Tackling Wasteful Spending on Health

Learning from OECD countries' experience

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BETTER POLICIES FOR BETTER LIVES

Outline

Defining wasteful spending

1. Wasteful clinical care
2. Operational waste
3. Governance-related waste

Tacking wasteful spending: way forward

Defining wasteful spending
Some vexing numbers

- Adverse events probably occur in 1/10 hospitalisation, **add between 13 and 17% to hospital costs** and up to 70% could be avoided.
- **Geographic variations** in rates of **cardiac procedures** (x3) and **knee replacements** (x5) are for a large part **unwarranted**.
- Up to **50% of antimicrobial prescriptions are unnecessary**.
- 12% to 56% **of emergency department visits are inappropriate.**
- **Share of generics** in reimbursed drugs **varies between 10% and 80%.**
- **Administrative expenditure** on health **varies more than six-fold**, with no obvious correlation with performance.
- **Loss to fraud and error** may average to **6% of payments** for health care services.

A significant share of health spending in OECD countries is at best ineffective and at worst, wasteful

Defining wasteful spending (cont.)

Why tackling waste is an imperative and a smart move

Up to a fifth of health spending could be channeled to better use

Over 9% of GDP spent on health across the OECD (75% public):

- Waste undermines financial and fiscal sustainability

Difficult admission but:

- ✓ **Strategic**: eliminating waste releases resources
- ✓ **Transformative**: puts value at the core of the policy debate
- ✓ **Necessary**: paves the way for re-engineering of health care systems: patient centeredness, streamlined hospital infrastructure, etc.

Overview on wasteful spending (cont.)

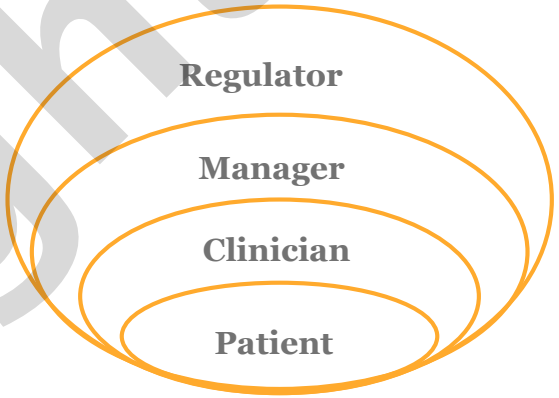
From definition to solution

- A pragmatic definition of waste …
  - Services and processes which are either harmful or do not deliver benefits;
  - Excess costs which could be avoided by replacing them with cheaper alternatives with identical or better benefits.
- … Suggests two strategic principles for tackling the problem
  - **STOP** doing things that do not bring value
  - **SWAP** when equivalent but less pricy alternatives exist

Defining wasteful spending (cont.)

List, identity location and root causes

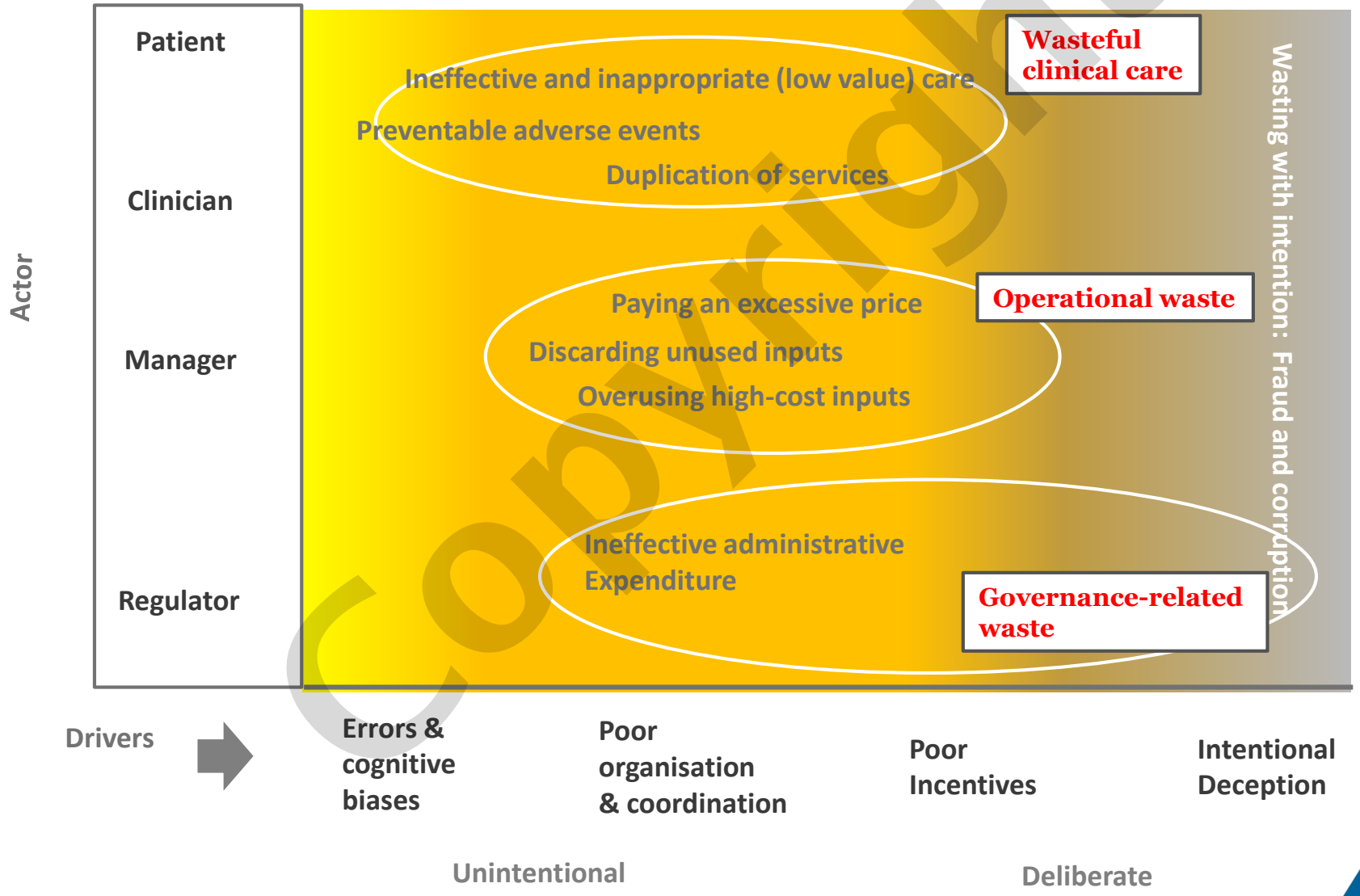
- **Location**: where does the waste take place (and who is responsible)



