

No. 31: Value Based Health Care: Setting the scene for Australia

11 June 2019

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A value-based approach to health care provides a patient-centric way to design and manage health systems. This Issues Brief considers Australia's alignment with a value-based approach and identifies important enablers that are already present, but outside a coordinated national strategy. The Brief also examines international evidence, while recognising the need for building evidence in the Australian context where value must be considered in the context of universal health care and our health system. Recommendations are made for enabling value-based health care through public policy in Australia.

1. A national, cross-sector strategy for value-based health care in Australia

- Sustained cultural change and unprecedented cooperation is needed at all levels and across all sectors to enable value-based health care. Discussion is needed to consider how value is defined for the Australian health system to include societal value. Legal, regulatory and financial incentives are needed to encourage greater cooperation. As such, public policy has a critical role.
- National policy is needed that supports health care being integrated and organised around patients. Regional approaches to health care must be facilitated through collaboration between local hospital networks, PHNs, community health services, local governments, health insurers and other regional partners. Models of funding and collaboration must also be flexible. Transparent measures of performance and sharing of research must facilitate accountability.
- A development that may enable progression of value-based health care in Australia is the COAG Heads of Agreement. This agreement calls for, among other things, 'new long-term system wide reforms for ... Paying for value and outcomes'.

2. Access to relevant and up-to-date data

- Consistent collection, use and reporting of patient-reported outcome and experience measures at a disease level, sector level, health service level and whole system level is needed. Standards for collection should be consistent regardless of sector or whether a public or private entity to allow data throughout a patient's full cycle of care and progress over time to be monitored.

- Continued and coordinated pursuit of national clinical quality registries is needed as a mechanism for collecting and analysing data on health outcomes; for benchmarking and assessing comparative performance at various levels of the system; for in-depth analyses of variation; and the identification and dissemination of best practices. They must be embedded in routine clinical care and inform post-marketing surveillance and disinvestment decisions.
- Data is required on costs across full cycles of care, noting that this may span multiple providers, sectors and jurisdictions.
- A health informatics infrastructure that enables all stakeholders to pursue value should be established. Significant effort is needed to improve the quality of information, and standardisation and linkage of data across information platforms to have the ability to track a patient's progress over time.
- Participation in international benchmarking will provide policy makers with information to evaluate Australia's relative performance in delivering outcomes-focused and value-based health care. Priorities include the development of the ICHOM Standard Sets and the OECD PaRIS indicators.

3. Evidence for value-based health care in the Australian context

- A strategic approach and funding for 'proof of concept' programs is needed, with a curated collection of evidence to promote diffusion of best practice.
- Support for value-based care trials through research funding mechanisms such as the Medical Research Future Fund, Australian Research Council and NHMRC should be encouraged.
- Value-based payment approaches that reflect a whole-of-system perspective are needed, with explicit consideration of financial risk, outcomes, accountability and responsibility. Developing, implementing and evaluation financial models will be critical to facilitate system transformation at scale.

4. A health workforce strategy supporting models of care that embrace a value-based approach

- A national workforce strategy is needed that pursues outcomes-focused and value-based changes in scopes of practice and models of care to meet public need. It will also require modelling for future workforce requirements, taking into account not only change in demographics and burden of disease, but also modelling the impact of technological change.

5. Funding systems that incentivise the delivery of value-based health care

- A mixed funding formula incorporating combinations of activity-, block, and performance related funding measures will likely be required to adequately compensate for activity, to protect equity (particularly in rural and regional areas and for vulnerable population groups) and to reward and incentivise agreed outcomes.
- With responsibilities for health care divided between the Commonwealth and the states and territories, the pooling of funds at the regional level would facilitate consideration of funding through a patient's full cycle of care and across care sectors. Bundled care mechanisms require further investigation, including opportunities to address the high out-of-pocket costs experienced by many Australians with significant health issues.
- Evaluation of commissioning models being deployed in PHNs should be prioritised, and learnings from social investment projects may also be relevant to the development of new funding models.