



Tackling Wasteful Spending to Improve Health System Performance

An International Perspective

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Outline

Overview on wasteful spending

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

Tacking wasteful spending: parting thoughts



Overview on 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.
- **One in three** babies is delivered by C-section in the OECD, when perhaps 15% are medically justified.
- 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.

Up to a fifth of health spending in OECD countries is at best ineffective and at worst, wasteful



Overview on wasteful spending (cont.)

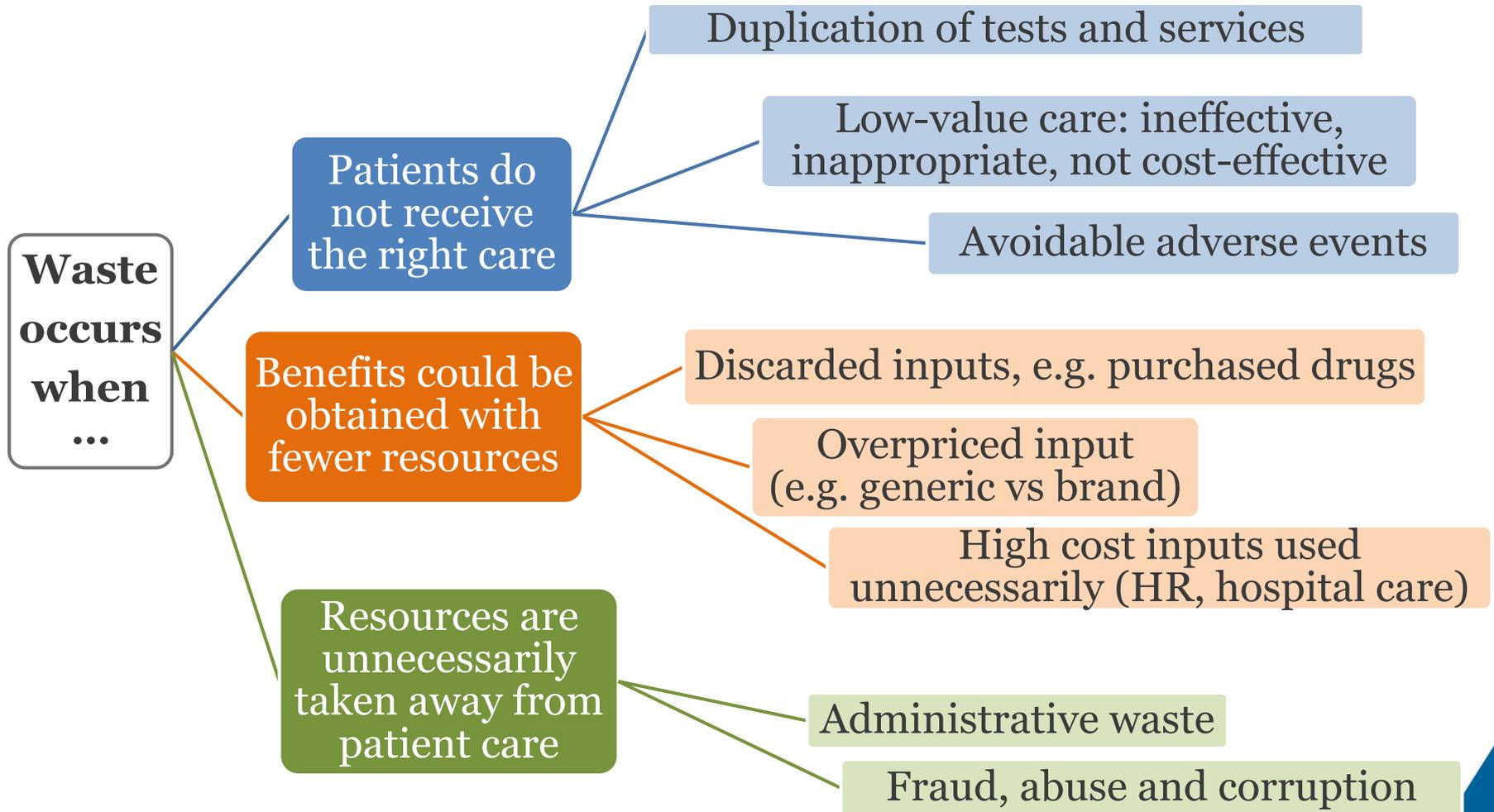
From definition to solution

- 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
-



Overview on wasteful spending (cont.)