- Behavioural **root causes**
  - Don't know better: imperfect knowledge, cognitive biases
  - Can't do better: poor management, organisation and coordination
  - Stand to lose by doing better : incentives misaligned with system goals
  - Is doing it on purpose

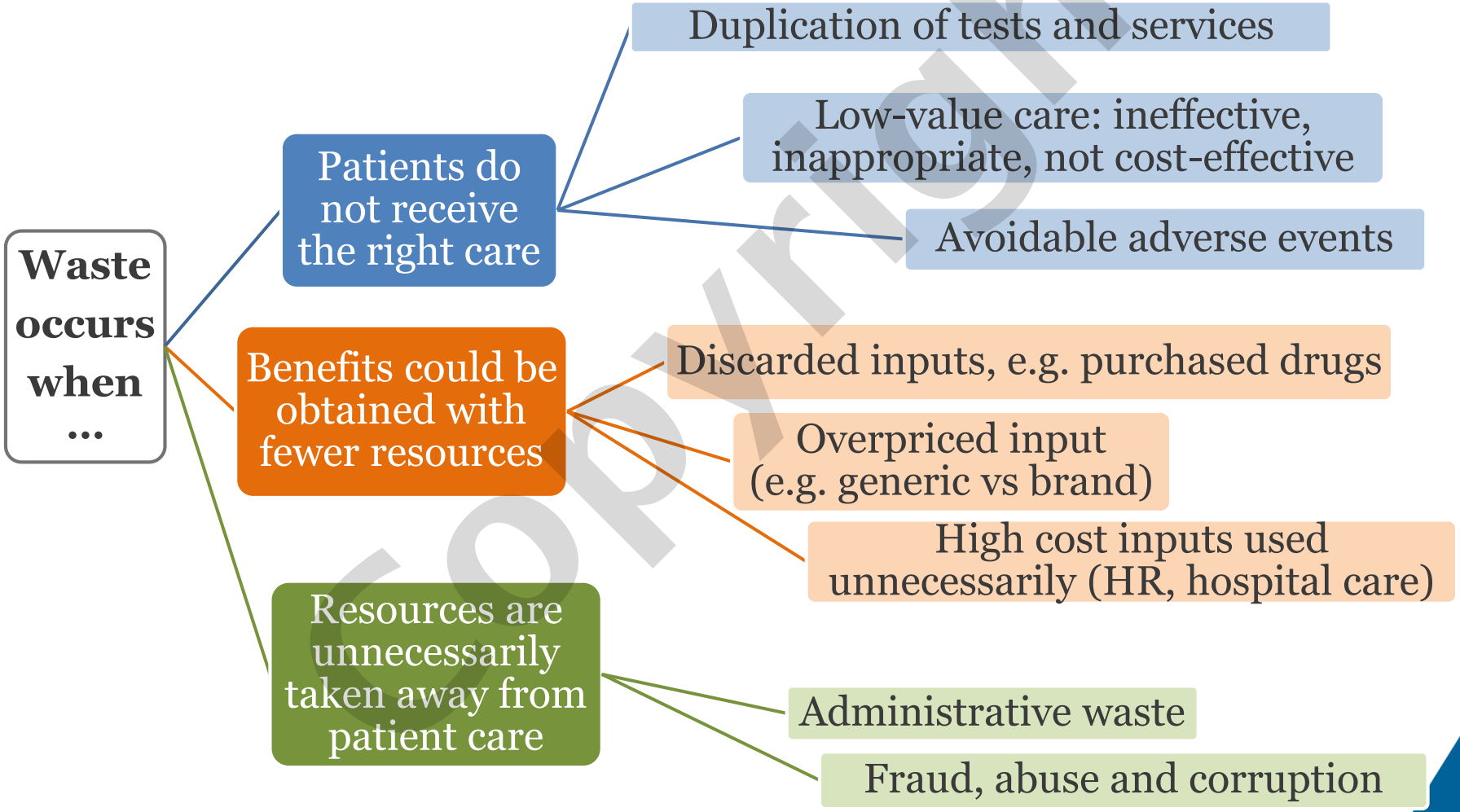
Defining wasteful spending (cont.)

Fitting the pieces together to define domains



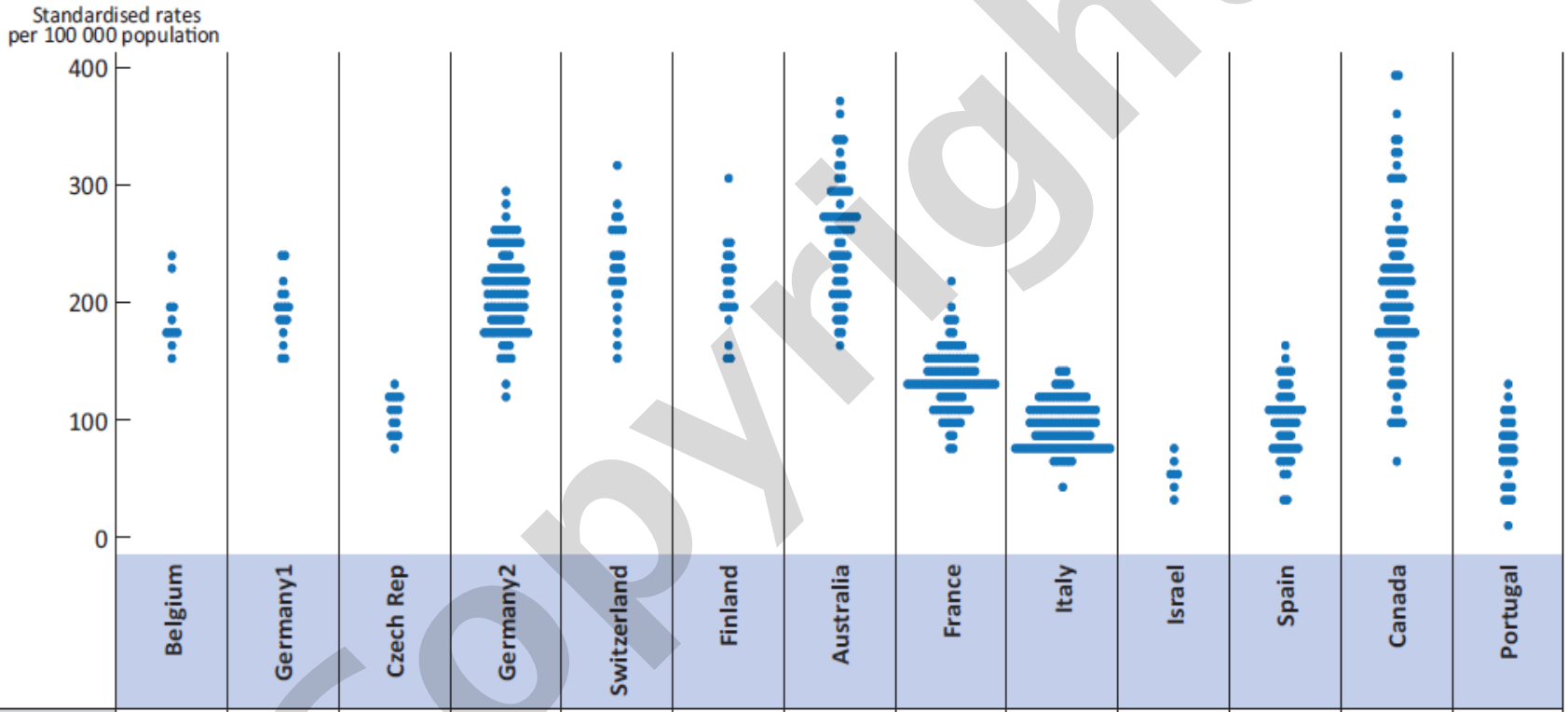
Defining wasteful spending (cont.)

