Overview on wasteful spending
1. Wasteful clinical care
2. Operational waste
3. Governance-related waste
In sum: how to tackle wasteful spending
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.

- 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.
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

Waste occurs when...

- Patients do not receive the right care
- Benefits could be obtained with fewer resources
- Resources are unnecessarily taken away from patient care
- Duplication of tests and services
- Low-value care: ineffective, inappropriate, not cost-effective
- Avoidable adverse events
- Discarded inputs, e.g. purchased drugs
- Overpriced input (e.g. generic vs brand)
- High cost inputs used unnecessarily (HR, hospital care)
- Administrative waste
- Fraud, abuse and corruption

Waste occurs when...

Benefits could be obtained with fewer resources

Resources are unnecessarily taken away from patient care

Duplication of tests and services

Low-value care: ineffective, inappropriate, not cost-effective

Avoidable adverse events

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Administrative waste

Fraud, abuse and corruption
1. Wasteful clinical care
Low-value care involving hospitals

Instances of low-value care can be found at all stages of treatment

- Testing and diagnosis: unnecessary CT scans or preoperative tests – Leung (2016): 70% of pre-op blood tests for ENT surgery unnecessary (UK based on guidelines)
- Surgeries: Geographic variations in rates of cardiac procedures (x3) and knee replacements (x5) are for a large part unwarranted.
- Medicines: 27 studies of hospital/tertiary care: inappropriate antimicrobial prescription ranged between 15-80%
- Aggressive end of life care

Tsugawa et al (2017): Spending per patient varies systematically bet 6-10% across physicians - more across individual physicians within hospitals than across hospitals. However, higher physician spending is not associated with better outcomes for their patients.
1. Wasteful clinical care (an example)
Whether reported or not, adverse events are costly

Postoperative sepsis in abdominal surgeries, 2013 (or nearest year)
1. Wasteful clinical care (cont.)

Information systems need strengthening

- Robust information systems to identify low-value care
  - At least 10 OECD countries have atlases (NHS Atlas)
  - Limitations of many administrative data systems

- Reporting and learning systems of adverse events
  - New Zealand: system covers most non-hospital providers

- Patient-reported measures
  - Value and safety from the perspective of care recipient
  - England – a leader among OECD countries
1. Wasteful clinical care (cont.)
Combination of policy levers to tackle wasteful care

- Adherence to clinical guidelines and protocols can be encouraged by audits and feedback

- Behaviour change campaigns
  - Choosing Wisely® campaign in a third of OECD countries
  - Antimicrobial stewardship programme. Kaiser Permanente’s obtained a 45% drop in prescriptions
  - Safety campaigns: WHO SAVE LIVES: Clean Your Hands initiative, active in 174 countries

- Financial incentives and nudges
  - Australia’s Queensland withholds payment to hospitals for “never events”
  - 19 countries use—disinvestment - Australia’s on-going benefit schedule review
2. Operational waste

Inappropriate use 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

Source: OECD Health statistics
2. Operational waste (cont.)
Policy levers to better target hospital use (examples)

Behaviour change for providers and patients

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)

Strengthening of alternative services:
- Out of hour care can be provided by on-call physicians, dedicated fleet (SOS médecins) larger PHC facilities (Norway), community services (US rapid access clinics)
- Hospital at home (France)

But also, prices: procurement (management)
3. Governance-related waste

**Administrative costs: a low hanging fruit?**

- Only represents 3% of THE on average
- 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

**Fraud, abuse, and corruption**

Financing and delivery (UTP, up-coding) – Procurement – Inappropriate business practices
Tackling wasteful spending:

**In sum**

**Acknowledge** – that the problem exists

**Inform** – generate and publicize indicators on waste more systematically

**Persuade** - patients and clinicians must be persuaded that the better option is the least wasteful one

**Pay** – reward the provision of the right care in the right setting
Tackling wasteful spending:
Long term view on efficiency

• Fewer inpatient based care – at some point service delivery infrastructure needs to adapt itself

• Questions:
  • What services are produced in hospitals
  • how should they be organised and what kind of integration with other services? How will services be configured?
  • What will the boundary of “hospitals” be?
  • The number and size of hospitals?

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

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