Are current primary health care funding arrangements getting us where we want to go?

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Payment for face to face contact
The Status Quo

- Medicare funding
  - Transactional based funding, focused on the occasion of service.
  - Based on historical models of care.
  - “One size fits all” physicians and patients.
  - Has achieved high coverage, and patient acceptance
  - Known to encourage volume, unknown effects on quality
Cost of primary care

Figure 2.1: Total expenditure on health, by broad area of expenditure, constant prices, 2001-02 to 2011-12 ($ million)

Source: Table A1.

Research Excellence in the Finance and Economics of Primary Health Care
Changes in death rates Australians 70-79

Male deaths from any cause at age 70-79 years in 2011:
- 17,317 (23% of all male deaths)
- 3,001 out of every 100,000 males at this age, a rate which was:
  - 29% less than in 2000 (rate: 4,234)
  - 60% less than in 1975 (rate: 7,551)
  - 63% less than in 1955 (rate: 8,157)

Female deaths from any cause at ages 70-79 years in 2011:
- 11,674 (16% of all female deaths)
- 1,833 out of every 100,000 females at this age, a rate which was:
  - 23% less than in 2000 (rate: 2,382)
  - 57% less than in 1975 (rate: 4,281)
  - 66% less than in 1955 (rate: 5,468)

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Males & females, ages 70-79 years
All causes
Australia

www.mortality-trends.org
Age brings chronic illness

No. of long-term conditions for people aged 50 and above

Source: NATIONAL HEALTH SURVEY 1995
Diabetes in Australia over 25 years

AIHW 2014 analysis of ABS NHS data
## Detection and treatment of Type II diabetes

<table>
<thead>
<tr>
<th></th>
<th>Then</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diagnosis</strong></td>
<td>Emergency presentation of severe insulin deficiency</td>
<td>Primary care monitoring detects pre-diabetes and mild deficiency</td>
</tr>
<tr>
<td><strong>Treatment</strong></td>
<td>Animal insulin – only Large unwieldy syringes</td>
<td>Multiple synthetic agents Small devices</td>
</tr>
<tr>
<td><strong>Monitoring</strong></td>
<td>By doctor, blood tests and return visit</td>
<td>Self at home</td>
</tr>
<tr>
<td><strong>Complications</strong></td>
<td>Drug reactions Kidney failure Vision loss</td>
<td>Rare Preventable/ transplants Preventable</td>
</tr>
<tr>
<td><strong>Quality of life</strong></td>
<td>Repeated ED visits Loss of driver’s licence</td>
<td>Largely unimpaired</td>
</tr>
</tbody>
</table>
Anti-cholesterol medications

Australia is the highest consumer in the OECD and growing, following recent guideline recommendations

Defined daily dose, per 1 000 people per day

PBS consessional scripts - million

2008/09
2009/10
2010/11
2011/12
2012/13
2013/14

Australia
Variation in health status by age

SF-6D in 2010

Source: HILDA
Health care expenditure by age

AIHW 2014

Figure 2.10

$ per person

Source: AIHW disease expenditure database.

Allocated health expenditure per person, by age and sex, 2008–09
Health care spending by age

Source: MBS&PBS&hospital NSW Australia 2010
Expenditure by chronic conditions
Summary

- Age is not destiny
  - Wide variation in health status even at older ages
- Prevalence of chronic conditions is rising
  - Diagnosis and treatment are changing
- No of chronic conditions associated with age and increased costs
  - also with increased variability
- Variation is the big story
Financing and funding health care

- Financing – raising the funds to pay for health care
- Funding – how we pay providers
- Third party payers separate financing and funding
Challenge for financing

- Prevent people not getting care because they cannot afford it and reduce financial risk for those who can
- Ensure financial viability of providers
- Risk management
Concentration of health care spending

![Graph showing concentration curve - total health expenditure]

Cumulative % of yearly health expenditure vs Cumulative % of population (lowest yearly health expenditure first)

- Dashed line: Cumulative share of yearly health expenditure
- Solid line: Line of equality

Source: 45&up survey-MBS-PBS-hospital Australia 2010
Pattern remains by age
Why are some people big spenders?

- Uncertainty – unlucky to be sick
  - Severity of illness
  - Poor response to treatment
  - Condition is expensive to treat
- Use more services
- Use higher priced services
- Don’t ameliorate risk
  - Opportunities for early intervention are missed
Insurance changes the risk - Moral hazard

- Providers/system
  - Underinvestment in services that are not insured
    - Including prevention
  - Lack of efficiency
  - Failure to innovate

- Consumers
  - More risky behaviour
  - Over use of services
  - Acceptance of high cost alternatives
Cost of primary care

Figure 2.1: Total expenditure on health, by broad area of expenditure, constant prices, 2001-02 to 2011-12 ($ million)

Source: Table A1.
RACGP view of health care cost increases

Figure 1: Comparative Health Costs per person per year 2011-12

- Medicare cost per person for GP care (in 2011-12 dollars)
- Government costs per person for public hospitals (in 2010-11 dollars)
- PBS expenditure
Cost components: AIHW 2013

Figure 4.6: Share of total funding for primary health care, by area of expenditure, constant prices, 2001–02 to 2011–12 (%)
## Cost per consultation

- **Level B consultation** $36.30

- **Additional costs**
  - Other treatment 53.9 per 100 $13.50
  - Prescriptions 83.2 per 100 $34.90
  - OTC 9.4 per 100 $0.99
  - Pathology 47.1 per 100 $9.42
  - Imaging 10.3 per 100 $10.30
  - ED 0.4 per 100 $1.20

- **Almost 2:1**
Aims – primary care

- Improve health care for all Australians, particularly ... inequitable outcomes
- Keep people healthy
- Prevent illness
- Reduce the need for unnecessary hospital presentations
- Improve the management of complex and chronic conditions
What is missed

- Ensure services provided are value for money
- Ensure efficient production
- Ensure referrals and additional costs are efficient and effective
- Enhance innovation
“Improving the productivity of health services is a fiscally and economically superior way of meeting health needs while containing costs than simply adjusting the quantity or quality of services provided.”

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