Identifying wasteful clinical care, operational and governance-related waste



1. Wasteful clinical care

Large variations in the volumes of services delivered cannot be medically justified

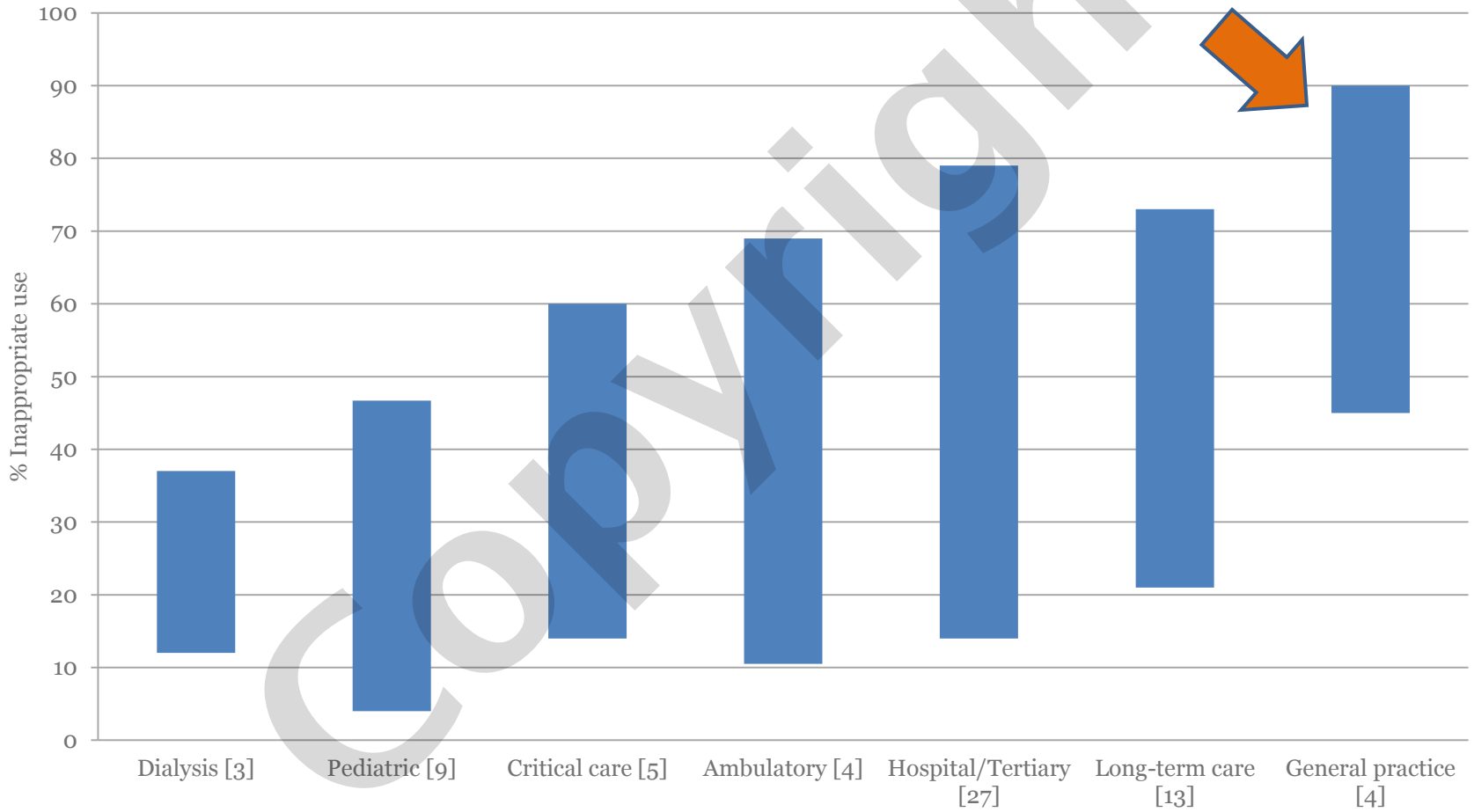


	Belgium	Germany1	Czech Rep	Germany2	Switzerland	Finland	Australia	France	Italy	Israel	Spain	Canada	Portugal
Crude rate	210	215	113	215	257	240	238	133	122	45	106	193	77
Std rate	186	194	105	209	230	213	257	135	96	56	98	213	74
Coeff. of variation	0.14	0.15	0.16	0.17	0.17	0.18	0.19	0.19	0.20	0.28	0.31	0.32	0.39

Knee replacement rate across and within selected OECD countries, 2011 (or latest year). Source: OECD (2014)

1. Wasteful clinical care (cont.)

Inappropriate use of antibiotics by type of health care service is high, especially in general practice