Identifying wasteful clinical care, operational and governance-related waste

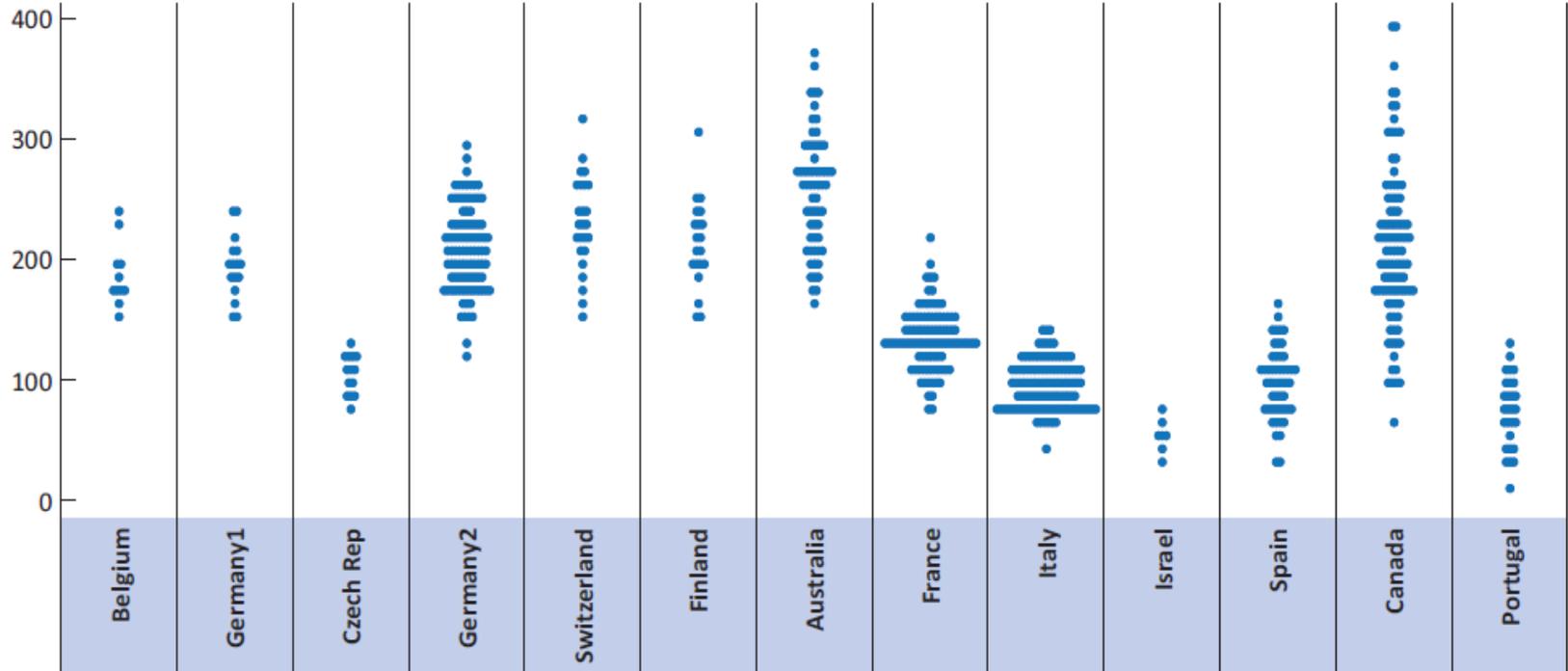




1. Wasteful clinical care

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

Standardised rates
per 100 000 population



