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**BC HEALTH SERVICES PURCHASING ORGANIZATION**

Annual Report for 2010/11

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## 1. Introduction

The BC Health Services Purchasing Organization (HSPO) commenced operation in April 2010 to introduce Patient Focused Funding (PFF) to 23 of the largest hospitals in British Columbia. PFF provides financial incentives for the hospitals to deliver high quality patient care and improve patient access to hospital services.

In order to achieve this goal in financial year 2010/11, HSPO administered the following programs:

- Activity Based Funding
- Procedural Care Program
- Emergency Department Pay for Performance
- American College of Surgeons National Surgical Quality Improvement Program (NSQIP) Program

In the financial year 2010/11, which ended March 31, 2011, an additional 36,000 patients received surgical and diagnostic care through two PFF programs: Activity Based Funding and the Procedural Care Program. The Emergency Department Pay for Performance program was extended during the year from 8 to 14 hospitals. The total number of new additional patients whose treatment was completed on time increased by 67,000 above the baseline levels set for each of the participating hospitals.

Quality assurance is a critical component of Patient Focused Funding. HSPO is therefore funding a \$10 million two-year program that is managed by the B.C. Safety and Quality Council to implement the American College of Surgeons National Surgical Quality Improvement Program (NSQIP) into all participating hospitals by March 2012. This is a risk-adjusted, outcome based program to measure and improve the quality of surgical care. It is the first time that such a program has been initiated on this scale in Canada.

Expenditure on the four programs amounted to \$53 million which was \$26 million below the HSPO budget. This expenditure was less than 1% of the total Health Authority Acute Care projected expenditures in 2010/11.

## 2. Activity Based Funding - (\$12 million)

In the financial year 2010/11, the 5 regional Health Authorities allocated \$5.6 billion to fund their acute care hospitals. Most of the funding is in the form of a “block or global” grant. The grant is not tied specifically to hospital performance.

In 2010/11, a portion of the grant (approximately 15%) for each participating hospital was converted to Activity Based Funding (ABF). The hospital earns this funding based on the number of patient cases it completes in the year and the complexity of each individual inpatient case. In the first year of operation,

HSPO guaranteed that the ABF payment to each Health Authority would be no less than the estimated results for 2009/10. In addition, HSPO would pay for additional patient cases and greater complexity per patient up to a maximum for all Health Authorities of \$20 million.

The table below summarizes the ABF funding for participating hospitals in 2010/11.

	<b>Same Day Care</b> (\$ Million)	<b>Inpatients</b> (\$ Million)	<b>Total</b> (\$ Million)
Budget for 2010/11 based on actuals for 2009/10	\$110	\$555	\$665
Actual payment for 2010/11	116	564	680
Increase in funding	\$6	\$9	\$15
<b>Use of Increase in Funding</b>			
Additional 8,000 cases completed	\$5	\$ -	\$5
Increase in patient / case mix complexity	1	9	10
Additional funding provided by HSPO	\$6	\$9	\$15
Less: Health Authority growth cap			-3
Net Payment			\$12

\$5 million of the ABF funding was spent for an additional 8,000 same day cases.<sup>1</sup> The balance of \$7 million ABF funding was spent to support an increase in the acuity of the patients treated.

### 3. Procedural Care Program - (\$27 million)

The Procedural Care Program was established to reduce the wait times for patients waiting the longest for care. HSPO contracted with each participating Health Authority for an agreed number of additional patient procedures for completion in 2010/11 at a specific price per procedure.

