Montreal Economic Institute
Ideas for a More Prosperous Nation

What can we learn from European healthcare?

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What should Canada learn from European experiences?

- The MEI began studying models in other countries and focused on reforms undertaken in France, Germany and UK in recent years.

- In our examination of these healthcare systems, we sought to answer the following questions:

  - What public policy reforms did these countries implement in recent years aimed at improving quality and efficiency in healthcare?

  - Have these policies succeeded without compromising the principles of universality and accessibility?

  - What lessons should Canada learn from these countries?

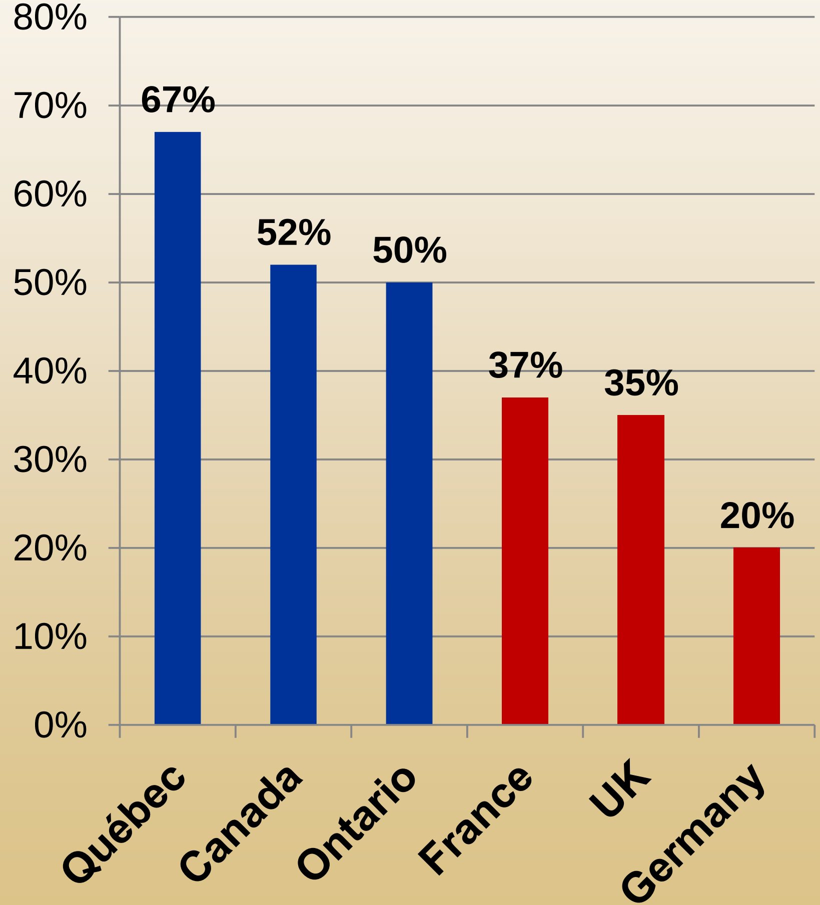
Comparative figures for the Canadian and selected European healthcare systems

Indicators	Canada	France	Germany	UK
Healthcare spending as a % of GDP (2010)	**11.4%**	**11.6%**	**11.6%**	**9.6%**
Healthcare spending **per capita**, US$ PPP (2010)	**US$ 4,445**	**US$ 3,974**	**US$ 4,338**	**US$ 3,433**
Public spending on health as % of total (2010)	**71.1%**	**77.0%**	**76.8%**	**83.2%**
Population **65 years old and over** (2011)	**14.4%**	**17.3%**	**20.7%**	**16.2%**