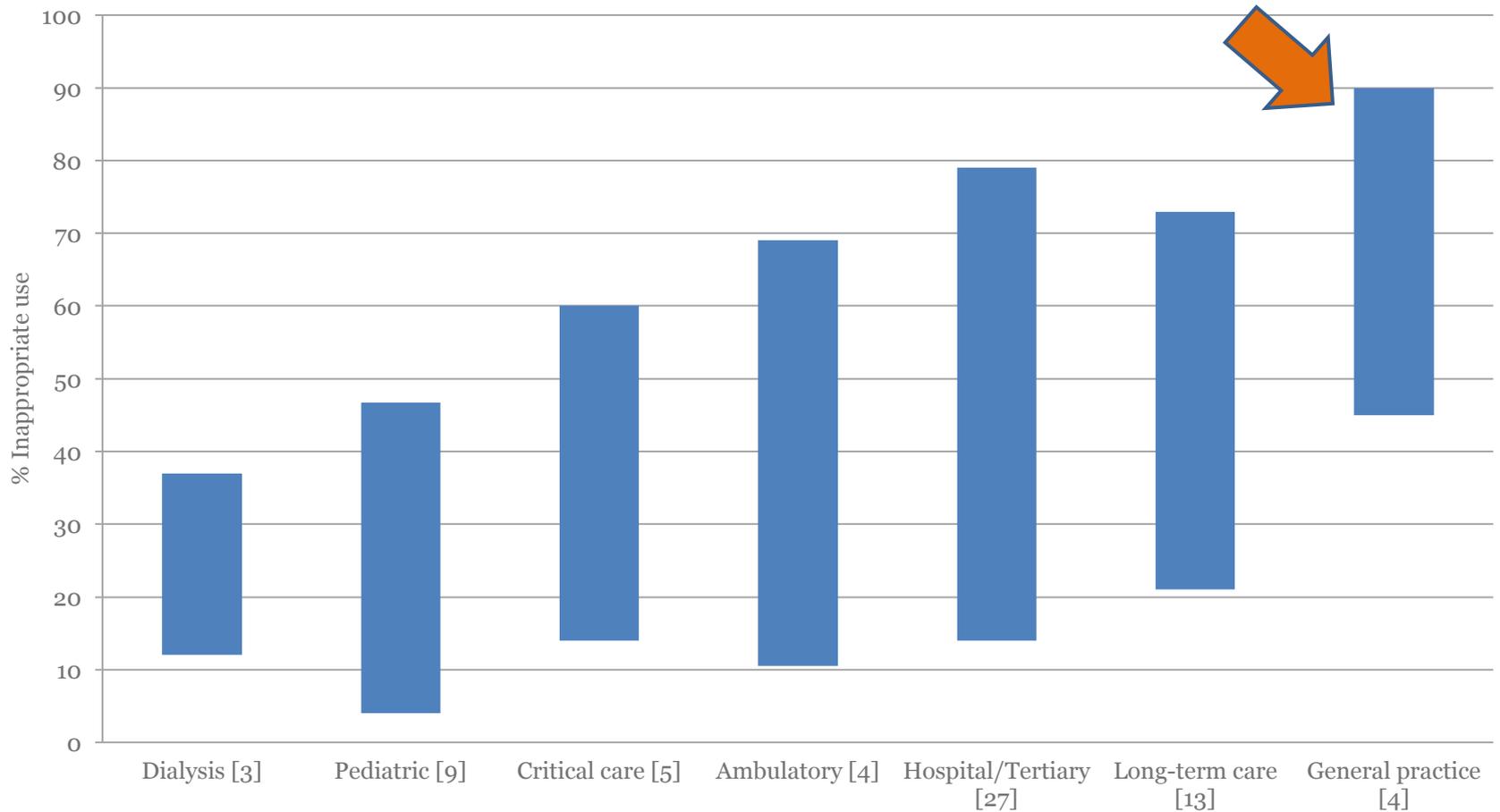
Crude rate	210	215	113	215	257	240	238	133	122	45	106	193	77
Std rate	186	194	105	209	230	213	257	135	96	56	98	213	74
Coeff. of variation	0.14	0.15	0.16	0.17	0.17	0.18	0.19	0.19	0.20	0.28	0.31	0.32	0.39