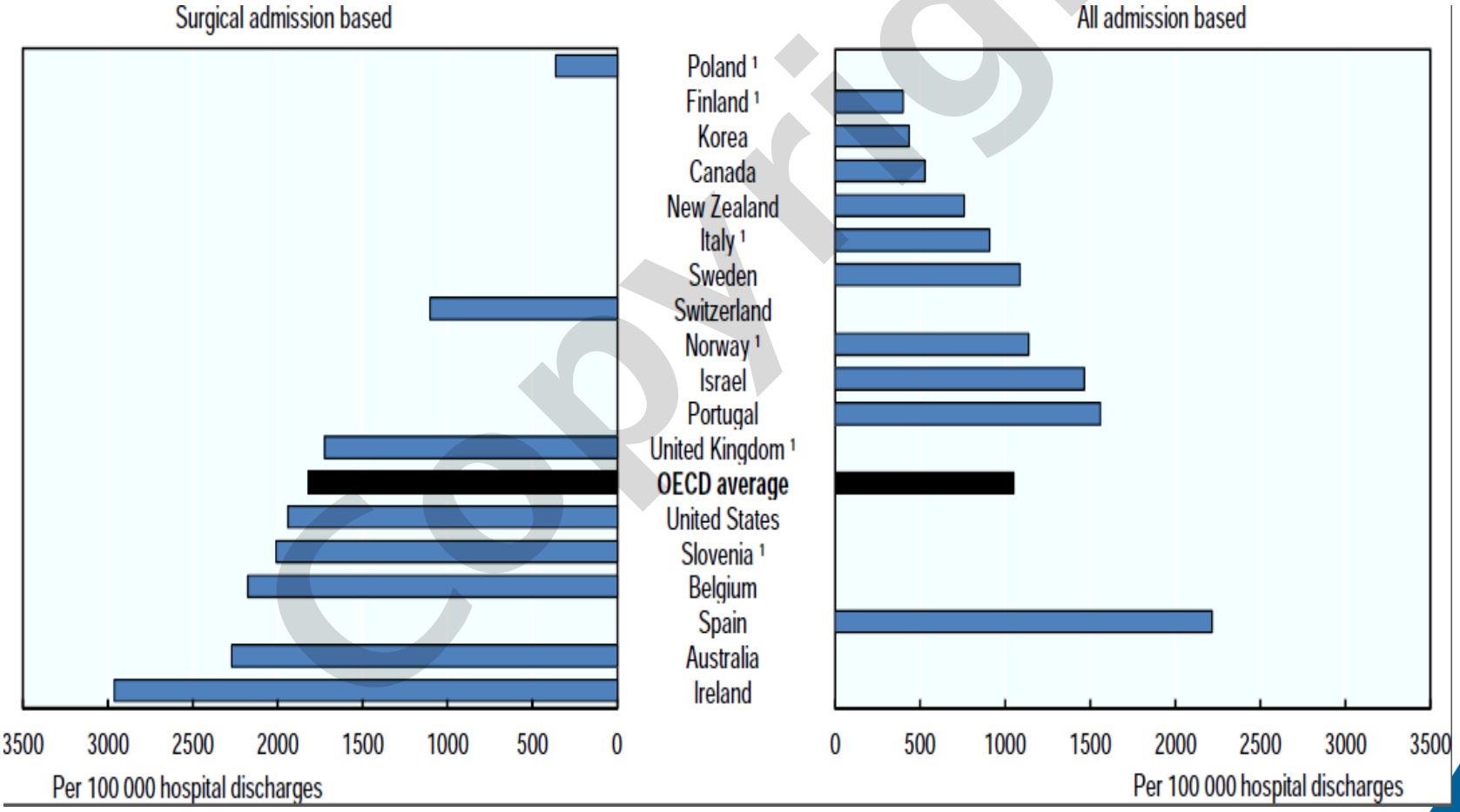


Estimates of the proportion of inappropriate use based on literature by service (range)
Numbers in squared parentheses indicate the number of studies available

1. Wasteful clinical care (cont.)

Whether reported or not, adverse events are costly

Postoperative sepsis in abdominal surgeries, 2013 (or nearest year)



1. Wasteful clinical care (cont.)

Information systems need strengthening

- Robust information systems to identify low-value care
  - At least 10 OECD countries have atlases
  - Limitations of many administrative data systems
- Reporting and learning systems of adverse events
  - New Zealand: system covers most non-hospital providers
- Patient-reported measures
  - Value and safety from the perspective of care recipient
  - England – a leader among OECD countries
  - PaRIS agenda

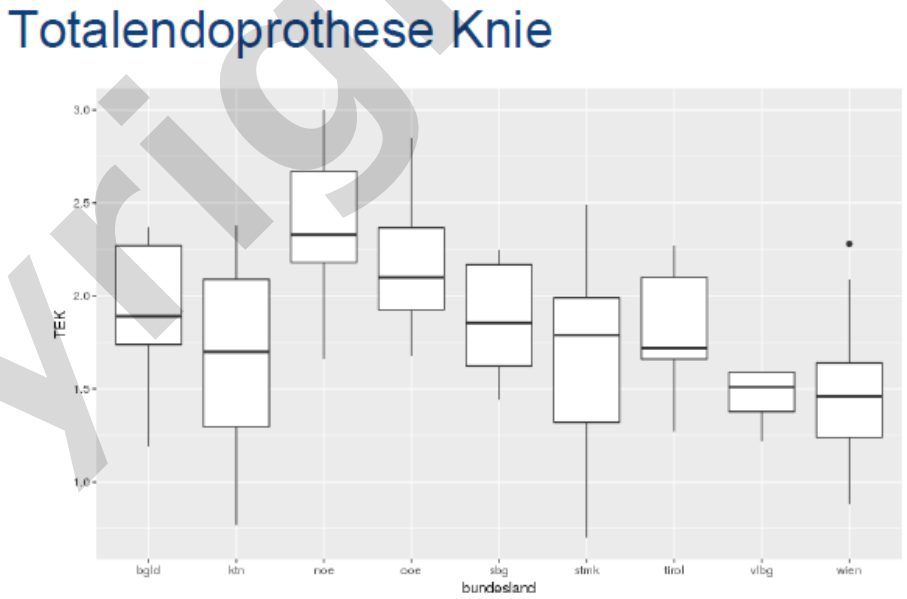
1. Wasteful clinical care (cont.)

Combination of policy levers to tackle wasteful care

- Adherence to clinical guidelines and protocols can be encouraged by audits and feedback
- Behaviour change campaigns
  - Choosing Wisely® campaign in a third of OECD countries
  - Antimicrobial stewardship programme. Kaiser Permanente's obtained a 45% drop in prescriptions
  - Safety campaigns: *WHO SAVE LIVES: Clean Your Hands* initiative, active in 174 countries
- Financial incentives and nudges
  - Australia's Queensland withholds payment to hospitals for "never events"
  - 19 countries use HTA – disinvestment - Australia's on-going benefit schedule review

