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Two-Thirds of World Health Leaders See Problems with Payment Systems

The way that healthcare is paid for in is flux as governments around the world seek ways to control costs without further compromising quality at a time when the needs of the ageing population threaten to overwhelm health system resources. A new report by PricewaterhouseCoopers finds that two-thirds of health leaders, including government and private payers from 20 different countries, see problems with their current payment system, and they are exploring new payment models that use incentives to better balance access, quality, efficiency and demand.

Karol Zimmer, Senior Manager in Advisory Services at PricewaterhouseCoopers Slovakia said:

"Healthcare systems around the world are facing sustainability challenges, whether in controlling costs or in discrepancies between expectations of the public and financial limitations. Over time, these challenges will be even greater due to the ageing population. An efficient healthcare payment system is simply a must for an efficient healthcare system. A Dutch respondent to our survey has put it very well: 'If Government paid for Christmas trees, hospitals would provide them.' Therefore, it is necessary to find a balance among quality, effectiveness, and demand in healthcare payments."

The report entitled "**You Get What You Pay For: A Global Look at Balancing Demand, Quality and Efficiency in Healthcare Payment Reform**" provides a comprehensive overview of how payment models are changing in 20 different countries, lessons learned from the experiences of other health systems, and findings of a survey of 200 health industry executives.

Key findings in the report include:

- Most industrialized countries use gatekeepers such as physicians to control the demand for healthcare, ensure patients receive the right treatment, and prevent overutilization or use of more expensive treatments than needed. Yet, traditional gatekeeping systems are broken or breaking down, according to PwC.

- Case-based prospective payment that group reimbursement rates into diagnostic related groups (DRGs) is the emerging standard for hospital payment, having proven to improve efficiencies. This type of hospital reimbursement has already been adopted by 70 per cent of countries that are part of the Organization for Economic Cooperation and Development (OECD). However, it does have drawbacks, particularly with managing patients across the continuum of care, and forces the focus onto transactional care.

- A number of countries that have historically had tax-funded or social systems are adding market-based competition to spread the burden of payment and to encourage efficiencies. But multiple funding systems and payers operating together in the same market create conflicting incentives and cause confusion if incentives are not coordinated and properly aligned.

- Reimbursement to general practitioners and primary care physicians is far more varied among different countries and regions than reimbursement to hospitals. Models that integrate hospital and physician payment have proven best at creating mutually aligned incentives.

Balance of Cost, Quality, Efficiency and Demand

PricewaterhouseCoopers' research found clear trends around the world in how governments are juggling priorities. It found that:

- Meeting demand by caring for an increasingly ageing population was rated the most difficult challenge facing health systems around the world.
- Cost control was ranked as the most important factor in developing payment systems in the future. It ranked as more important than quality, efficiency or demand.
- "Better informed patients" ranked highest as the way to better manage demand. Increasing out-of-pocket payments ranked lowest.
- Approximately eight of ten (81 percent) global health executives said that better coordination of care would do the most to improve quality in their countries. Bonuses for care coordination to physicians and hospitals were among the top five methods needed to improve quality and efficiency.
- To better reward quality, quality information must be gathered, measured, and acted on. Data is becoming increasing available to compare quality measures, but PwC found that patients and gatekeepers are not acting on the data because patient choice is still largely driven by subjective perceptions of quality versus quantifiable medical or technical data.

Information technology has been identified as an effective means of improving efficiencies and better coordinating care. Payers often express concerns about financing advancements in technology because medical technology such as better diagnostics to detect illness earlier may lead to increased utilization. PwC recommends that if investment in IT and adoption is desired, countries that do not already do so should build incentives for IT investment into their payment formulas.

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Notes:

1. PricewaterhouseCoopers' Health Research Institute commissioned a global survey of more than 200 healthcare executives from 20 countries: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Malaysia, the Netherlands, Norway, Poland, Singapore, Slovenia, Spain, Switzerland, the United Kingdom and the United States.

2. A full copy of the report is available at http://www.pwc.com/hri. For more information please see Public sector / Government.

3. PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 146,000 people in 150 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

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