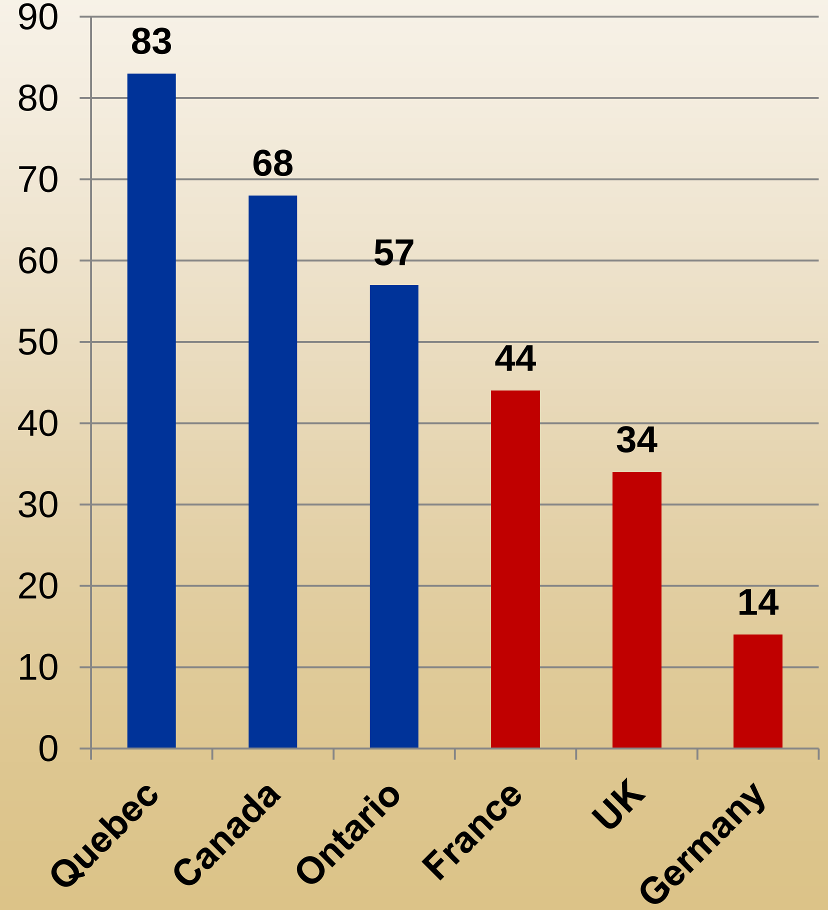
Source: OECD Health Statistics 2012

Accessibility and wait times

Patients who must wait 2 hours or more in emergency room (%), 2010



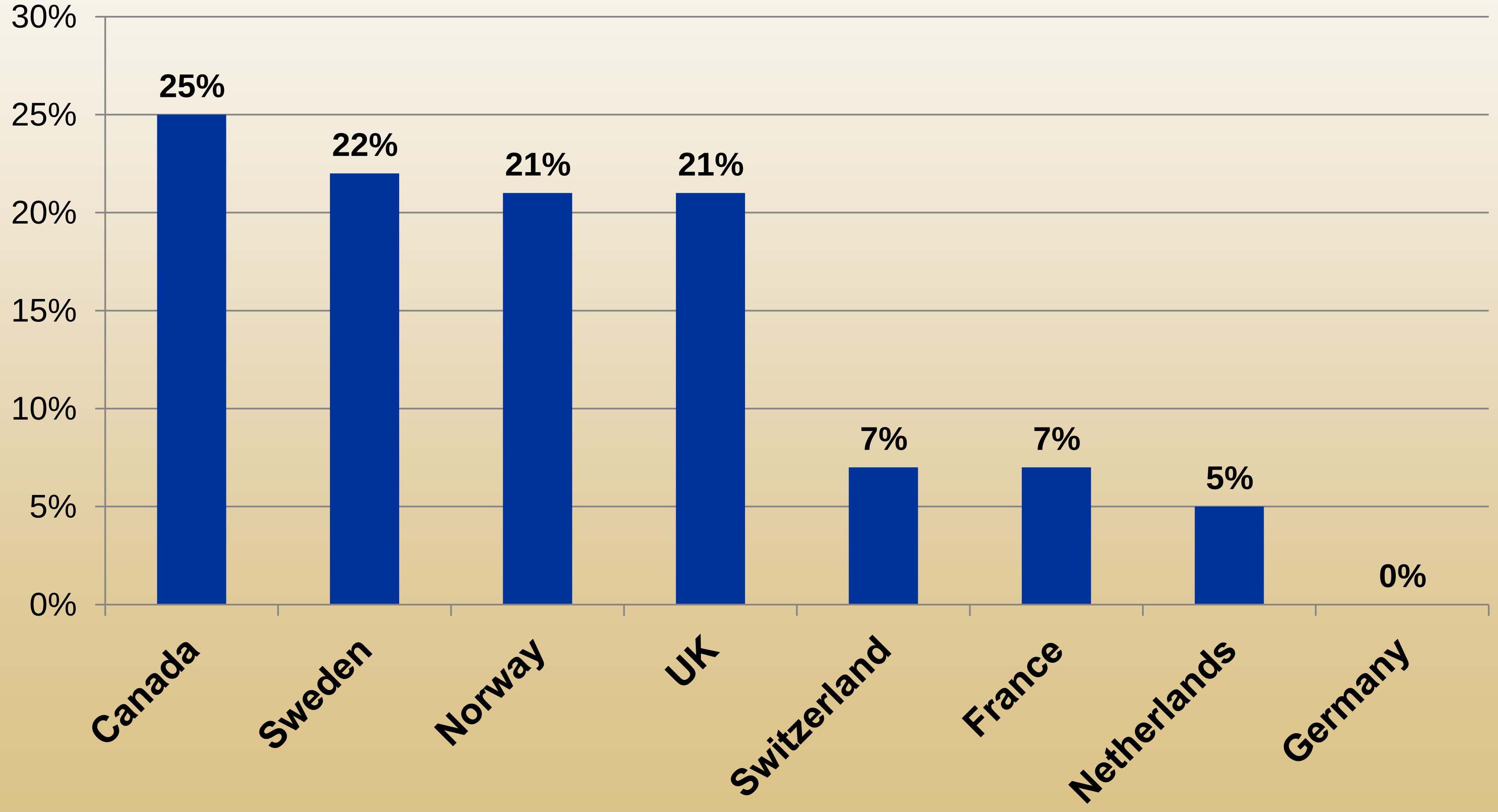
Number of days before seeing a specialist, 2010



