IQVIA Connected Intelligence™

An integrated model for adopting AR-DRG's for publicly funded activity-based health insurance systems.

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Introductions and Assumptions

Introduction

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- Experience: Australia, UK, Middle East, Asia, Ireland + consulting in numerous countries.
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- Experience: Denmark, Middle East, South America, Australia, + consulting in numerous countries
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- Experience: Spain (Spanish talking world) South America, Middle East + consulting in numerous
- MPH, eMBA

Assumptions -

Before we start the presentation, we would like to ensure that we are speaking about health systems in the following scenario:

+ Health systems that are *predominately* publicly funded.

+ Want to build an “Activity-Based Funding” (ABF) process, rather than funding via a ‘historical’ or ‘block’ payment

+ Funding by activity is to ensure funding risk levels are balanced between purchaser (govts) and provider (hospitals)

+ Any payment to health care providers will be via a “bundled” service (i.e. a DRG)

+ Looking at adopting the AR-DRG

Assumptions -

Why do we think a model is needed?

+ Activity Based Funding system - simple system to adopt - but easy to get wrong

(some here may think the model provided is too simple)

+ Years of pain.

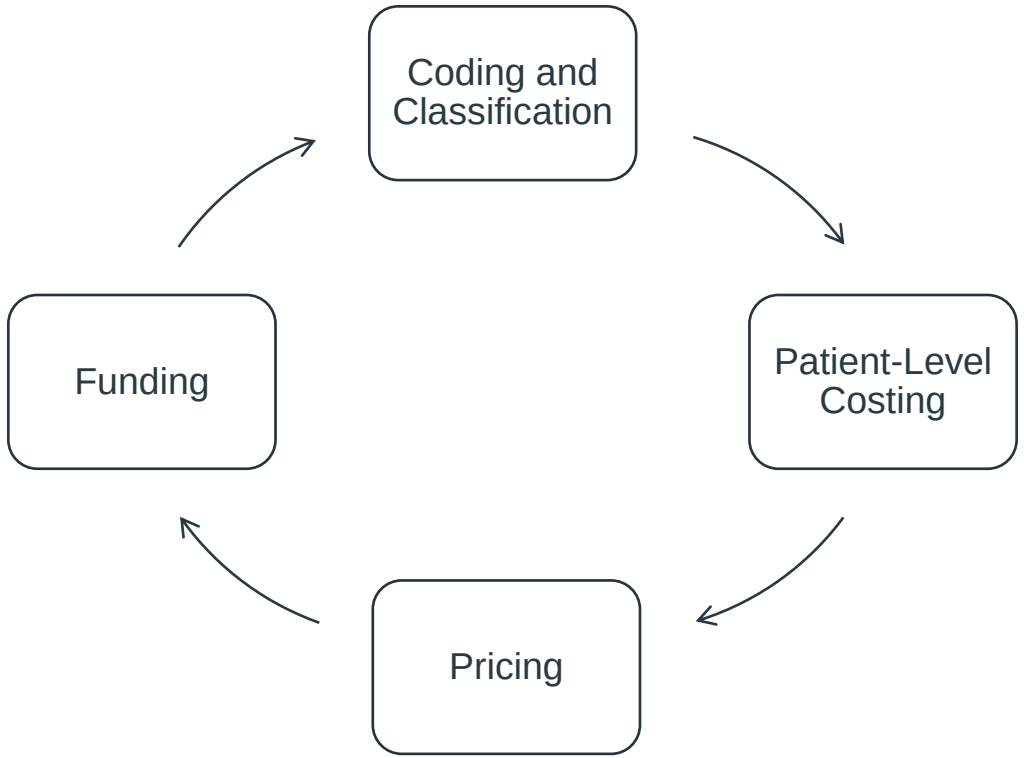
+ Seeing value from a system as soon as possible,.

+ Devaluing investment/breaking focus.