Wasteful clinical care in Austria

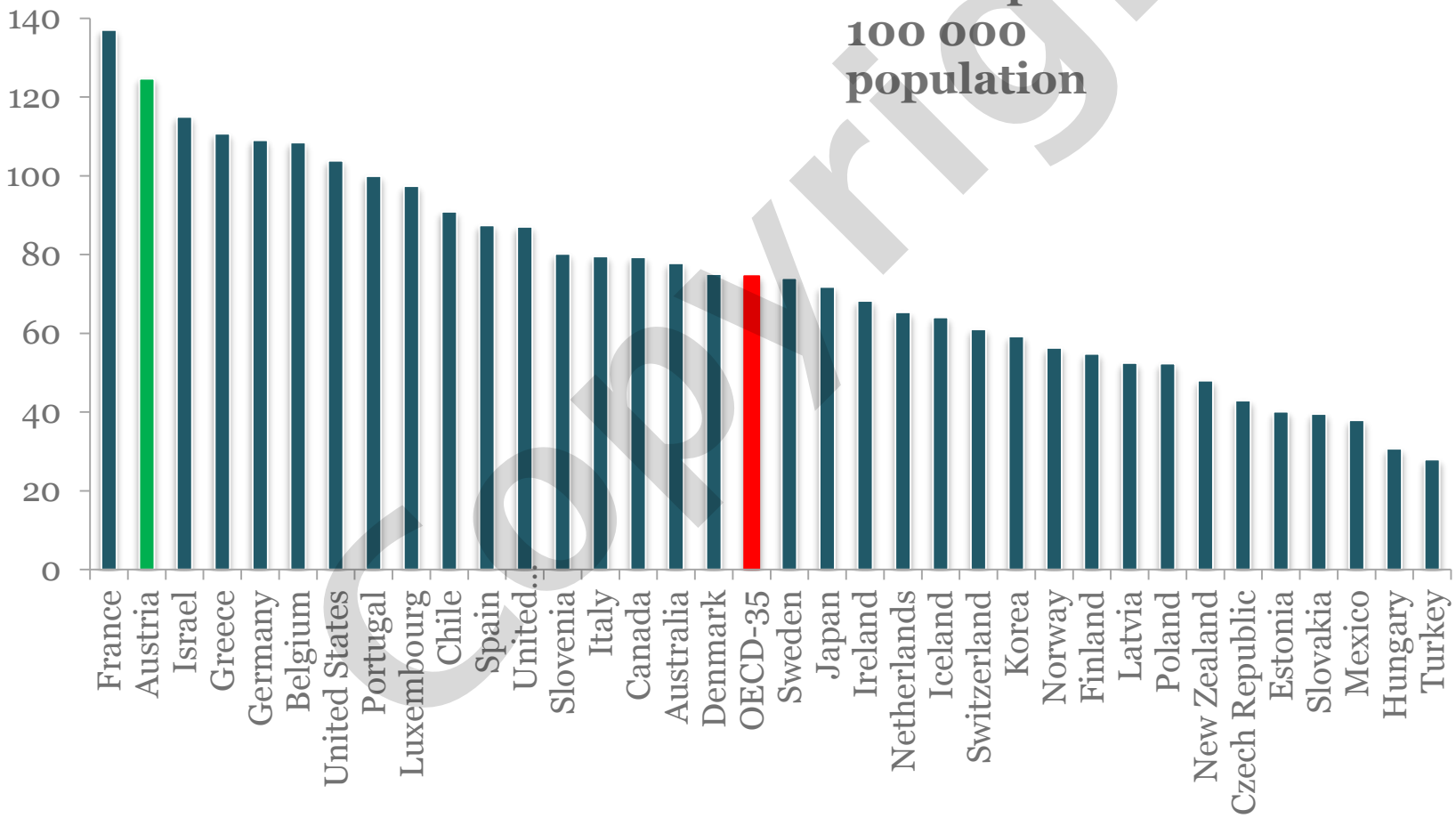
- Choosing wisely, Atlas of variations? No
- Evidence? Yes



✓ Ludwig Boltzmann Institute for Health Technology Assessment (Wild & Emprechtinger)

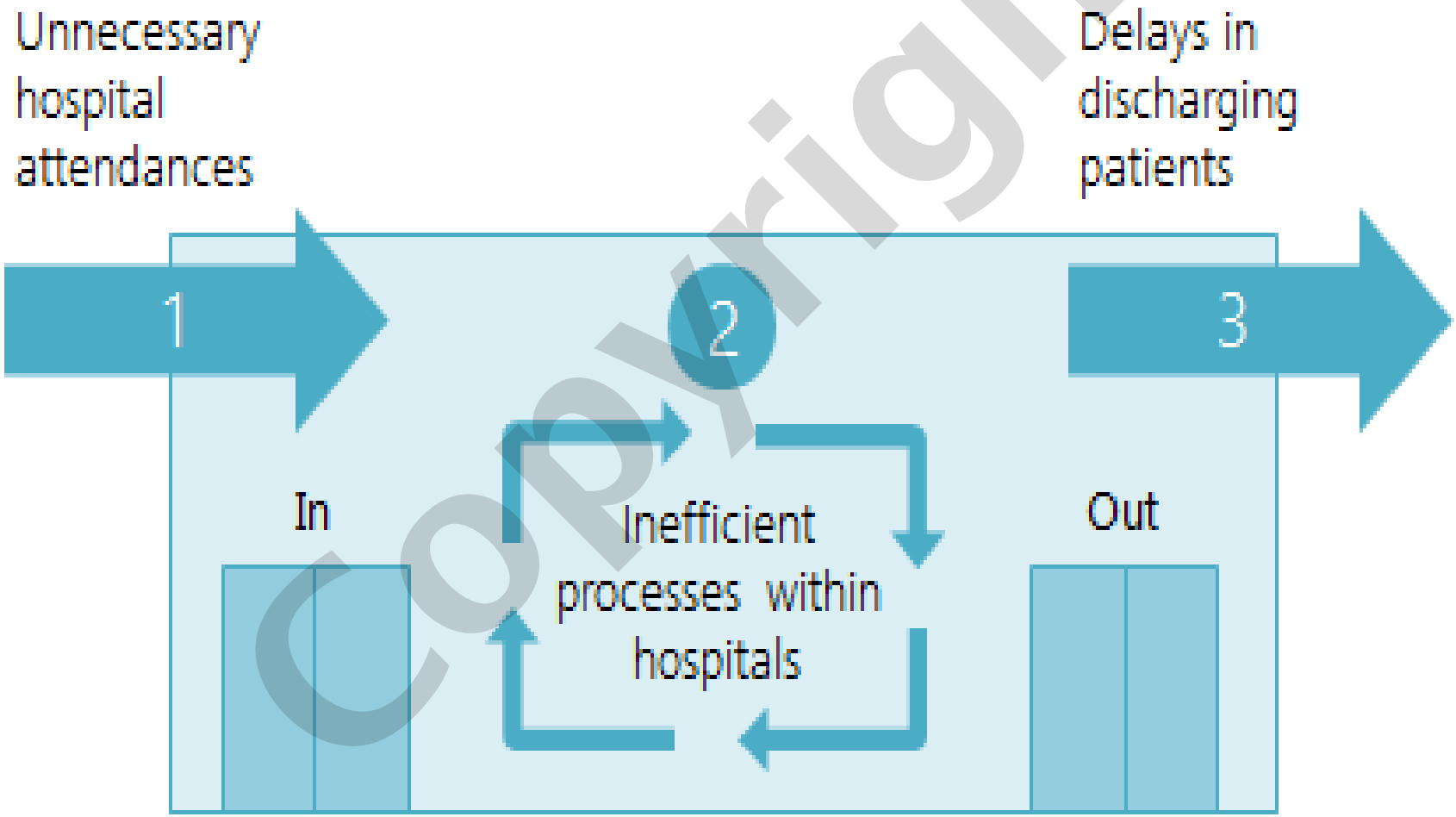
✓ Sprenger et al. (2016): 1.2% of overall spending of the Lower Austrian Sickness Fund for drugs and services provided by primary care doctors in 2013.

