Transforming healthcare: Form follows Finance.

Rhonda Kerr
Principal Health Services Planner, Hames Sharley Architects,
Ph.D. Candidate in Health Economics, Curtin University, Western Australia
Director, Economics, Health Services and Planning, Guidelines and Economists Network International (GENI)
Technology rich acute healthcare
Standards for effective hospitals

Clinically appropriate care

Efficient hospitals

Patient access
• Capital to fund patient access to efficient and appropriate acute clinical care
• Assessing the effectiveness of three systems of capital funding for hospitals
• Funding continuous improvement for acute care
Most effective-Capital funding by diagnosis group

Least effective- private and private-public partnership funding for public hospitals

Three systems of capital allocation for public hospitals
Capital costs approach

- Depreciation based

- Unaligned with
  - Allocative efficiency of capital resources
  - Productive efficiency of labour and capital
  - Dynamic efficiency for a sustainable future
Australian system of capital allocation

8 States and Territories
Project-based hospital funding
Common system
A new model to fund capital for acute care.

You never change things by fighting the existing reality.

To change something, build a new model that makes the existing model obsolete.

R. Buckminster Fuller
Guideline-based Clinical pathways

Aligning capital with clinical pathways for each diagnosis group

Defining:
- Areas
- Medical equipment
- Information & Communications Technology

- Directly required for patient care
- Indirectly required in the hospital
- Costing capital to the patient level
Evaluating three systems for effectiveness, efficiency and equity
• Equity of Access
• Appropriateness
• Effectiveness
• Quality & safety
• Continuity
• Responsiveness
• Innovation
• Sustainability
<table>
<thead>
<tr>
<th>Results</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital costs per patient met through a Depreciation-based system</td>
<td>7</td>
</tr>
<tr>
<td>Australian model of capital allocation (hospital project based)</td>
<td>2</td>
</tr>
<tr>
<td>New Model (patient- and diagnosis-based funding)</td>
<td>33</td>
</tr>
</tbody>
</table>
Effectiveness

1. Measuring capital expenditure as a percentage of recurrent expenditure
2. The rate of growth of capital invested compared to increases in recurrent costs.

Depreciation
Score = 0

Australian
Score = 0

Model
Score = 2
1. Measuring allocative efficiency, sustainability, productive efficiency,
2. Measures of dynamic efficiency, funding for innovation, asset replacement and the distribution of funding for evidence-based improvements.

- Depreciation Score = 1
- Australian Score = 0
- Model Score = 6
1. Measuring capital expenditure as a percentage of recurrent expenditure
2. The rate of growth of capital invested compared to increases in recurrent costs.

- Depreciation Score = 1
- Australian Score = 0
- Model Score = 7
Conflicting visions for funding future hospitals

Individual hospital or System-wide view

- Valuing capital as inert assets
- Productively significant
- Hospital by hospital
Form follows function or form follows finance

The model:

- defines functions through clinical pathways
- funds specific patient care for facilities, medical equipment and ICT
- enhances efficient clinical care.
Valuing capital to fund a viable future
Thank you

rhonda.kerr@postgrad.curtin.edu.au