An integrated ABF insurance model –

How it works

The basic components



The four basic building blocks:

+ Coding and Classification:
+ Patient-level costing
+ Pricing:
+ Funding:

As well as this, IQVIA considers these systems also need:

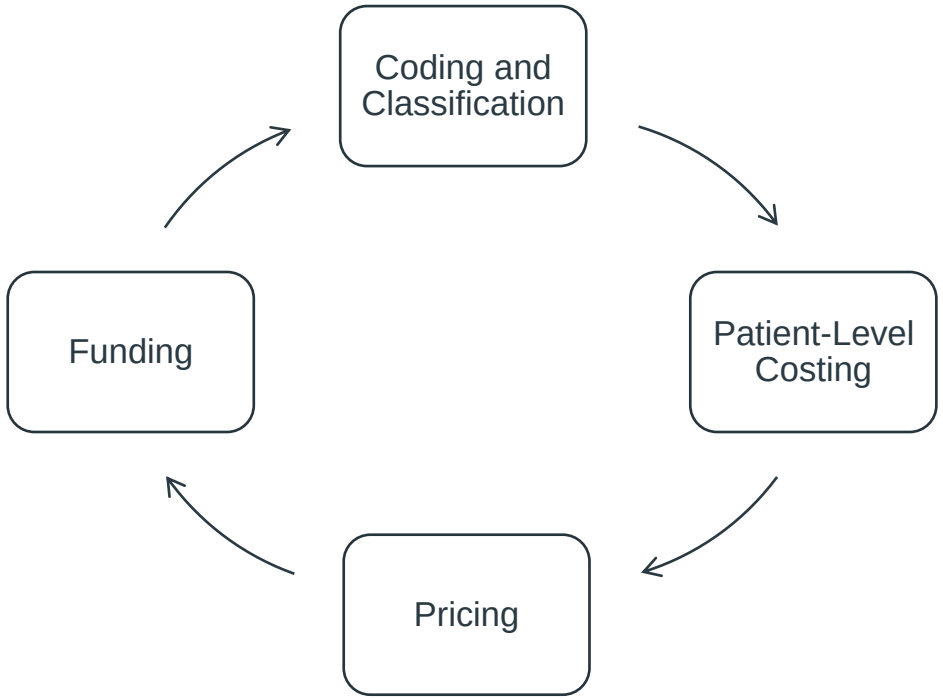
+ A feedback processes between the four basic components
+ An integrated activity reporting process,
+ Audit process

The problems if only the ‘basics’ are adopted

The problem if only the basics of a DRG system are adopted, are that each module has **no correlation** to the other – issues are only visible once the system starts to break down (completes first iteration of the one-way process):

+ Funding on Coding and Classification data without feedback: if a health provider is only funded on its coding and classification data, then there is no ability for the public insurer to check if a health provider is ‘gaming’ the system. **This creates massive funding risk for the insurer.**

+ Pricing and Funding without system checks for sustainability: if prices for care set are not sustainable, then the funding mechanism will see hospitals with funding shortfalls or bankruptcy. **This creates massive funding risk for the provider, and (in the long-run) the insurer.**



Why a feedback loop is required.