Source: Results from the International Surveys of the Commonwealth Fund, 2010

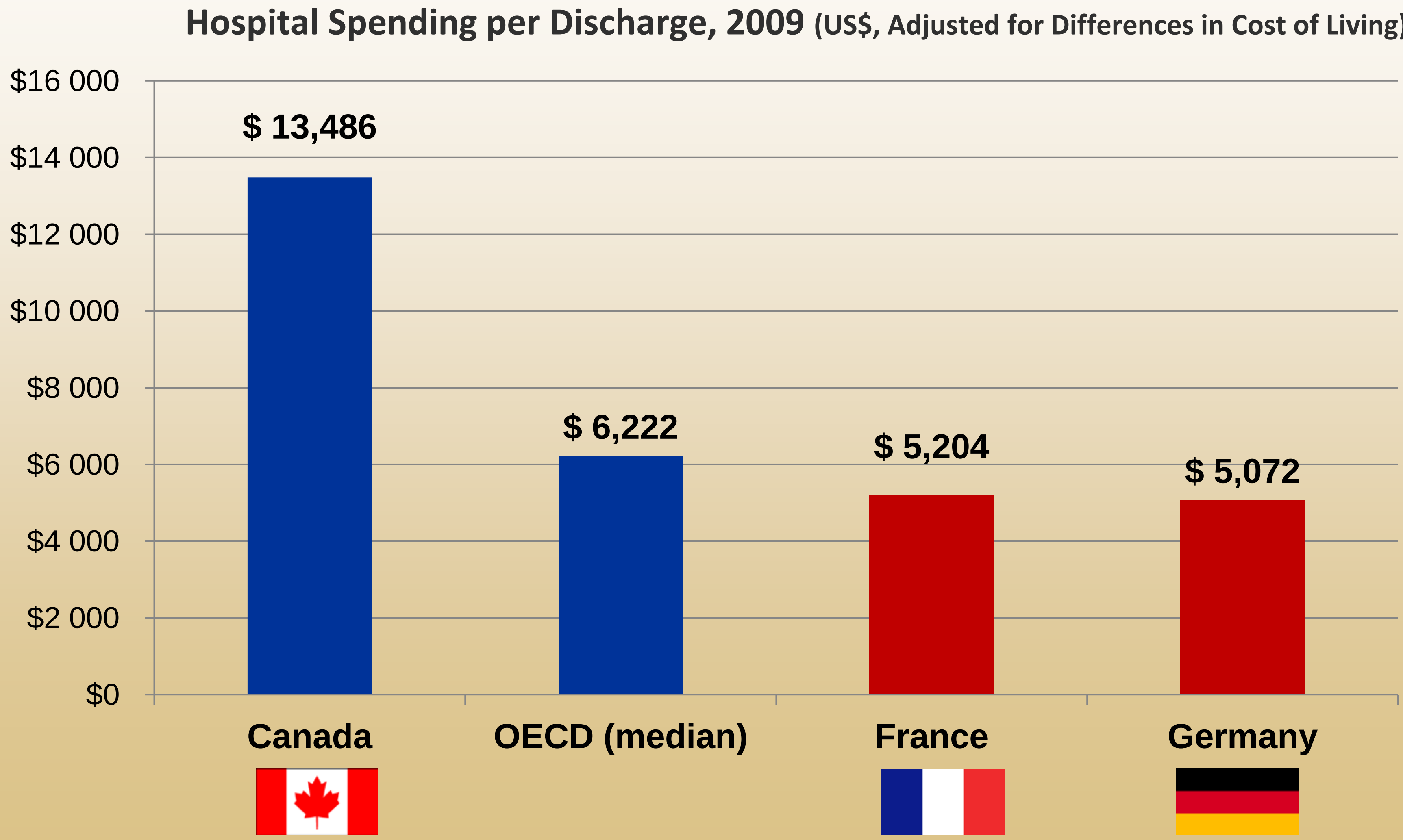
Accessibility and wait times

Patients who must wait 4 months or more for elective surgery (%), 2010



Source: Results from the International surveys of the Commonwealth Fund, 2010

Cost efficiency in hospital spending



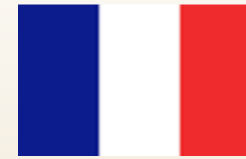
Source: David Squires. *Explaining high health care spending in the United States: An international comparision of supply, utilization, prices and quality*. Commonwealth Fund, May 2012.

Four key elements of success in these European healthcare systems

- **Competition**:
  - Allowing private providers within the public healthcare system
- **Activity-based funding**:
  - Making money follow hospital patients
- **Benchmarking**:
  - Making performance comparisons and quality indicators publicly available
- **Freedom of choice**:
  - Giving patients freedom to choose between providers

Allowing a greater role to private providers: the example of France

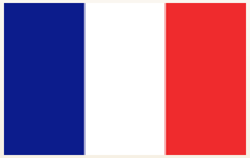
- **The private for-profit sector in France:**



  - 38% of hospitals (and 23% of beds) in France are for-profit
  - 55% of surgeries and nearly 70% of ambulatory surgery in France
  - Nearly 50% of people with cancer and 27% of births
  - 2 million passages each year in 130 emergency services
  - 50% of patients receiving social security under the CMU (for least well-offs) are treated in for-profit hospitals

Allowing a greater role to private providers: the example of France

- **Private hospitals in France**:



  - Have developed in underserved areas, where public hospitals failed to meet the needs of the population
  - Patient-focused care: 91% outsource food services, laundry and waste disposal
  - Perform more innovative procedures and provide a better quality of care, measured by the probability of dying
