

# Health System Funding Reform: Questions & Answers

**Audience: Local Health Integration Networks (LHIN) staff and health service providers**

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# Definitions

## 1. What is Patient-Based Funding?

Patient-Based Funding (PBF) is a key component of the Health System Funding Reform. PBF will accelerate the move towards a fairer, more evidence-based approach to funding that responds to emerging health care needs of the population and has built-in incentives to encourage the delivery of high quality, evidence-based care.

PBF will provide a more transparent link between funding and care delivered to patients. Under PBF, reimbursement to health services providers will shift from the current provider-centred predominantly global funding system towards a patient-centred, evidence-based case mix funding model, where funding is based on the type and the quantity of services provided.

Shifting funding from the current predominantly global budget system towards a Patient-Based Funding model will better reflect the needs of patients that the health system serves and promote:

- Patient centred care, which will focus on the individual and ensure that money follows the patient.
- Smarter use of limited resources, enabling a sustainable health care system based on quality.

PBF consists of two key components:

**Health Based Allocation Model (HBAM):** Funding is allocated to health service providers as determined by characteristics of the populations being served. Health Based Allocation Model (HBAM) is used to inform allocation of funding to the hospital and Community Care Access Centres (CCAC) sectors. This model uses an allocation methodology based on a wide range of demographic, clinical and financial data to estimate expected health care expenses at the organizational level.

**Quality-Based Procedures:** Funding is allocated to specific procedures based on a “price x volume” basis. In 2012, Quality-Based Procedures will include:

- Primary unilateral hip replacement
- Primary unilateral knee replacement
- Chronic kidney disease services
- Cataract surgery

Volume for Quality-Based Procedures (elective for primary unilateral hip and knee replacement and cataract day surgery) will be managed by:

- Planning and managing services from the start of the year so service volumes don't outpace funding

- Allow LHINs the flexibility to adjust between service providers during the year to ensure capacity is utilized, wait times are addressed and demand is met (wherever possible).

**Important to know:**

Global budgets will continue to be used for activities that cannot be modeled or that are otherwise unique. Other activities that cannot be modelled or face unique circumstances will be funded on a global basis.

## **2. What is the Health Based Allocation Model?**

Health-Based Allocation Model (HBAM) is an evidence-based population health-based funding formula that uses population and clinical information to inform funding allocation. Population information includes basic demographic information such as age, gender and growth projections, as well as socio-economic status and rural geography. Clinical information includes measures of disease and status such as diagnostic and procedural information related to the different types of care provided to the population.

The model is made up of two main components:

- **The service component:** Estimates annual use of health services in each care type, taking into account each Ontario resident’s clinical, social and demographic conditions.
- **The unit cost component:** Determines unit costs in each care type for each health service provider and recognized health service provider (HSP) characteristics that justifiably lead to higher unit costs.

The model generates a “share of expected expenses” which is used to determine each Local Health Integration Network’s (LHINs) and ultimately each health service provider’s share of available funding.

The model currently covers selected modules/service areas in hospital and home care sectors:

**Hospital sector:**

- Acute inpatient and day surgery
- Emergency
- Complex continuing care
- Inpatient rehabilitation
- Inpatient mental health

**Community sectors:**

- Home Care (Community Care Access Centres)

Future modules may include outpatient clinics, community mental health, community support services, other community services and Long-term care.

**Important to know:** The model can also be used by LHINs as a management tool at the organizational level. Each LHIN's funding allocation is broken down by care type and health service provider. LHINs can use the HBAM service component results to identify and plan health services across the LHIN, among the relevant HSPs. This enables LHINs to use the model as a funding allocation tool and helps them to make more informed decisions about how to distribute funding to their health service providers.

### **3. What are the Quality-Based Procedures ?**

These are groups of services for specific types of patients that require similar care. They present opportunities for health care providers to share best practices that will allow the system to achieve even better quality and system efficiencies. This approach will reimburse health care providers for the types and quantities of patients hospitals treat, using evidence-informed rates that are adjusted for patient complexity and quality of care delivered.

Funding is allocated to specific procedures based on a "price x volume" basis. In 2012, Quality-Based Procedures will include:

- Total hip replacement
- Total knee replacement
- Chronic kidney disease services
- Cataract surgery

Other quality-based procedures will be added over time.

## **Financial Impact**

### **4. How can we find out more about how our budget allocation was calculated?**

Health service providers will be able to contact their Local Health Integration Network (LHIN) for information about how their budget was calculated. The Ministry will also work with LHINs and health service providers to explain funding allocation decisions.