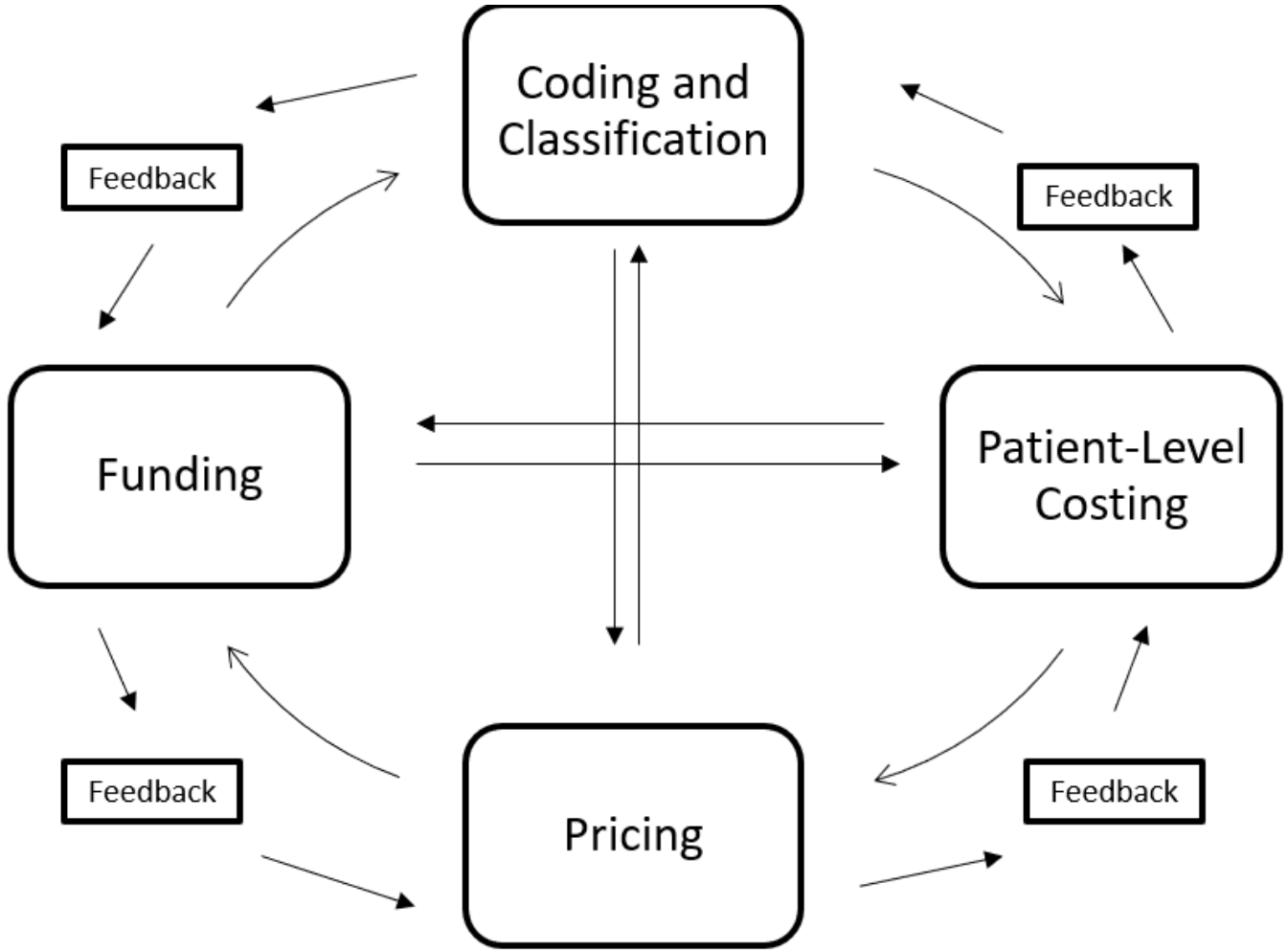
Each and every constituent part of an ABF model is reliant on the other to lower BOTH public insurer and public health provider funding risk.

example: A DRG system is built on bundles of care with similar resource consumption. How does coding and classification know a bundle of care has the same cost without feedback from patient-level costing?

example: how does funding know if it should include a payment for a high-cost drug if the pricing system does not know if it needs to include it in the pricing for a DRG?

example: Pricing needs to know what is included and not included in the costing of health services (patient-level costing should be agnostic to pricing mechanisms)

Why a feedback loop is required.



Why Activity Reporting and Audit is necessary?

Crucial add-ons that ensure a system is integrated and tied together.