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



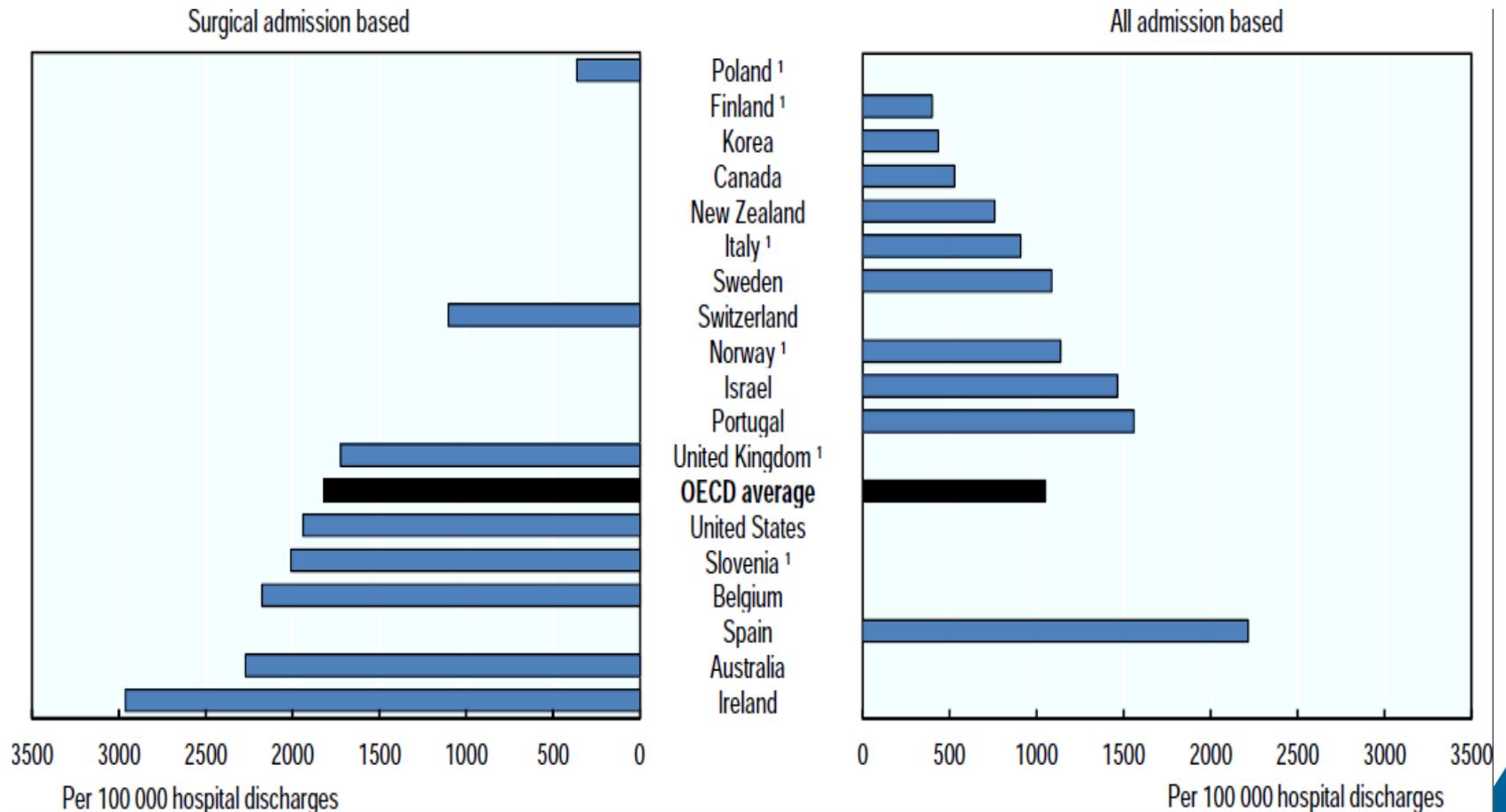
Estimates of the proportion of inappropriate use based on literature by service (range)
Numbers in squared parentheses indicate the number of studies available



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.)