  - Increased competition has led to improved access to care and reduced waiting lists for surgeries

The three largest hospital chains in France

	Générale de santé	Vitalia	Capio	Total for-profit hospitals
Hospitals	**110**	**48**	**26**	**1,051**
Beds	**16,200**	**5,700**	**3,830**	**96,460**
Average hospital size	**147 beds**	**119 beds**	**147 beds**	**92 beds**
Employees	**23,800**	**7,200**	**5,100**	**150,000**
Revenus	**€ 2,0 B**	**€ 650 M**	**€ 490 M**	**€ 12,1 B**

Sources: Annual reports of Hospital chains; Fédération de l'hospitalisation privée; Ministère français de la santé, *Le panorama des établissements de santé*, édition 2011

Allowing a greater role to private providers: the example of Germany

- **The private for-profit hospitals in Germany:**
  - 33% of hospitals (and 17% of beds) in Germany are for-profit
  - The number of for-profit hospitals increased by 90% since 1991
  - 64% more investments per case than in public hospitals
  - Patients are admitted 16% faster than non-profit and 3% faster than public hospitals
  - Greater efficiency gains in privatized hospitals on average than in public hospitals (3.2%-5.4% between 1997-2007)

Allowing a greater role to private providers: the example of Germany

- **The private for-profit hospitals in Germany**:

  - Higher productivity: 23% more patients treated per doctor than in public hospitals
  - Leaders in innovation and management practices
  - Rhön is the pioneer of **teleportal clinics** in Germany that serve patients in isolated areas
  - HELIOS developed the **medical report** in 2000 now used as a benchmarking tool in all hospitals in Germany and in Switzerland

The three largest hospital chains in Germany

	Helios Kliniken (Fresenius)	Asklepios	Rhön Klinikum	Total for-profit hospitals
Hospitals	75	66	42	679
Beds	23,000	18,000	16,000	74,735
Average hospital size	308 beds	273 beds	380 beds	110 beds
Employees	43,000	33,500	38,000	n.a.
Revenus	€ 2,7 B	€ 2,3 B	€ 2,6 B	n.a.