**For Chronic Kidney Disease funding allocations:** Health service providers should contact the Ontario Renal Network at Cancer Care Ontario.

## **5. How will Health System Funding Reform affect Local Health Integration Network (LHIN) accountability and service agreements?**

Health service provider funding allocations and related terms and conditions will be reflected in Ministry funding letters sent to Local Health Integration Networks (LHINs) and by the LHINs in their funding letters to health service providers.

These letters from the Ministry to the LHINs will constitute an amendment to the Ministry-LHIN Performance Agreement and the letters from the LHINs to the health service providers' would be amendments to the applicable Service Accountability Agreements.

Further revisions to Ministry-LHIN Performance Agreements (MLPA) and Service Accountability Agreements with health service providers may be required to reflect changes under HSFR. Accountability for funding and related volumes for Chronic Kidney Disease services will reside with the Ontario Renal Network.

## **6. Hospitals are required to have signed Hospital Service Accountability Agreements (H-SAA). How will H-SAA Agreements for 2012/13 be signed when volumes and/or funding levels are not yet available?**

The Ministry is working closely with Local Health Integration Networks (LHINs) to ensure bridging strategies are available for health service providers.

## **7. How much discretion will Local Health Integration Networks (LHINs) and the Ontario Renal Network have over allocation of health service provider funding and related volumes?**

Local Health Integration Networks' (LHINs) discretion over health service provider funding and volumes will be determined by the provisions of the LHIN accountability framework including Ministry-LHIN Performance Agreement (MLPA).

For Chronic Kidney Disease, the Ontario Renal Network will manage funding and volume allocations.

## **8. What resources will the government provide to assist health service providers with transition and change management?**

The Ministry will provide a number of resources to assist health service providers and Local Health Integration Networks (LHINs) with transition. These will include an education tour, a toolkit, helpline support, webinars and a website. Further details will be provided by the Ministry in the coming months.

**For Chronic Kidney Disease funding allocations:** Health service providers should contact the Ontario Renal Network at Cancer Care Ontario.

## **9. When will I receive my final budget allocation?**

Health service provider funding allocations and related terms and conditions will be reflected in Ministry funding letters sent to Local Health Integration Networks (LHINs) and, in turn, LHIN funding letters to their health service providers in the near future. For Chronic Kidney Disease funding allocation, funding letters will be sent by the Ministry to the Ontario Renal Network (ORN) and, in turn, from the ORN to health service providers.

## **10. How does Health System Funding Reform differ from the Wait Time Strategy?**

The Wait Time Strategy (WTS) provides incremental funding to hospitals to improve wait times in key procedures and service areas. In the past, primary unilateral hip replacement and primary unilateral knee replacement and cataract surgery have been funded within the WTS. The Wait Time Strategy funded incremental volumes (as an example, approximately one third of all hip and knee replacement procedures across Ontario have been funded by Wait Times in a given year). The remaining two thirds of cases have been funded through hospital global budgets.

Health System Funding Reform sets up an evidence-based payment structure, through which funding is based on a price x volume approach. In 2012/13, primary unilateral hip and primary unilateral knee replacements and all cataract surgeries (procedures that were previously funded by base and previously funded incrementally by the Wait Time Strategy) will become Quality-Based Procedures funded through PBF.

## **11. What changes will be made to the Wait Time Strategy as a result of Health System Funding Reform?**

In 2012/13, primary unilateral hip and primary unilateral knee replacement and cataract surgery will be through Patient-Based Funding on a price x volume basis. Hospitals will continue to report through the Wait Time Information System. The existing accountability and performance management processes with the ministry and Access to Care at Cancer Care Ontario will be maintained. The remaining procedures in the Wait Times Strategy will not be affected.

## **Quality**

## **12. How will quality be improved with the introduction of Health System Funding Reform?**

Under Health System Funding Reform, hospitals will be funded based on a consistent and transparent set of rules that ensure all hospitals are fairly reimbursed at rates that allow them to provide high quality care. Unlike the current global budget system, the new funding system

will ensure that funding reflects the needs of the populations hospitals serve, and will help all Ontarians receive consistently high quality care.

By linking funding to service delivery and patient outcomes, the funding system will provide incentives to providers to improve efficiency, reduce patient length of stay, reduce wait times, improve care in the most appropriate setting, and minimize potentially avoidable complications.

**Example:** Patient-Based Funding enables hospitals to build a business case for investing in quality and patient safety activities, in light of the potential for increased ‘revenue’ from improved patient throughput and outcomes.