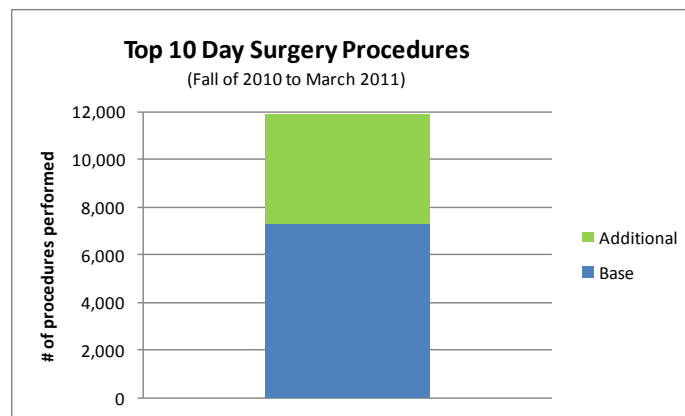
#### 3.1 “Top 10” Day Surgeries - (\$9.0 million)

This program targeted patients waiting for the following common procedures with the longest wait times:

Bladder Surgery	Breast Reduction	Cholecystectomy
Fallopian/Ovarian Surgery	Foot/Ankle Surgery	Hand/Wrist Surgery
Hernia Repair - Abdominal	Knee Arthroscopy	Nasal Surgery
Shoulder Surgery		

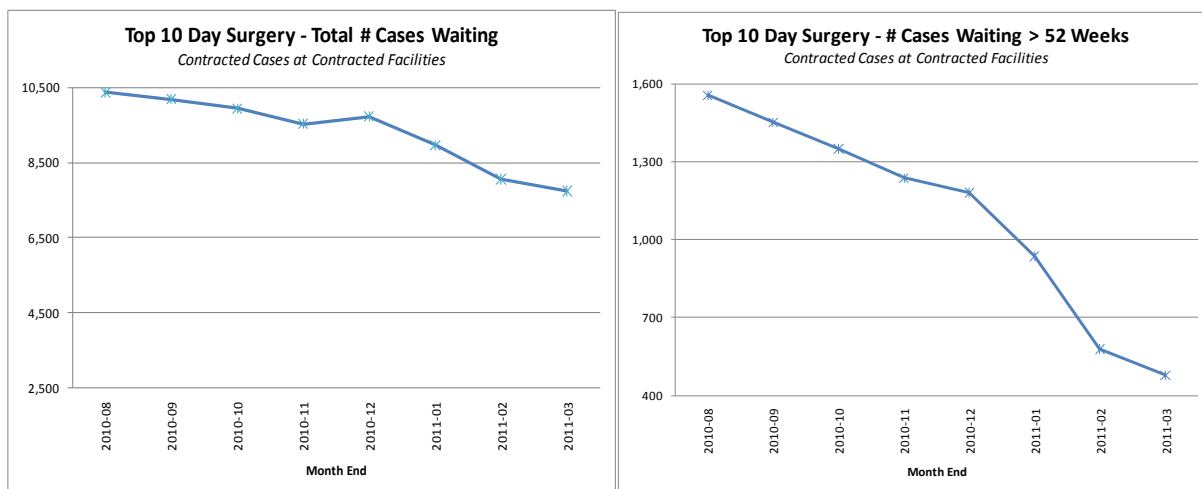
<sup>1</sup> These were in addition to those cases performed by the Procedural Care Program (see Section 3).

\$9.0 million was spent for an additional 4,599 procedures over a 6 month period. With a base of 7,318 procedures performed in the same period, this meant a 63% increase in procedures performed.



In terms of cases waiting for “Top 10” day surgeries:

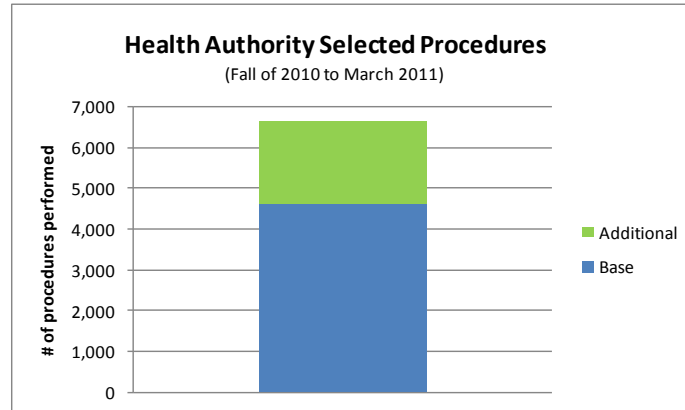
1. “Total cases waiting” dropped by 25% from 10,373 cases waiting on August 31, 2010 to 7,748 cases waiting on March 31, 2011.
2. “Total cases waiting more than 52 weeks” dropped 69% from 1,556 cases waiting on August 31, 2010 to 477 cases waiting on March 31, 2011.