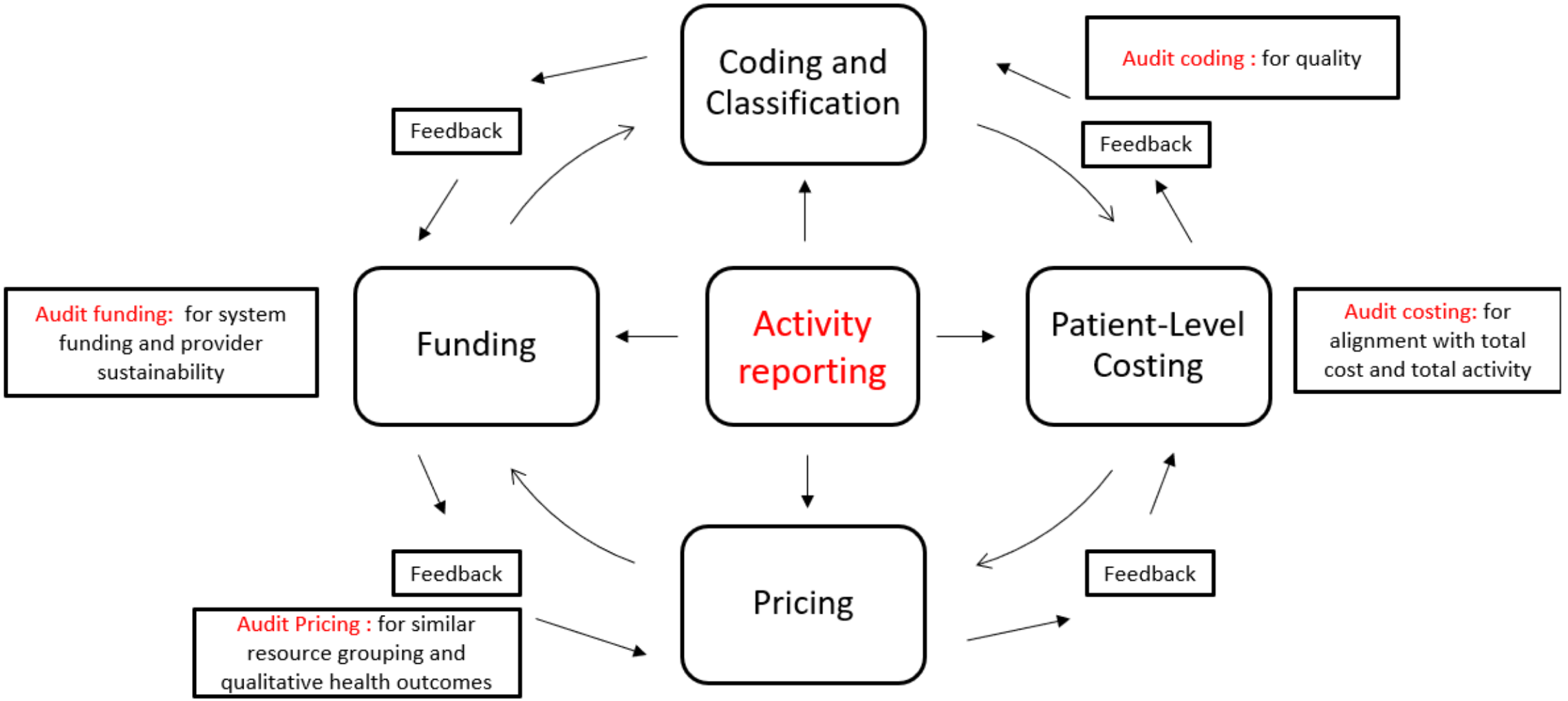
Two further integrated modules required for an ABF model is **Activity reporting** & **Audits**.

example: Bottom-up patient level costing is, in its essence, is a simple equation: *Cost of activity X activity provided = cost of provision of service.* The best check for the accuracy of costing is to audit against activity reported and total provider public spend.

example: how does coding and classification know that it is grouping against the same care if the acuity accuracy of the DRG is not checked (Note: costing is also a great feedback loop for coding and classification)

example: Pricing needs to know what is included and not included in the costing of health services (patient-level costing should be agnostic to pricing mechanisms)

The Integrated Model.



When ABF breaks down

What options do we have?

+ No international funding system can perfectly cover all healthcare case types, but there can be checks and balances in a integrated ABF insurance model that ensure balanced public health funding risk.

+ Activity and cost reporting can ensure adequate inlier and outlier control for both insurer and funding body – as long as the inlier and outlier process is robust and transparent (discussion: L3/H3 inlier/outlier model needs all providers costing information to balance risk)

+ Outliers will still need ‘some’ funding, or a ‘provider of last resort’ mechanism – if there will be ‘hard’ cut offs to outlier cases.

+ However, providers will need to be able to discuss one-off cases when all insurance mechanisms are broken – with a balance of funding risk struck.

When ABF breaks down

What options do we have - continued

+ National Services - if a healthcare provider is asked or agrees to offer a nation-wide service, then there needs to be a funding mechanism that covers this service (examples are specialized burns or poisoning call/care centres)

+ Stand-by Services - some services need to be able to be called upon/be on standby to provide care, but do not have the throughput to justify funding on an ABF basis.

+ Healthcare providers will need to have mechanisms, in an ABF system, to discuss one-off cases when all insurance mechanisms are not working as expected – with a balance of funding risk struck between the national funding body and the healthcare provider.

When ABF breaks down

What options do we have - continued

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The Integrated Model.

Investing in an Activity Based Funding model for public health insurance systems is costly and time-consuming.

ABF systems need to have checks and balances that **a fully integrated ABF model** brings.

An integrated model includes the four basic modules, plus;

+ A feedback processes between the four basic components

+ An integrated activity reporting process,

+ Audit process

By adopting only certain modules of the system and not integrating these modules, then the system will not give the balances that ABF system can provide, between a Public Health Insurer and the health providers.

Questions & Answers

Please contact us for more information

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