### **13. How is quality defined?**

The Excellent Care for All Act, and accompanying policy initiatives, set the foundation for quality improvement and define quality using four core principles:

- Care is organized around the person to support their health
- Quality and its continuous improvement is a critical goal across the health care system
- Quality of care is supported by the best evidence and standards of care
- Payment, policy and planning support quality and efficient use of resources

### **14. How are quality and funding aligned?**

Patient-Based Funding and implementation of QBPs uses an evidence-informed approach to reimburse hospitals for every patient discharged at rates established for groups of cases with similar clinical profiles and resource requirements.

Funding is allocated to specific procedures based on a “price x volume” basis. This approach will reimburse health care providers for the types and quantities of patients hospitals treat, using evidence-informed rates that are adjusted for patient complexity and quality of care delivered.

As the Patient-Based Funding implementation evolves, the QBPs will strengthen the alignment of funding with quality and evidence-informed standards of care.

**Context:** Previous Ontario examples of aligning quality with funding have ranged from wait times incremental funding approaches to incentive policies such as Emergency Room (ER) Pay-for-Results aimed at driving improvements in the ER patient experience.

## **15. How will quality be measured?**

Quality will be measured through:

- Excellent Care for All lens, which encapsulates results of patient satisfaction surveys and provider performance on Quality Improvement Plans
- achievement of recommended quality targets of the Quality-Based Procedures
- successful deployment of Health System Funding Reform policies
- uptake of best practices as described in evidence-based guidelines and informed by clinical expert advisors

## **16. Does Health Quality Ontario have a role in Health System Funding Reform and what is that role?**

Health Quality Ontario will promote continuous quality improvement by making recommendations – based on evidence – to the Minister concerning the Government of Ontario’s provision of funding for health care services and medical devices.

## **17. What is meant by “funding follows the patient”?**

The “funding follows the patient” concept targets payment towards delivery of services based on available evidence, including where the patient is, what their needs are, the most appropriate services to be provided and most appropriate setting. In addition, this concept considers payment for the full episode of care: a shift from paying for select services to paying for the care of an entire course of patient care across all providers in the episode where appropriate and feasible.

## **18. Who decides which Quality-Based Procedures will be implemented and how are these decisions made?**

The Ministry selects quality groupings based on an evidence-based quality framework. These decisions are informed by evidence-based guidelines, clinical expert advisors and feedback from relevant stakeholders.

## **Transition**

## **19. What assistance will the Ministry provide to health service providers to assist with labour-management transition issues?**

The Ministry wants to minimize disruption of services and impact on health human resources. The phasing-in of Health System Funding Reform will allow health service providers to anticipate changes and plan for impacts.



## **20. How will Health System Funding Reform be impacted by the Public Sector Labour Relations Transition Act (PSLRTA)?**

Health service providers may be impacted by Public Sector Labour Relations Transition Act if they are undergoing health service integration. Health service providers will need to address the implications of this Act on health service integrations before implementing the integrations.

## **21. What steps will be taken to engage physicians in the reform process?**

The Ontario Medical Association (OMA) has been an active participant on the Health System Funding Reform Steering Committee. In addition, physicians have participated on expert panels, including the orthopaedic expert panel and the Ontario Renal Network Clinical Advisory Committee, which have provided the Ministry with clinical input on Quality-Based Procedures.

## **22. The Drummond report makes a number of recommendations on how hospitals should be funded. Is the government planning to implement these recommendations?**

The government asked Drummond and the Commission to provide advice – the government will decide. Our government's plan for the best way to move forward will be presented in the 2012 Ontario Budget this spring. In the interim, we will not engage in any speculation surrounding any particular programs or initiatives.

## **Sector-Specific Questions**

### **23. How are small hospitals defined and how will their funding be allocated?**

A small hospital is defined as a hospital that has fewer than 2,700 acute and day surgery weighted cases for any two of the prior three years. There are 55 small hospitals identified that will continue to be funded on a global budget basis. However, if a small hospital provides a Quality-Based Procedure, it will be funded according to the Quality-Based Procedure policy. A list of these hospitals is provided below:



Small Hospital List

### **24. We are a forensic mental health in-patient facility – how will our funding be allocated?**

Forensic mental health expenses will continue to be funded on a global budget basis with funding allocated according to costs identified through the Management Information System/Ontario Healthcare Reporting System and Ontario Cost Distribution Methodology.

**Mitigation strategies:** The Ministry will be introducing mitigation strategies to ensure that funding changes can reasonably be absorbed by CCACs.

## **25. Health System Funding Reform will include the long-term care home sector – what changes will licensees see in Year 1?**

The long term care sector is already substantially funded based on resident activity.