DALYs attributable to patient harm in OECD countries (2015)



2. Operational waste

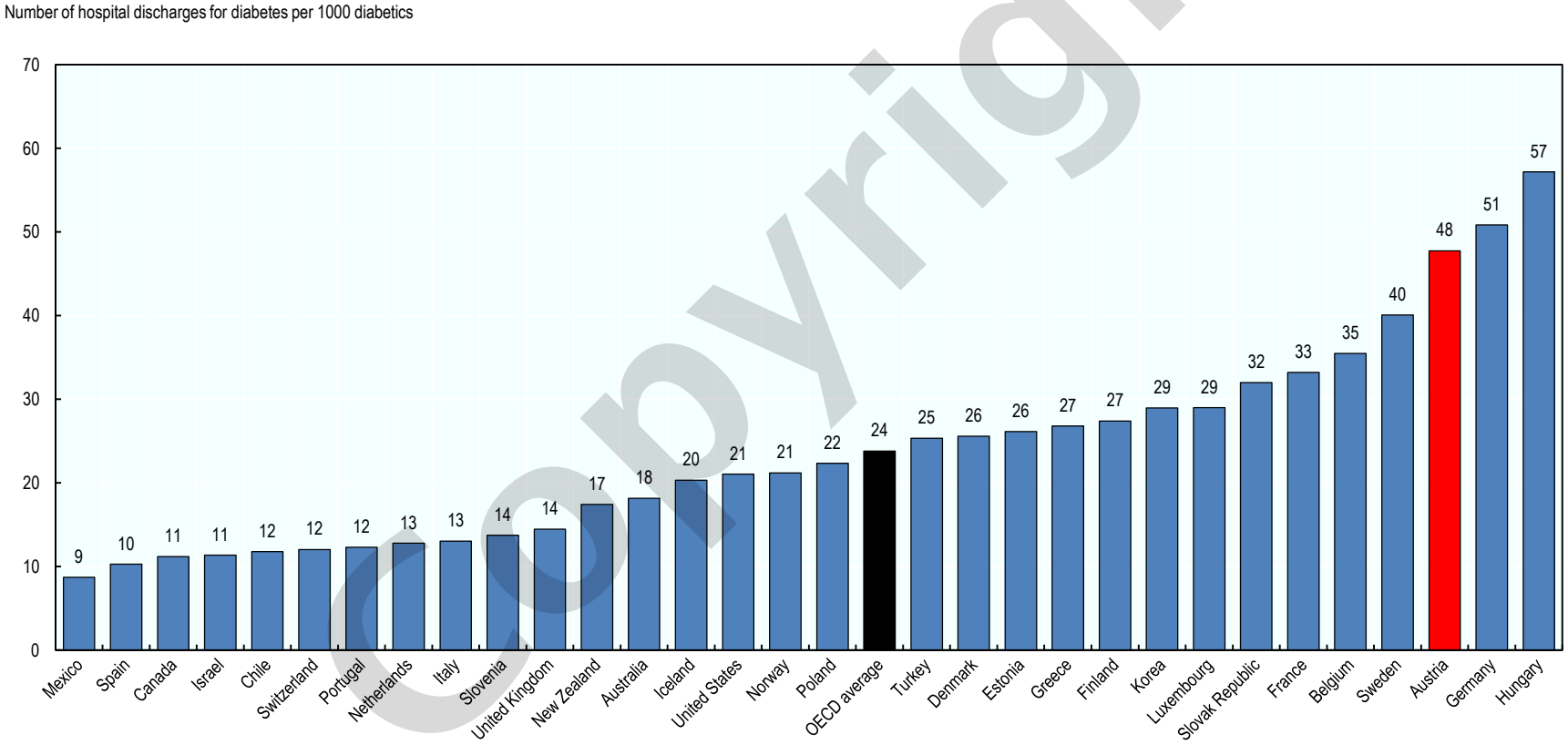
The example of hospitals *(an expensive care setting –where the best data is available)*



2. Operational waste (cont.)

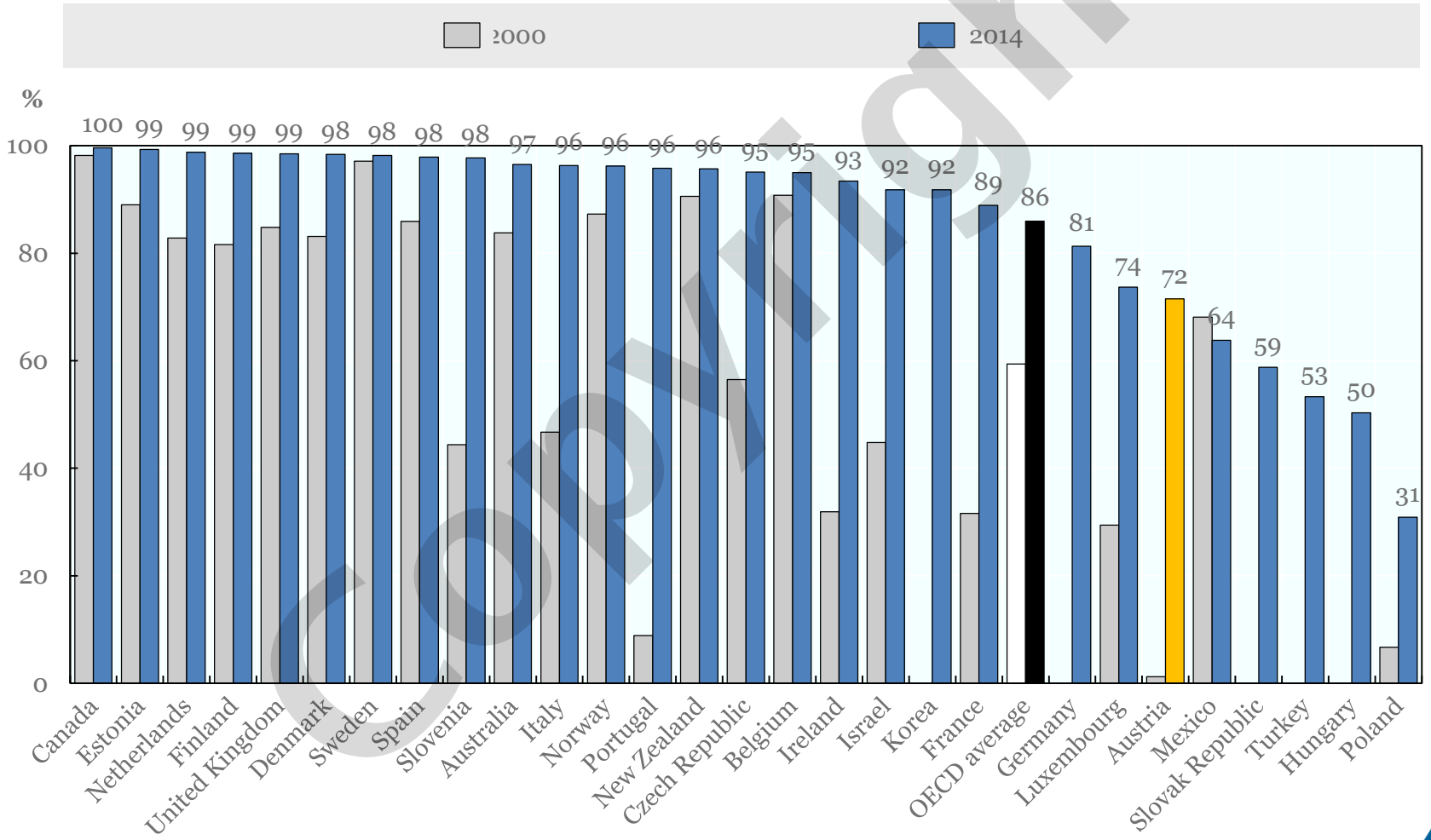
Hospital admissions for chronic conditions are often avoidable

