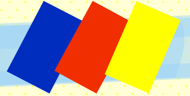
Centre for Accounting, Governance and Taxation Research, Business Links Seminar



Is healthcare is priceless? Or, should we put a cost on it?

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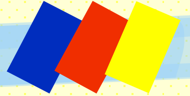
Health care ethics…



- A publicly-funded health service delivering care that is free at the point of delivery is central to our idea of the good society.
  - The availability of such care can literally mean life or death or make the difference between a life worth living and one crippled by pain and suffering.
    - **Surely, health care is priceless?**

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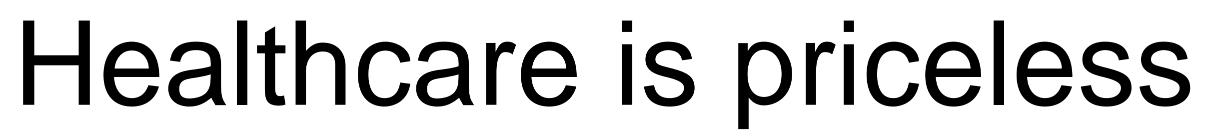
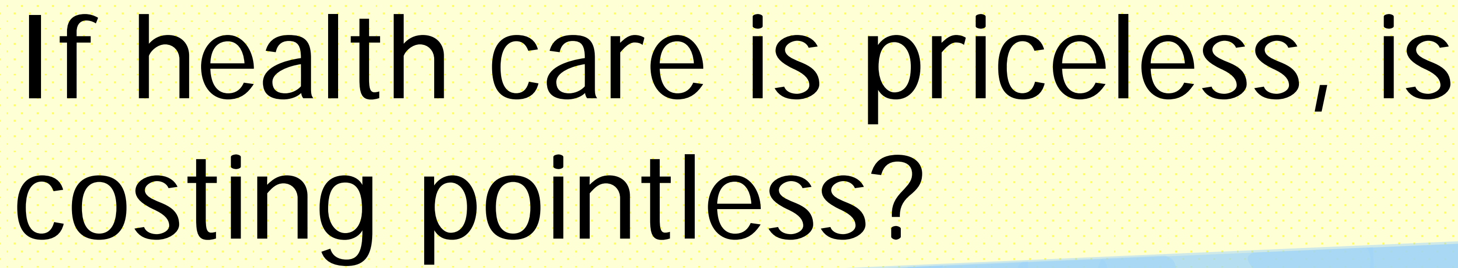

Healthcare is priceless



- If we decide, as a society, to offer free health services to citizens regardless of their ability to pay, then what is the purpose of costing health care?
  - If we don't charge a price then why calculate the cost?

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Even if we don't charge a price it is still valuable to calculate the cost…

- Why…..?

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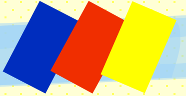
Because....



- .... Calculating costs can lead to more efficient and effective resource allocation....

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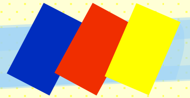
The traditional position....



- In budget based publicly funded systems, overall funding is capped but, traditionally, the internal allocation of resources was driven by the decisions made by individual clinicians
  - A concordat existed- the politicians set the total amount of money available and the clinicians had freedom on how to spend it
    - **What's wrong with that?**

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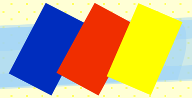
Leaving it to the clinicians doesn't always result in equity…



- Clinical specialisms are hierarchical, leaving it to the professionals resulted in resources flowing to the higher status areas- like general surgery. Some specialisms (like psychiatry and geriatrics) became 'Cinderella' services- starved of resources.

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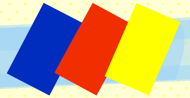
How can costs help? 1



- Resourcing on the basis of costs avoids outcome where the ‘highest status’ medical specialisms get the most resources
  - So it can improve equity for patients in ‘low status’ groups- the chronically ill, mental health and geriatrics

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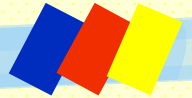
Leaving it to the clinicians doesn't always enhance productivity…



- Allocating resources to hospitals on the basis of historic expenditure (plus a little more if the money had run out) results in a perverse incentive to spend more and let waiting lists build up as a demonstration of need. 'Shroud waving' was the norm.

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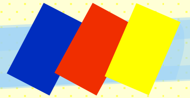
How can costs help? 2



- Allocating resources on the basis of the weighted average cost of any activity x the level of that activity rewards efficient and effective hospitals
  - **Why use the average cost?**

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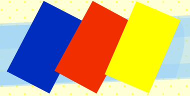
Resourcing on the basis of average cost.....



- If hospitals receive the weighted (to account for case-mix severity) average (across all UK hospitals) cost X activity then this is an incentive for being productive and cost efficient
  - As those hospitals with consistently above average costs across all clinical specialisms will 'go out of business' whereas those with below average costs will have additional resources- as they get to keep the 'surplus'

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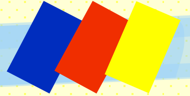
Leaving it to the clinicians doesn't always improve care…



- Safety, quality and access to care may improve when patients are treated outside of hospital settings and/or by nurses rather than doctors
  - Money is a common language which everyone subscribes to

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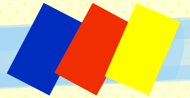
How can costs help? 3



- Where is can be shown that it is cheaper to treat patients out of hospitals (in GP surgeries or in the community) and the care provided is as safe and of the same or higher quality if provided by, for example, nurses.
  - Then it is possible to change the skill-mix and/or provide care nearer to patients' homes.

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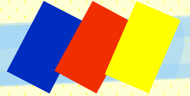
What are the ‘downsides’? Conflict..



- *‘…unprofessional….coercion, intimidation and bullying of NHS staff, including consultants, by some senior NHS managers…* (BMA Website Archive June, 2004)

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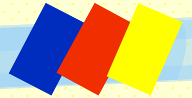
The cost of getting and analysing the data on activity and costs…



- Massive exercise involving accountants and regulatory agencies
- The costs of collating health cost data are unknown but will be high
- Huge challenges remain as the costing exercise is rolled out into community services and mental health

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Negative impact on professionals?

- Lowering of morale
- Loss of interest and work satisfaction
- De-professionalization

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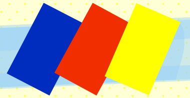
Negative impact on work…



- Negative impact on innovation
- Possible incentives to only take 'easy' low-risk patients
- Incentives to discharge too early
- Loss of judgement over triage

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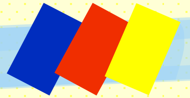
High and low cost patients…?



- There is the possibility for costing exercises to benefit 'Cinderella' groups but could also be a way of discriminating against 'high-cost' 'undeserving' cases- smokers, the obese, drug-users and so on
  - Costing can facilitate rationing

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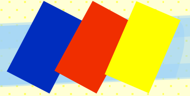
Negative impact on ‘joined-up’ health services



- Although calculating costs can inform decisions on both using a different skill-mix and changing the location of the care provided, it can also impact on the propensity to transfer care into different settings….
  - where there is a negative impact on activity for the ‘host’ institution.

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Difficult questions…Sophie is sleeping on it…