The proposed Health System Funding Reform model seeks to build on this success through enhancing Patient-Based Funding and simplifying the model for increased transparency.

**Important to know:** Proposed changes to long-term care home funding under HSFR will be primarily implemented in years 2 and 3 and as a result there will be no impact on long-term care homes in the short-term.

## **26. How will Health System Funding Reform affect the contracted service providers of Community Care Access Centres (CCACs)?**

Existing contracts between CCACs and their contracted health care providers are due for renewal this year. Many variables come into play in those negotiations. If a CCAC experiences a funding change or if Health Based Allocation Model (HBAM) service evidence suggests a need to change the way services are delivered, it may need to adjust the volume expectations in contracts. Mitigation strategies will be introduced to ensure that funding changes can be reasonably absorbed by CCACs.

## **Quality-Based Procedures**

### **27. How will new hip and knee policy reflect the continuum of care?**

Health System Funding Reform will improve both elements of the continuum of care for patients requiring hip and knee replacements. By working to bring health service providers together to plan for, integrate, and deliver care, patients will benefit from a more seamless experience.

**Quality conditions:** are being introduced within both the surgical and rehab components, to model best practices and clinical guidelines.

### **28. How will the new Chronic Kidney Disease program funding policy be different from the current funding policy and how will it improve the health outcome of the patient?**

The current service-based (or fee-for-service) funding framework is based on activity level reporting of dialysis-related service volumes.

The new Chronic Kidney Disease (CKD) funding policy is a patient-based model which relies on best practice and aims to improve services. With Patient-Based Funding, CKD services will be funded based primarily on the types and volumes of patients treated. Services will be bundled based on the predictable care each type of patient is expected to receive. Unbundled services, to support unpredictable services, will remain a component of the overall funding and regular monitoring will ensure alignment with the goals of Patient-Based Funding.

At every step on the CKD patient journey, funding will support the care that best practices show to be most effective. The new CKD funding policy will help to remove potential financial barriers a health service provider may face to delivering the highest quality care possible.

### **29. Does the Ontario Renal Network have a role in the CKD Quality-Based Procedures and what is that role?**

The Ministry of Health and Long-Term Care partnered with the Ontario Renal Network (ORN) to develop a new Patient-Based Funding framework for CKD. The ORN, in close consultation with clinical, policy and financial experts, has been developing this framework since 2009, and has recently communicated key components of the framework to major CKD stakeholders around the province. At the Ministry's request, the ORN will continue to play a key role in implementing and operationalizing the framework.

### **30. How will Health System Funding Reform affect cataract funding?**

Evidence-based research suggests new technology in the field has allowed for efficiencies in the way cataract surgery is performed. Cataract surgery costs have been dropping by about 5-7 per cent per year for more than fifty years as the procedure has steadily improved. As a result of these advancements, Health System Funding Reform will better align cataract funding with the actual costs of cataract procedures in Ontario.

### **31. How will the volumes associated with the Quality-Based Procedures be managed?**

Each Quality-Based Procedure (QBP) initiative will encompass a component for ensuring the most appropriate care for the patients which will include necessary adjustments to allow the best access to care for the patients. Review of volume requirements will be incorporated in the management of the QBP.

### **32. What is the process to create community-based clinics? How many of these clinics will be established, who will manage them, and how will they be funded?**

Community-based clinics are a future initiative. The Ministry's general direction is that if services can be provided in the community then that form of delivery should be encouraged.

## Further information

### 33. Where can I get more information?

To obtain further background and information, please contact:

- Helpline
  - Email: [HSF@ontario.ca](mailto:HSF@ontario.ca)
  - Phone: 416-327-8379
  
- The ministry's public website: [www.health.gov.on.ca](http://www.health.gov.on.ca)
  - Media products from March 19 HSFR [announcement](#)
    - ✦ [http://www.health.gov.on.ca/en/news/release/2012/mar/nr\\_20120319\\_1.aspx](http://www.health.gov.on.ca/en/news/release/2012/mar/nr_20120319_1.aspx)
  - Access the "Health Care Professionals" page:
    - Excellent Care For All ([www.health.gov.on.ca/en/ms/ecfa/pro/](http://www.health.gov.on.ca/en/ms/ecfa/pro/))
    - HSFR (<http://www.health.gov.on.ca/en/ms/ecfa/pro/initiatives/funding.aspx>)
  
- Password protected website for provider: [www.hsimi.on.ca](http://www.hsimi.on.ca)
  - Repository of HSFR resources
  - Both MOH internal, LHINs and Health Service Providers are required to obtain a user name and password in order to access the site – instructions for doing so can be found on the home page of the site.