Diabetes admissions per 1000 patients with diabetes



Source: OECD Health statistics

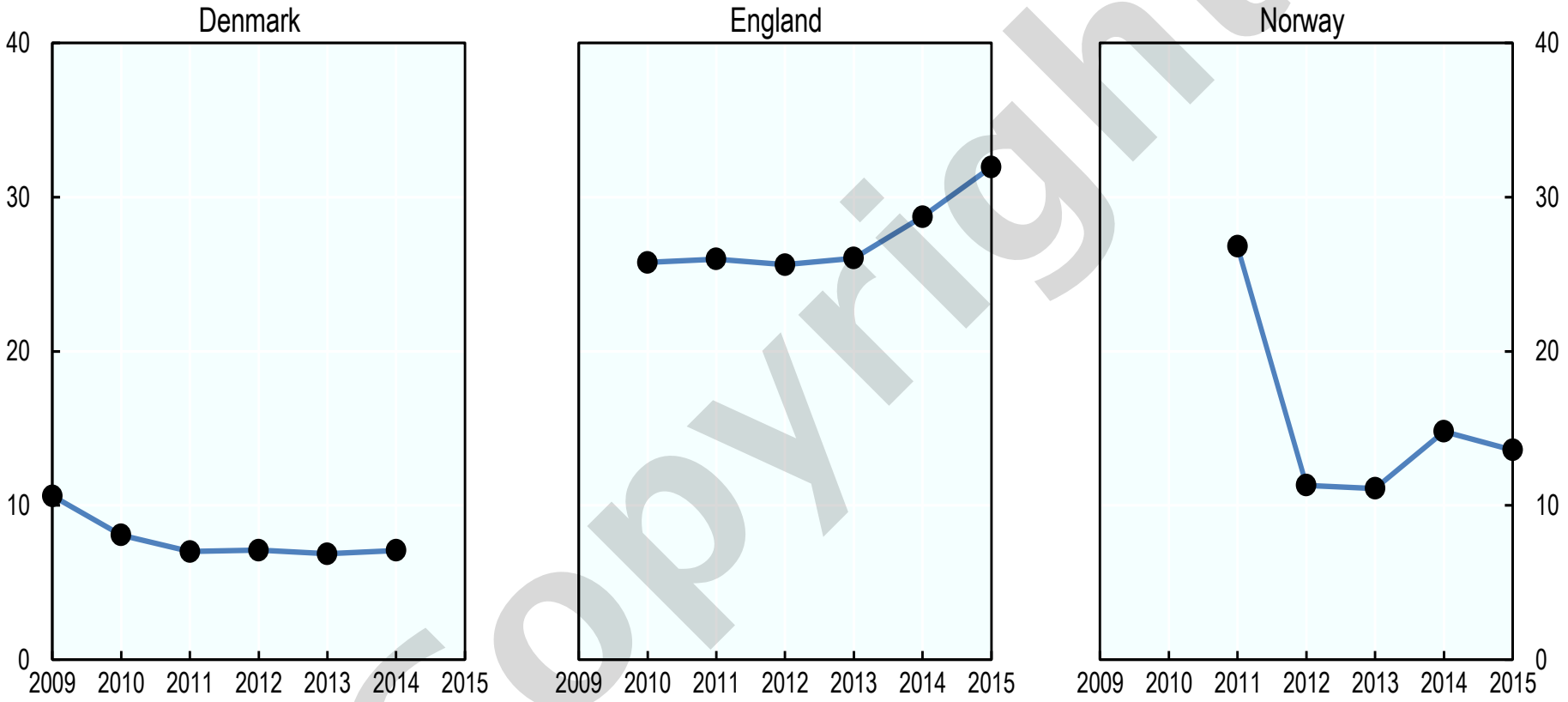
2. Operational waste (cont.)
Ambulatory surgery is developing



Share of cataract surgery carried out as ambulatory cases, 2000 and 2014

2. Operational waste (cont.)

Delays in transferring patients from hospitals in three OECD countries 2009-15



(total number of days per year per 1 000 population),
Only 3 countries collect the numbers

2. Operational waste (cont.)

Policy levers to better target hospital use (examples)

Payments and financial incentives:

- To promote day-surgery
- Bundled or population-based payments to incentivize delivery in the right setting (Best Practice tariffs in England, Sweden)

Behaviour change for providers and patients:

- Clinical guidelines, disease management
- Self-management by patients, education campaigns

Strengthening of alternative services:

- Out of hour care can be provided by on-call physicians, dedicated fleet (SOS médecins France) larger PHC facilities (Norway), community services (US rapid access clinics)
- Hospital at home (France)

Operational waste: pharmaceuticals

- Three main sources of ineffective spending: Discarded medicines, underuse of generics (biosimilars), **procurement**

- Unwarranted variations in price within country
  - Prices of the same hospital pharmaceutical differ by up to 23% between geographical areas in Italy
  - NHS Atlas (2014) between trust price variations
    - identification wristband for hospital patients - two-fold.
    - needles 47% variation
    - Blood sample tubes 25%
- Across countries: more difficult to compare but clearly some issues

Operational waste: pharmaceuticals
Collaborative procurement

Inter-national

- **International consortia of procurement organisations** (voluntary collaboration) -

National

- **Central procurement agencies** (binding collaboration,)
- **National Purchasing groups** (binding collaboration)
- **Purchasing confederations** (voluntary collaboration)

Regional/ Group

- **Regional Procurement Agencies** (binding collaboration)
- **Bottom-up purchasing consortia** (voluntary collaboration)
- **Purchasing networks/small groups** (voluntary collaboration)

Within entity

- **Groups of departments within hospitals** (binding or voluntary collaboration)

Operational waste: pharmaceuticals
Emerging lessons on collective procurement

Genuinely collaborative

- Recognize the trade-off between individual autonomy and group power
- Bring clinicians on board
- Step-wise (from simple to “high-preference” supplies)
- Transparency: measure and communicate benefits, address problems

Challenges

- Staffing (skills, not numbers)
- Regulations
- Reputation of the group depends on reliability of all individual buyers
- Collaboration with other functions (HTA)

- **Greece**, **Mexico**: Central procurement agency replaced decentralised system
- **Denmark, Norway**: Pooled procurement through voluntary collaboration of purchasers
- **BeNeLuxA**

3. Governance-related waste

Administrative costs: a low hanging fruit?