### 3.2 Health Authority Selected Procedures - (\$7.5 million)

This program funded surgeries selected by each of the Health Authorities as priorities for wait time reduction in their regions such as daycare ENT (Ear, Nose, and Throat), Urology and Gynaecology procedures.

\$7.4 million was spent for an additional 2,036 procedures over a 6 month period. With a base of 4,593 procedures performed in the same period, this meant a 44% increase in procedures performed.



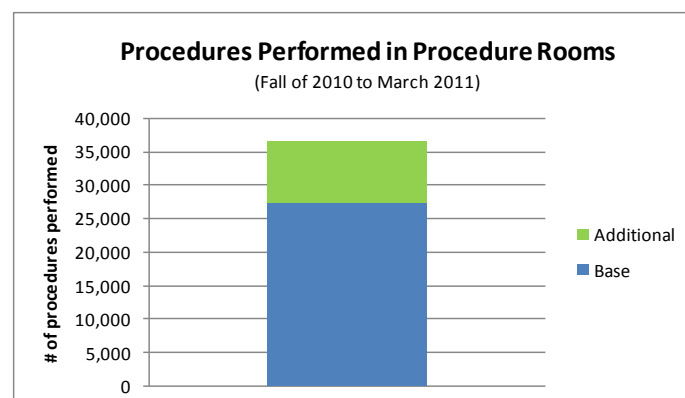
In terms of cases waiting for “Health Authority Selected Procedures”:

1. “Total cases waiting” dropped by 11% from 3,794 cases waiting on August 31, 2010 to 3,387 cases waiting on March 31, 2011.
2. “Total cases waiting more than 52 weeks” dropped 29% from 818 cases waiting on August 31, 2010 to 579 cases waiting on March 31, 2011.

### 3.3 Surgical and Medical Procedures Mainly Performed in Procedure Rooms - (\$7.9 million)

\$7.9 million was spent for an additional 9,215 procedures over a 6 month period. With a base of 27,422 procedures performed in the same period, this meant a 34% increase in procedures performed.

Procedures such as pain management and colonoscopy are usually performed outside the operating room and therefore waitlists for these procedures are not reported to the Surgical Patient Registry.

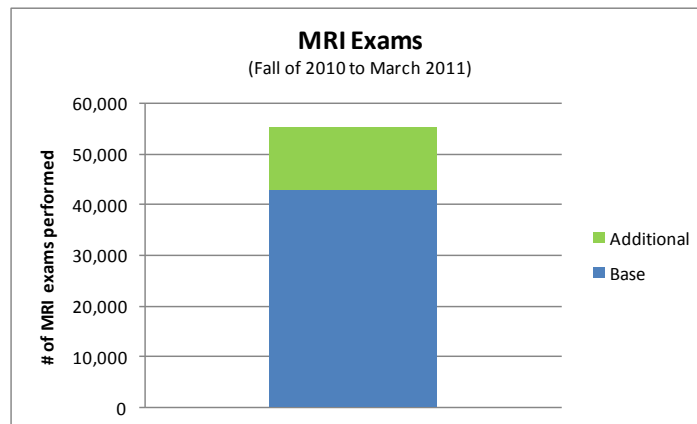


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### 3.4 Magnetic Resonance Imaging (MRI) Exams - (\$2.6 million)

\$2.6 million was spent for an additional 12,473 MRI exams over a 6 month period. With a base of 42,849 MRI exams performed in the same time period, this means a 29% increase in exams performed.