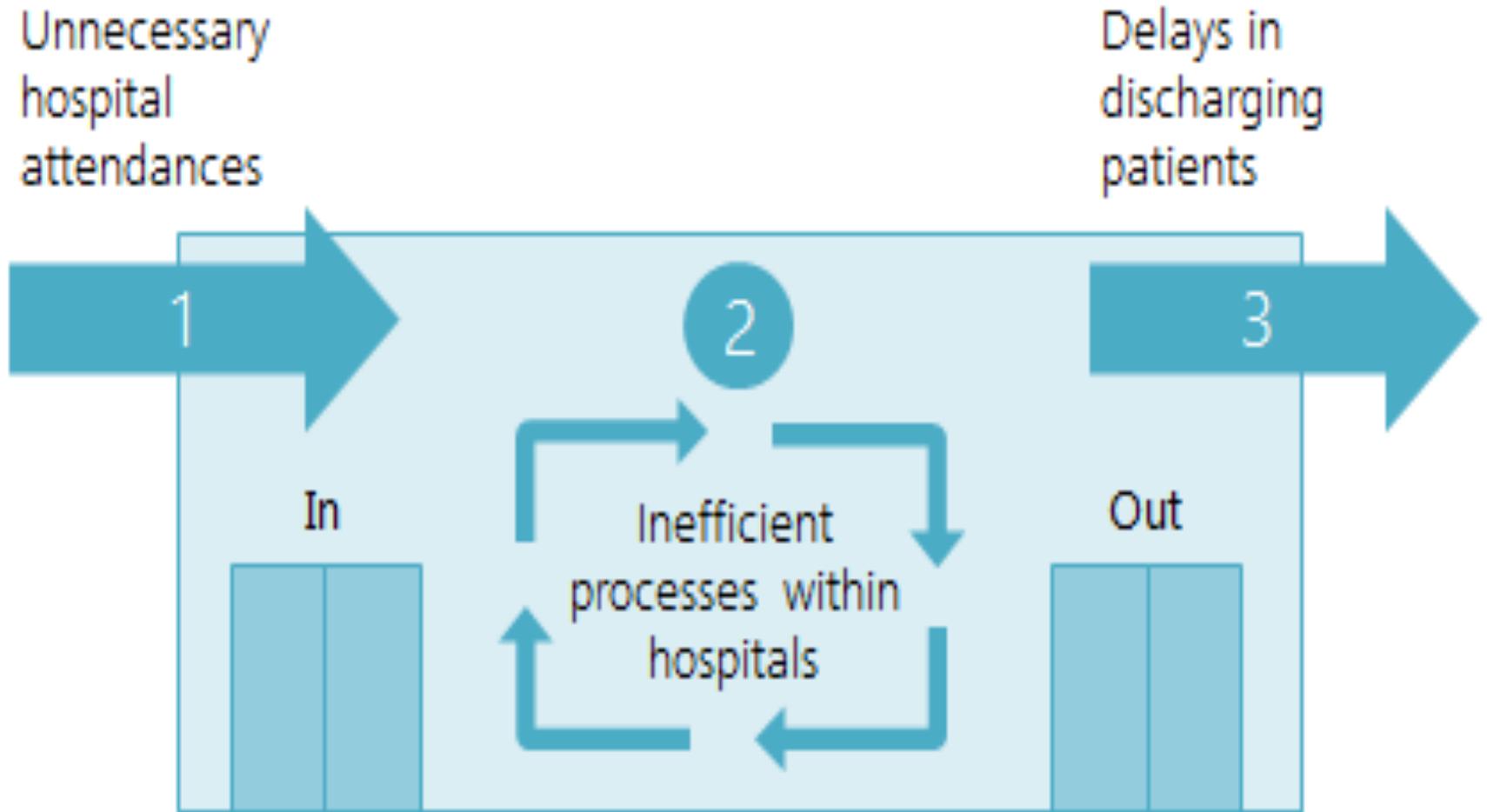
Combination of policy levers to tackle wasteful care

- Information systems
- Incorporation of clinical guidelines and protocols into practice (audits and feedback)
- Behaviour change campaigns
 - ➔ Choosing Wisely® campaign in a third of OECD countries
 - ➔ Antimicrobial stewardship programme. Kaiser Permanente's obtained 45% drop in prescriptions
 - ➔ Safety campaigns: *WHO SAVE LIVES: Clean Your Hands* initiative, active in 174 countries
- Financial incentives and nudges