Only represents 3% of THE on average (Austria 3.7%)

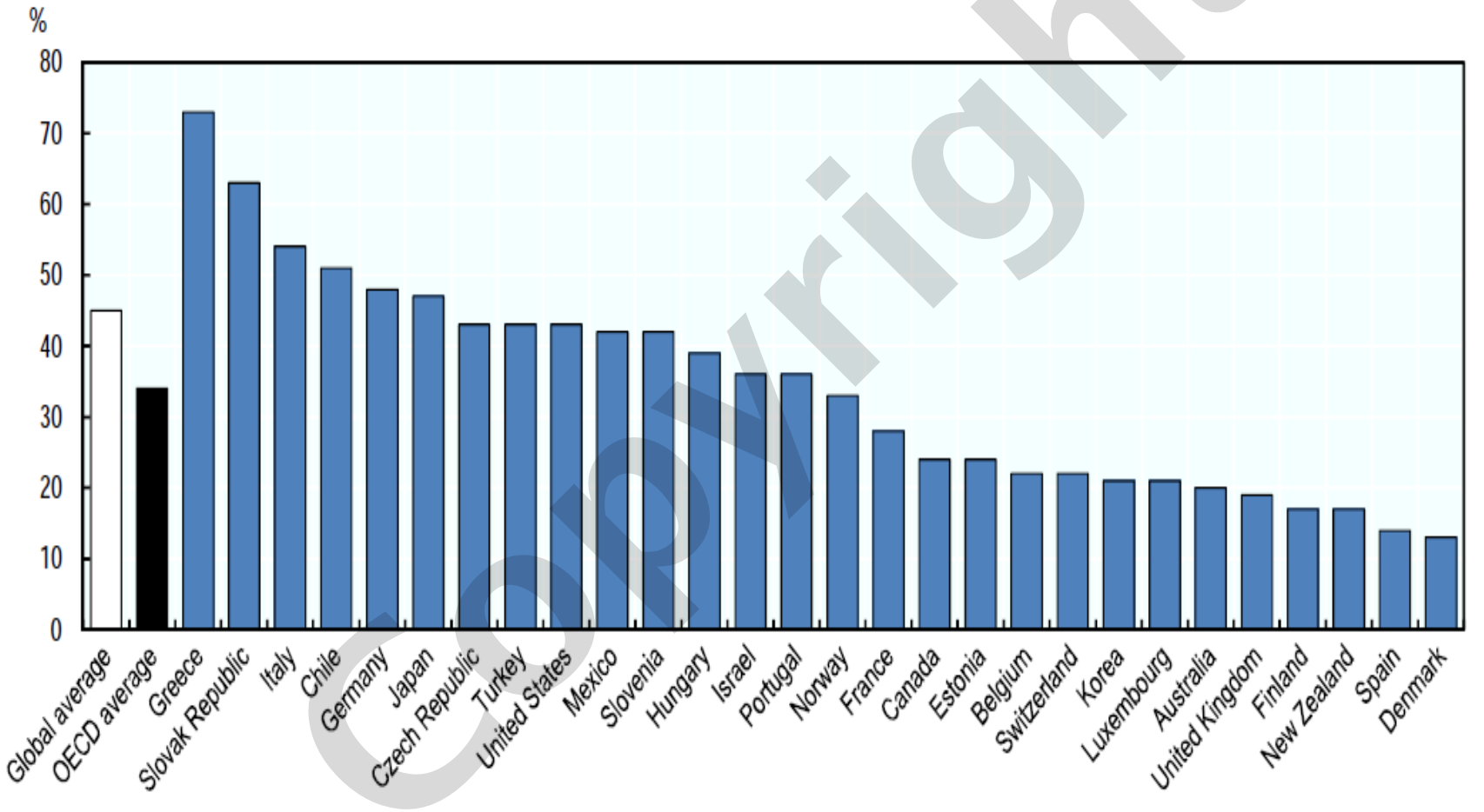
Differences in level of administrative cost are largely driven by institutional features:

- Multiple-payer systems cost more than single-payer ones (whether SHI or a government entity)
- Private insurance schemes have higher administrative costs

Still, functional reviews (Australia) or multi-stakeholders reviews of processes (Germany, the Netherlands) help identify administrative processes and structures that add little value

3. Governance-related waste (cont.)

A third of OECD citizens believe the health sector is corrupt or very corrupt



Source: transparency International

3. Governance-related waste (cont.)

Country differ in their level of effort and approach to tackling various forms of fraud and corruption

- Countries active in the detection, prevention and response to fraud in the delivery and financing of care:
  - Have dedicated and specialized department;
  - Proactively seek to identify problem areas (data mining, campaigns targeted at specific types of care susceptible to abuse
  - Organise and phase their response (from information campaigns targeting outliers to full-blown investigations of abusive practices)
- To combat inappropriate business practices
  - Countries mostly rely on self-regulation (code of conducts, conflict of interest policies)
  - Increasingly, some practices are being regulated (Sunshine-type of regulations which mandate disclosure of financial ties: US, France,)

Tackling wasteful spending:
Where to start

- Reducing wasteful clinical care could release significant amounts of resources
  - patients and health care providers must be on board
- Administrative waste or loss to fraud and corruption is present in all systems and should not be tolerated
  - magnitude of potential savings is relatively modest
- Eliminating operational waste is most complex
  - less evidence on policies that work
  - can pave the way for efficiency-enhancing systemic changes, including hospital restructuring

Tackling wasteful spending:
In sum

Acknowledge – that the problem exists

Inform – generate and publicize indicators on waste more systematically

Pay – reward the provision of the right care in the right setting

Persuade - patients and clinicians must be persuaded that the better option is the least wasteful one

Read more about this work

OECD (2017), *Tackling Wasteful Spending on Health*, OECD Publishing, Paris.

URL: oe.cd/tackling-wasteful-spending-on-health

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