Tackling Wasteful Spending on Health
Learning from OECD countries’ experience

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Introduction: why should we bother about waste and what exactly is it?

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

Tackling wasteful spending: way forward and lessons learned
Introduction to 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.

• Geographic variations in rates of cardiac procedures (x3) and knee replacements (x5) are for a large part unwarranted.

• 12% to 56% of emergency department visits are inappropriate.

• Share of generics in reimbursed drugs varies between 10% and 80%.

• Up to twofold variation in the price paid by hospitals for disposables.

• 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
Introduction to 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
Introduction to wasteful spending (cont.)

A bidimensional taxonomy

Location: where does the waste take place (and who is responsible)

Behavioural root causes

- Don’t know better: imperfect knowledge, cognitive biases
- Can’t do better: poor management, organisation and coordination
- Stand to lose by doing better: incentives misaligned with system goals
- Is doing it on purpose
Introduction to wasteful spending (cont.)

Fitting the pieces together to define domains

- Patient
- Clinician
- Manager
- Regulator

Drivers

- Errors & sub-optimal decisions
- Poor organisation
- Poor incentives

Unintentional

Wasting with intention:

- Fraud and corruption

Deliberate

Intentional deception

- Ineffective and inappropriate (low value) care
  - Preventable adverse events
  - Duplication of services
  - Wasteful clinical care

- Paying an excessive price
  - Discarding unused inputs
  - Overusing high-cost inputs
  - Operational waste

- Ineffective administrative expenditure
  - Governance-related waste
Introduction to wasteful spending (cont.)

Identifying wasteful clinical care, operational and governance-related waste

Waste occurs when...

- Patients do not receive the right care
  - Unnecessary duplication of tests and services
  - Avoidable adverse events
  - Low-value care: ineffective, inappropriate, not cost-effective

- Benefits could be obtained with fewer resources
  - Discarded inputs (e.g., unused medicines)
  - Overpriced input (e.g., generic vs brand medicines)
  - High cost inputs used unnecessarily (e.g., physician instead of nurse, inpatient instead of outpatient care)

- Resources are unnecessarily taken away from patient care
  - Administrative waste
  - Fraud, abuse and corruption
1. Wasteful clinical care (cont.)

Whether reported or not, adverse events are costly

Postoperative pulmonary embolism or deep vein thrombosis in hip and knee surgeries, 2017 (or nearest year)
1. Wasteful clinical care

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

C-section rates in 2016 and their annual growth rate between 2006 and 2016
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.)
Information systems need strengthening

- Robust information systems to identify low-value care
  - At least 10 OECD countries have atlases (Dartmouth 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
The example of hospitals

- Unnecessary hospital attendances
- Inefficient processes within hospitals
- Delays in discharging patients
2. Operational waste (cont.)

Hospital admissions for chronic conditions are often avoidable

Share of potentially avoidable hospital admissions due to five chronic conditions, EU countries, 2015

Source: OECD Health statistics
2. Operational waste (cont.)

Day surgery is introduced unevenly

Diffusion of day surgery between 2005 and 2016 in selected EU countries

Austria:
- Cataract 85%
- Hernia 3%
- Tonsillectomy and Cholecystectomy: below 1%
Delays in transferring patients from hospitals in three OECD countries 2009-15

Total number of days per year per 1,000 population
2. Operational waste (cont.)
Policy levers to better target hospital use (examples)

Payments and financial incentives:
- Tariffs which 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 France) larger PHC facilities (Norway), community services (US rapid access clinics)
- Hospital at home (France)

Behaviour change for providers and patients:
- Clinical guidelines, disease management
- Self-management by patients, education campaigns
3. Governance-related waste

Administrative costs: a low hanging fruit?

Only represents 3% of THE on average

Differences in level of administrative cost are largely driven by institutional features:

- Multiple-payer systems cost more than single-payer ones (whether SHI or a government entity)
- Private insurance schemes have higher administrative costs

Still, functional reviews (Australia) or multi-stakeholders reviews of processes (Germany, the Netherlands) help identify administrative processes and structures 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.)

Types of integrity violations in health

- **Payer(s)**
  (public or private)

- **Regulator**

- **Insured Taxpayers Patients**

- **Integrity violations in health service delivery, payment, and coverage**

- **Integrity violations in procurement and distribution**

- **Inappropriate business practices**
  (individual or collective actions)

- **Suppliers of drugs and medical equipment**

- **Providers of medical goods and services**
### 3. Governance-related waste (cont.)

**Inappropriate business practices - Drawing the line**

<table>
<thead>
<tr>
<th>Legitimate business objectives</th>
<th>Main examples of inappropriate practice</th>
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<tbody>
<tr>
<td><strong>Promote a business-friendly regulatory environment (collective strategy)</strong></td>
<td>Institutional corruption</td>
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<tr>
<td><strong>Gain market entry (individual strategy)</strong></td>
<td>Exerting undue influence on decision-maker</td>
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<td></td>
<td>Falsifying, manipulating, selectively presenting information and data available for decision making</td>
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<tr>
<td><strong>Increase demand for product/service (collective/individual)</strong></td>
<td>Manipulating the demand for treatment by medicalising health problem, lowering intervention thresholds, influencing medical guidelines</td>
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<td>Self-referrals, Kick-backs</td>
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<td>Unethical detailing</td>
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<td>Inappropriate promotion of off-label use</td>
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<td>Delaying or preventing competitor’s entry in the market</td>
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**Norm or collective decision**
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)
• 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:**

**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:

Lessons from the report

• Opened discussion
• “Waste” works better than “efficiency” but:
  – Only gets you this farther
  – Does not cover it all
• Also relevant in LICS and MICS


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