2. Operational waste

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

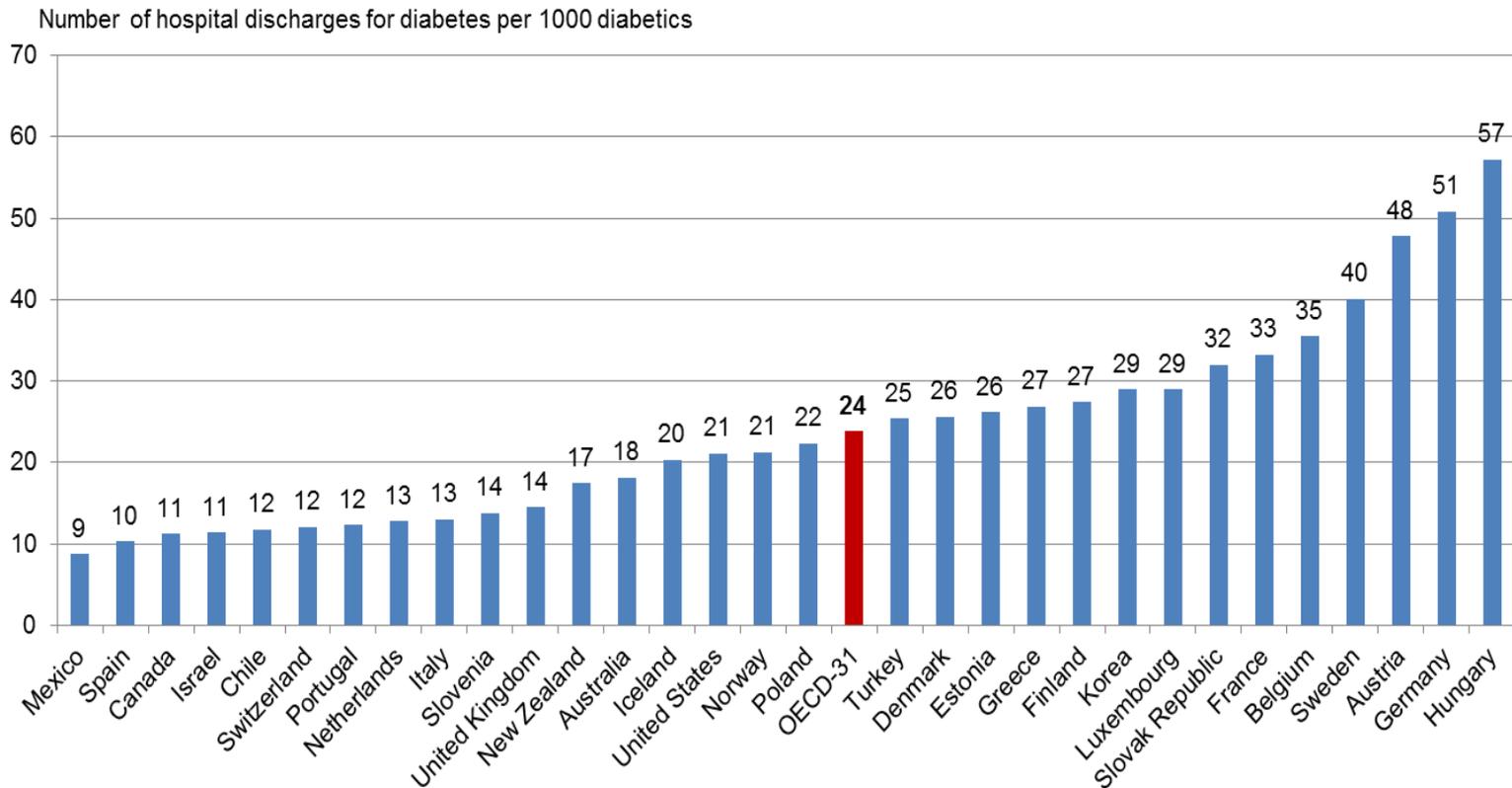




2. Operational waste (cont.)

Hospital admissions for chronic conditions are often avoidable

Diabetes admissions per 1000 patients with diabetes