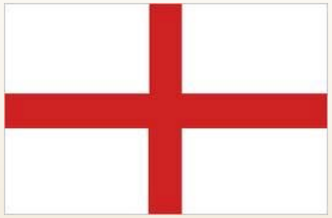
Source: Annual reports of Hospital chains; German Statistical Office

Making money follow hospital patients

- **Activity-based funding of hospitals:**
  - France (2004), Germany (2004) and England (2003) all adopted activity-based funding of hospitals during the last decade
  - These reforms gave hospitals better incentives: good performance is now rewarded with increased funding
  - Reimbursement based on activity also contributed to improve access to care and reduce waiting lists
  - Reimbursement based on average cost (of treatment) put pressure on management to improve cost efficiency

Making money follow hospital patients

- **Activity-based funding in England (2003):**



  - Average length of stay fell rapidly after the implementation of the reform
  - Better use of resources by hospitals led to more patients being treated with no reduction in quality of care
  - The median wait time for elective surgery decreased by more than 60% between 2002-2010, partly because of ABF
  - Reduction in wait times for cataract surgeries and hip and knee replacements has been greater for patients from less well-off areas

Activity-based funding of hospitals and wait times

Table 1
Activity-based funding and waiting times for surgery in various OECD countries

Country	Activity-based funding as a percentage of hospital budgets	Percentage of adults who wait four months or more for elective surgery
Canada	9%	25%
Norway	40%	21%
Sweden	55%	22%
U.K.	70%	21%
France	80%	7%
Germany	80%	0%
Netherlands	84%	5%

Sources : Francesc Cots et al., "DRG-based hospital payment: Intended and unintended consequences," in Reinhard Busse et al. (eds.), *Diagnosis-related groups in Europe: moving towards transparency, efficiency and quality in hospitals*, Open University Press, 2011, p. 81; Valerie Paris, Marion Devaux and Lihan Wei, *Health systems institutional characteristics: A survey of 29 OECD countries*, OECD, April 2010, p. 36; Cathy Schoen et al., "How health insurance design affects access to care and costs, by income, in eleven countries," *Health Affairs*, Vol. 29 (2010), No. 12, p. 2327.

Figure 1
Evolution of median waiting times for elective surgery in England (1992-2010)

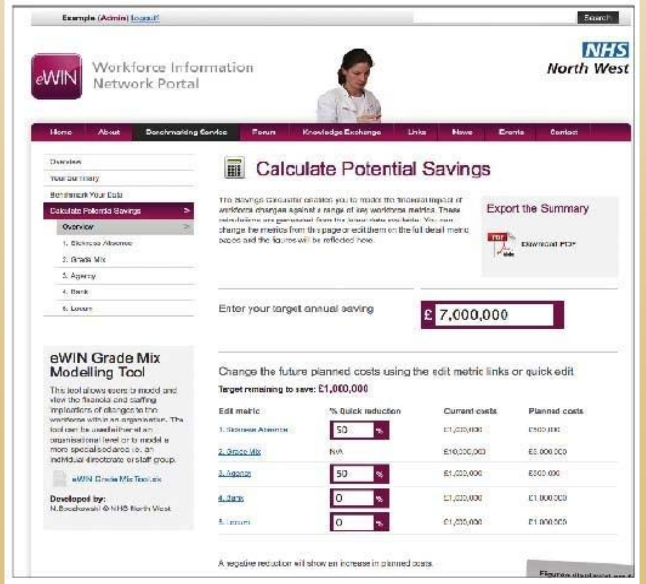
Source: U.K. Department of Health, *Inpatient and Outpatient Waiting Times statistics*.

Making quality indicators publicly available and giving freedom of choice

- **Free choice of hospital and publicly available quality indicators:**
  - France, Germany, England and many other European countries allow performance comparisons between providers
  - At the root of the competition based on quality: It gives hospitals incentives to improve performance
  - Contribute to increase transparency and accountability
  - Can allow knowledge/best practices sharing between providers

Making quality indicators publicly available

- **Examples:**
  - **France**: PLATINES
    - Patients can compare performance of hospitals based on various quality indicators
  - **UK:** eWin Portal (NHS North West trust)
    - Hospitals can compare performance against peers (turnover rates, sickness absences, etc.)
    - Include case studies showing how hospitals have improved productivity



Conclusion: What lessons for Canada?

- The evidence from Germany, France and England suggests that healthcare systems with more competitive elements, and where private ownership is allowed, can lead to:
  - Improved access to care and reduced wait times
  - Increased innovation: new and better ways of delivering care
  - Improved management practices and cost efficiency
  - Higher quality and more patient-centered care

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