3. this increase in the number of patients is fuelled by higher efficiencies of providers, made possible by other reforms such as new forms of payment; and
 4. savings are thus not translated into macro level savings (i.e. lower total expenditure on healthcare) but end up as extra revenue in the hands of the providers or, depending on the system, the payers of care.

Incentive systems: background

- One of the main culprits for this problem: the existing incentive system in health care, i.e. how services, products, people (clients, patients, health professionals), care providers (e.g. hospitals), producers (pharmaceuticals, medical devices) and payers are incentivized, either monetarily or non-monetarily.
- Incentives can be implemented externally by national or regional governments, but also internally by providers or manufacturers.
- Often such incentives are not well aligned, leading to incentives that make health system actors perform in a way that may conflict with the broader goals of a given health system.
- Although many incentives are system-dependent and vary greatly internationally, their interplay is often not well understood and some general challenges are visible across countries.

Vote 2

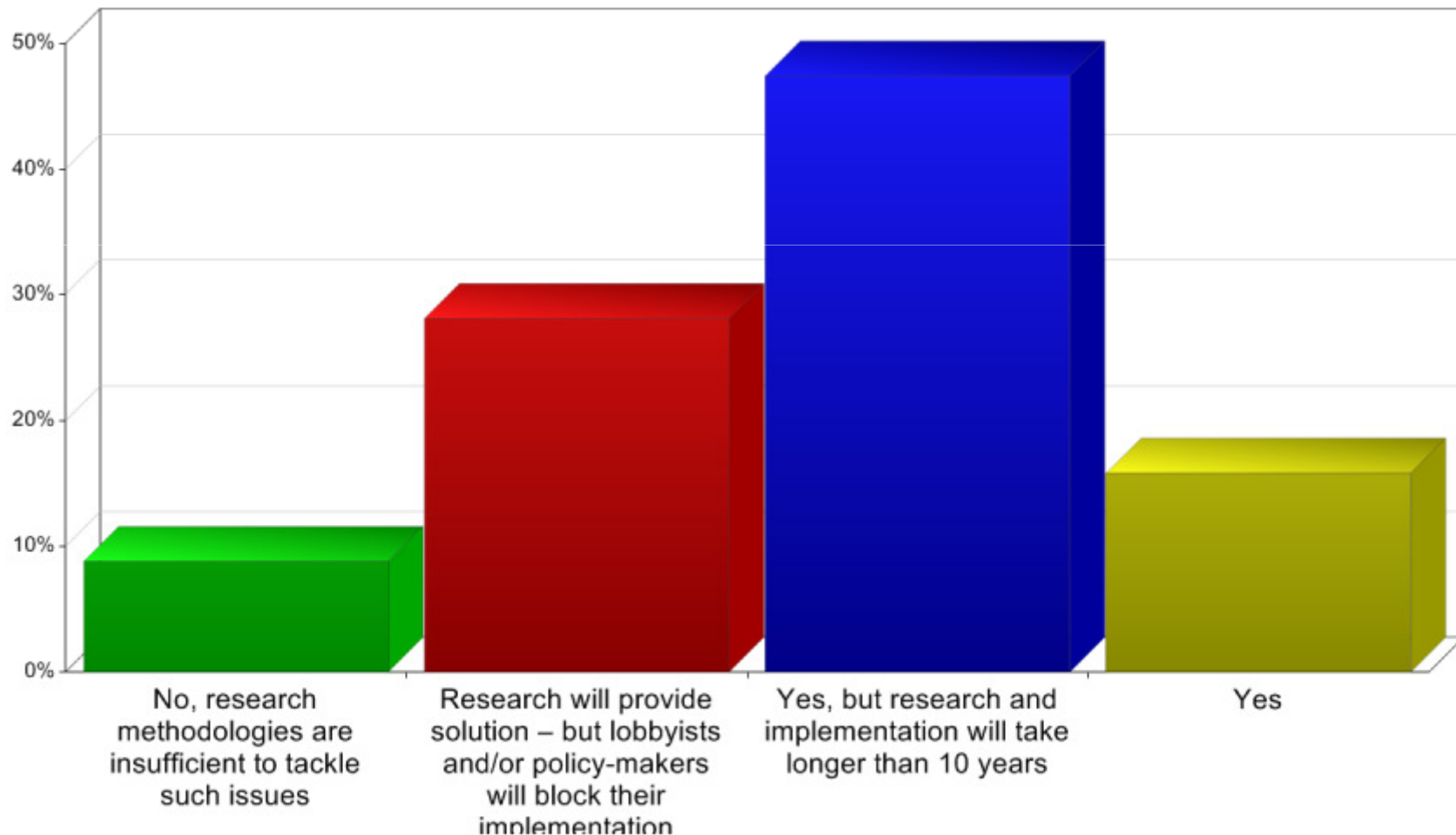
Can research overcome the problems of misaligned incentives within 10 years?

1. No, research methodologies are insufficient to tackle such issues
2. Research will provide solution – but lobbyists and/or policy-makers will block their implementation
3. Yes, but research and implementation will take longer than 10 years
4. Yes

Vote 2: results



Can research overcome the problems of misaligned incentives within 10 years?



Incentive systems: R & D questions

Topic 1: Alignment of external and internal incentive systems

- How can the supply side of the health system (hospitals, manufacturers) be incentivized to act against their (financial) interest, e.g. paying for not doing an intervention?
- How can demand side incentives, both financial and not financial, be designed that patients do not demand unnecessary care from providers (but are not deterred from demanding necessary ones)?
- How can incentives for prevention be designed to overcome the mismatch between long versus short run incentives?
- Are reimbursements too focused on individual episodes?
- Which data is needed?

Incentive systems: R & D questions

Topic 2: Market mechanisms and their (unintended) incentives

- What is the role of markets in promoting innovation and prevention?
- What new incentive mechanisms are needed to promote and optimize it?

Vote 3

Which research approach is suitable for such issues?

1. Typical Horizon 2020 projects, i.e. max. 4 years, € 6 million
2. EU funded projects will not be enough, we need national research initiatives as well
3. EU funded projects and national projects will not be enough – we need a “concerted action” with entire regions in various countries participating as “intervention” and “control” areas

Vote 3: results

Which research approach is suitable for such issues?