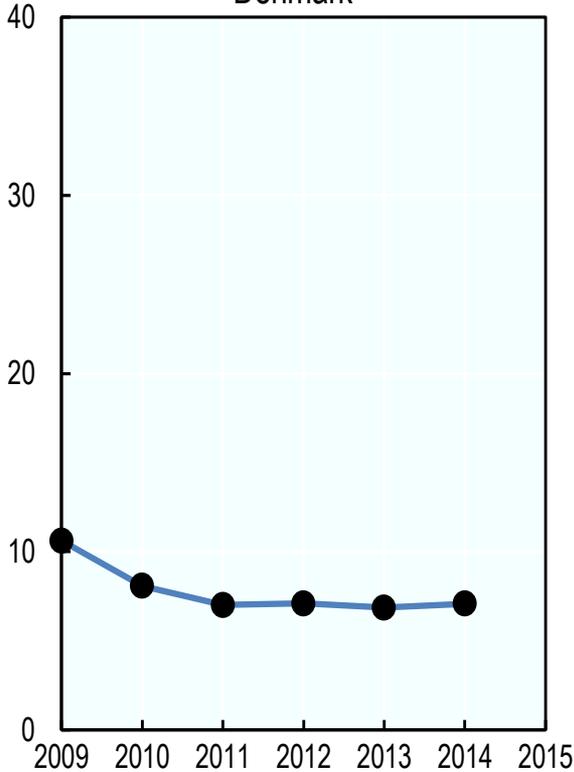




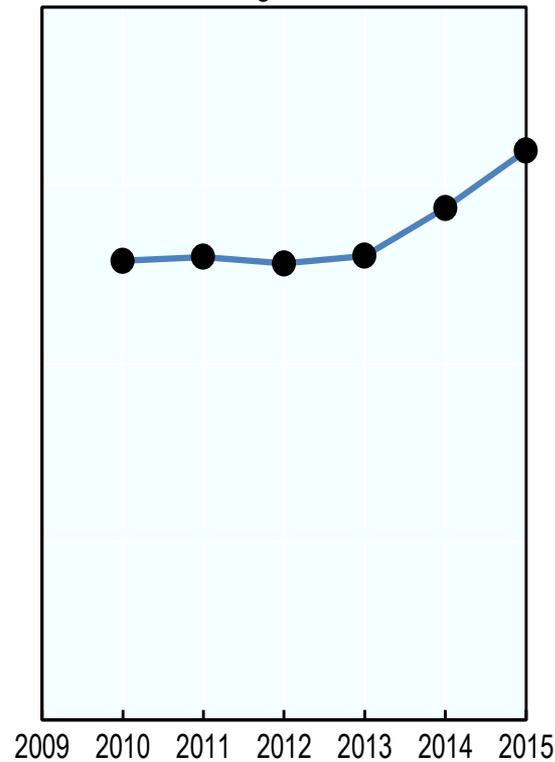
2. Operational waste (cont.)

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

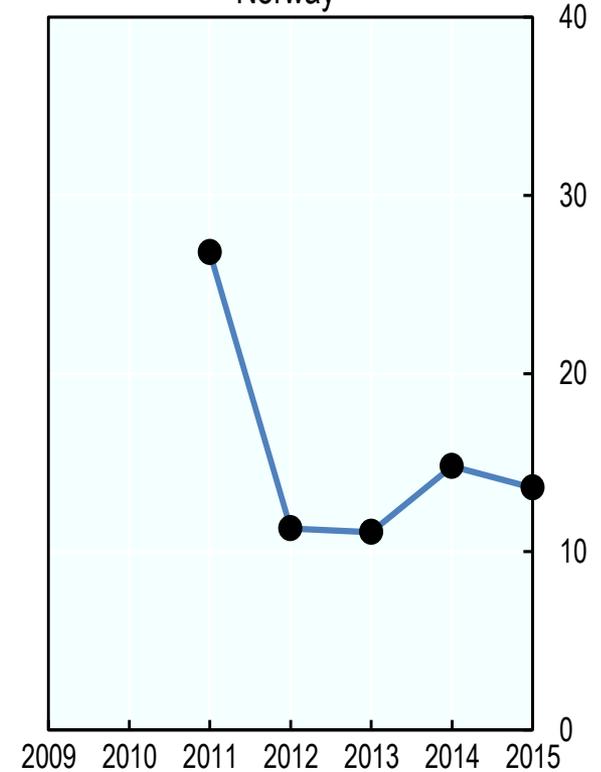
Denmark



England



Norway



(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)