MRIs are usually performed outside the operating room and therefore waitlists for these procedures are not reported to the Surgical Patient Registry.



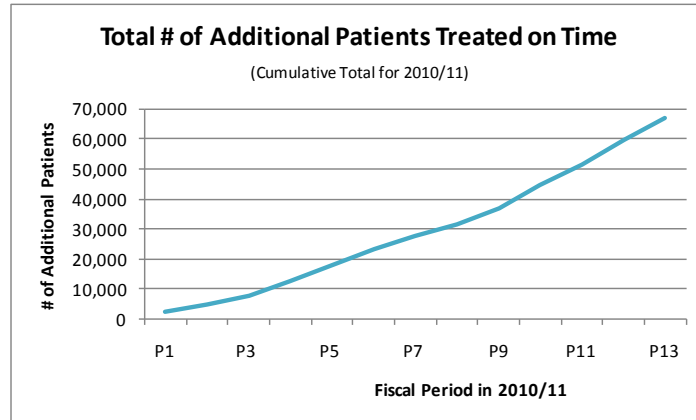
## 4. Emergency Department Pay for Performance – (\$13 million)

The Emergency Department Pay for Performance Program (ED P4P) is designed to improve patient access to care by reducing the amount of time that patients spend waiting in the emergency department.

Participating hospitals receive funding incentives based on the number of patients meeting or exceeding pre-determined wait time targets agreed upon by the Health Authority.

Vancouver Coastal Health Authority and Fraser Health Authority implemented the program in 2007/08 and 2008/09, respectively under the Lower Mainland Innovation and Integration Fund (LMIIF) and this activity was sustained by the HSPO in 2010/11. The HSPO expanded ED P4P in 2010/11 to Interior Health Authority and Vancouver Island Health Authority.

In 2010/11, \$12.9 million was paid to the Health Authorities for providing care to 67,000 patients who were seen within the targeted wait times.



## 5. American College of Surgeons National Surgical Quality Improvement Program (NSQIP) – (\$1.4 million)

The American College of Surgeons (ACS) National Surgical Quality Improvement Program (NSQIP) is a program to measure and improve the quality of surgical care. In 2010/11, \$1.4 million was spent to initiate or expand implementation of NSQIP at 15 hospitals across BC. Another 7 hospitals will be added in 2011/12. Total funding over the 2 years will be \$10 million. The first comparative report is expected in 2012/13.

In October of 2002, the U.S. Institute of Medicine named NSQIP the “best in the nation” for measuring and reporting surgical quality and outcomes. Data can be used to help: (i) increase patient satisfaction; (ii) reduce the median length of stay; and (iii) reduce postoperative mortality rates. *(Source: ACS NSQIP website)*

## 6. HSPO Expenditure Summary

The budgeted and actual expenditures of HSPO for the year ended March 31, 2011 is shown below. Actual administrative costs for the year amounted to \$610,988 (1.1% of expenditure, compared to a budget of \$700,000).

Programs	Budget (\$ Million)	Actual (\$ Million)	Variance (\$ Million)
Activity Based Funding	\$20	\$12	\$8
Procedural Care Program	30	27	3
Emergency Department P4P	16	13	3
Quality Improvement (NSQIP)	2	1	1
Provision for Additional Programs	11	-	11
	<u>\$79</u>	<u>\$53</u>	<u>\$26</u>

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## **7. Outlook for 2011/12**

The budget for HSPO in 2011/12 is \$170 million. The four existing programs will continue and be expanded. In addition, HSPO started to fund Community Programs that are aimed primarily at reducing hospital inpatient congestion. So far 14 projects have been authorized for a total expenditure of \$25 million. These include Home Based Management of Chronic Obstructive Pulmonary Disease (COPD), Early Outpatient Rehabilitation and the Community Management of Psychosis.