3. Governance-related waste

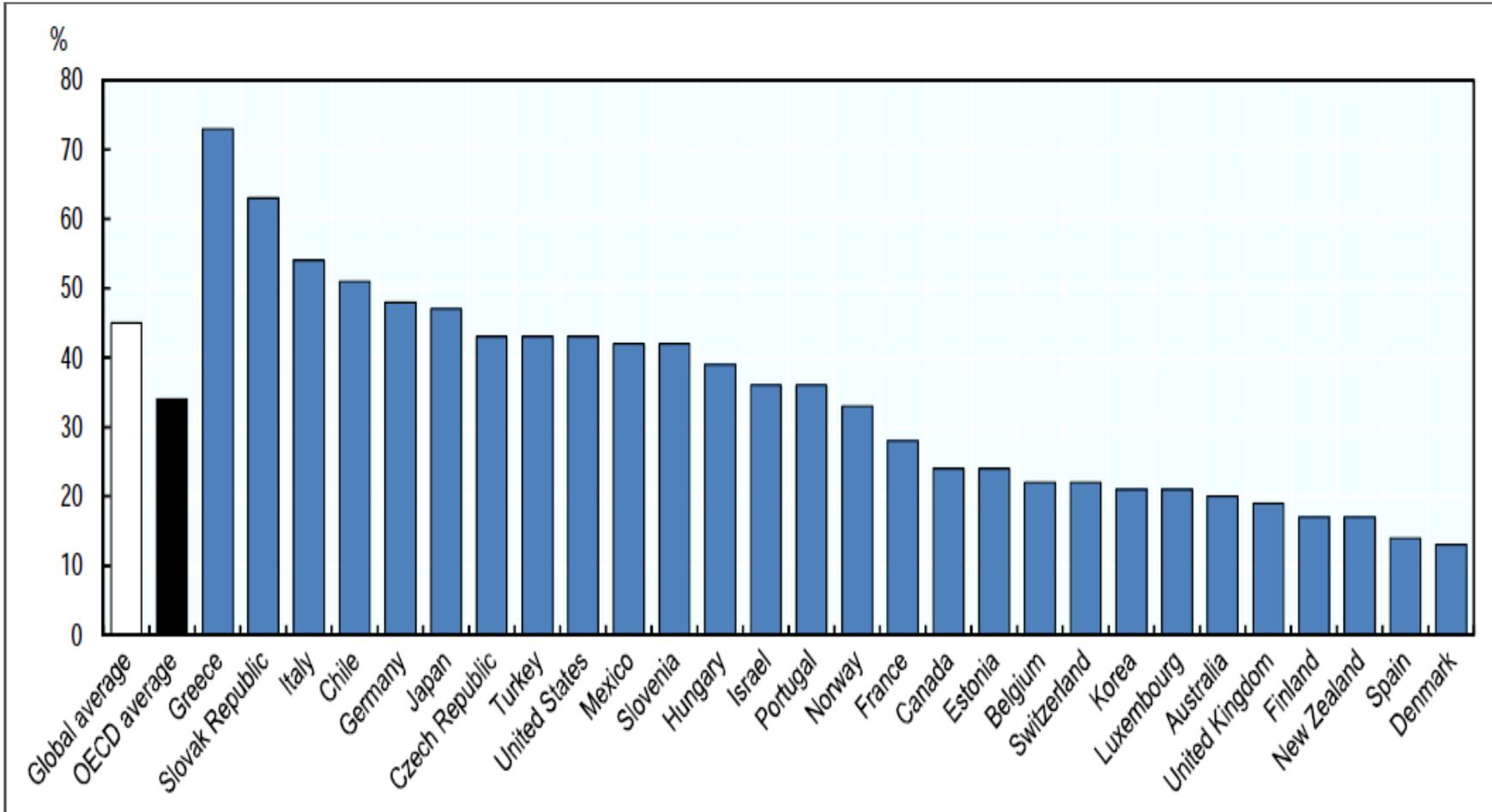
Administrative costs: a low hanging fruit?

- Only represents 3% of health spending on average
- Differences in level of administrative cost are largely driven by institutional features
- Administrative costs borne by providers largely undocumented (one comparative study US 25% - CAN and UK 12-15%)
- Multi-stakeholders reviews of processes (Germany, the Netherlands) help identify administrative processes 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,)



Parting thoughts



Tackling wasteful spending: *Summarising strategy*

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



Tackling wasteful spending:

Why tackling waste is an imperative and a smart move

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

➔ Waste undermines financial and fiscal sustainability

Difficult admission but:

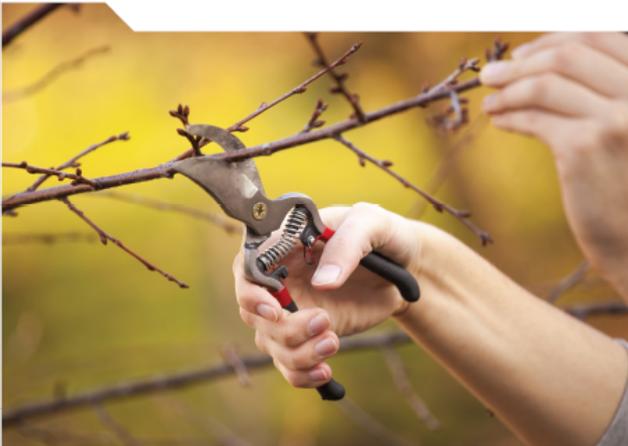
- ✓ **Savvy**: allows for move a constructive discussion than one framed in terms of cost-containment,
- ✓ **Strategic**: eliminating waste releases resources
- ✓ **Transformative**: puts value at the core of the policy debate
- ✓ **Necessary**: paves the way for re-engineering of health care systems: patient centeredness, streamlined hospital infrastructure, etc.



Read more about this work



**Tackling Wasteful Spending
on Health**



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

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

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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: The eggs and chickens challenge

