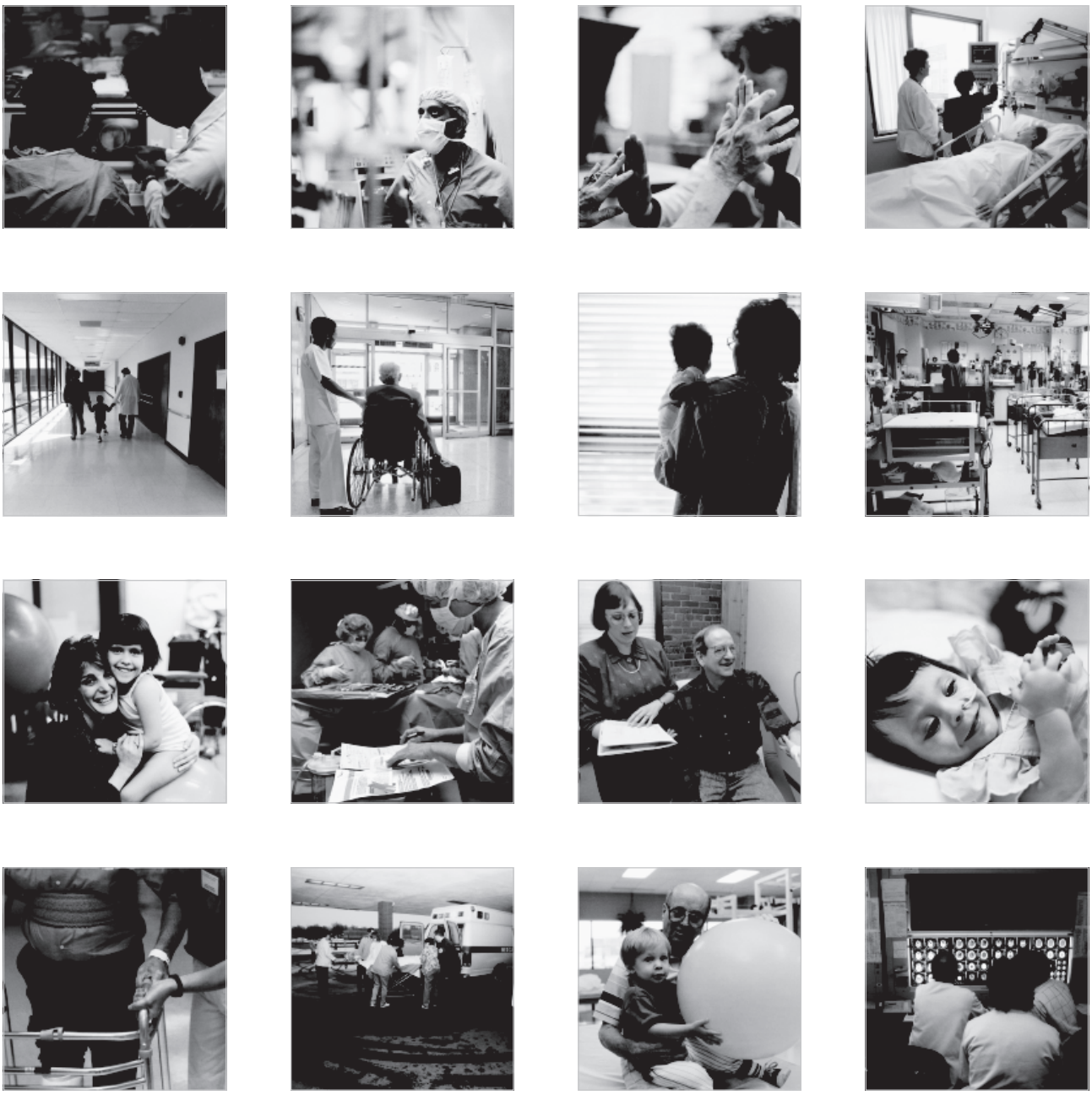

Towards patient-focused financing for healthcare provision

ACCA

CPME COMITÉ PERMANENT DES MÉDECINS EUROPÉENS
STANDING COMMITTEE OF EUROPEAN DOCTORS

HOPE

A common position of:

The Association of Chartered Certified Accountants (ACCA)
www.accaglobal.com

Standing Committee of European Doctors (CPME)
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Standing Committee of the Hospitals of the European Union (HOPE)
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1 HEALTHCARE IN THE FUTURE

In the EU, member states will secure, organise and finance healthcare for their citizens. It will be provided to high quality standards that are constantly improving and developing and will be sufficiently funded. Each member state's policies and arrangements will aim to avoid undue delay for treatment.

Healthcare will be provided by a variety of organisations. These may be public, private, charitable, not-for-profit or for-profit. They will be dynamic, effective, integrated, responsive to the needs of their patients and communities and accountable for their performance.

Public, communal and third party payers will be responsible for ensuring that necessary services are available and affordable for all who need them.

The full financing system, including co-payment and supplement systems in the member states where they are used, will incorporate incentives to improve quality and ensure a fair allocation of resources to meet patients' needs. To support this, good-quality information about the financial and economic effects of health and ill health will be readily available and used intensively, creatively and promptly.

Financing healthcare provision will be transparent and comprehensible. Whether they are patients, providers, third party payers, politicians or civil servants, all stakeholders must be able to compare costs and to understand how to improve financial allocations and cost effectiveness at the point of care, for the benefit of patients.

A common language for healthcare and common financial reporting standards to define costs will be essential to support effective benchmarking.

2 THE IMPORTANCE OF PATIENT-FOCUSED FINANCING FOR HEALTHCARE PROVISION

In the EU there has been a significant expansion and improvement in healthcare. Demand for healthcare is also growing: more conditions can be treated, and the number of people needing more care, like the elderly, is increasing. With the continuing expansion of scientific and medical developments, diagnostic procedures and treatments will be more expensive.

Better-informed and better-empowered patients expect to have a much greater say in their healthcare; they seek more choice and, increasingly, they are prepared to travel to other countries for their healthcare. Healthcare providers need to have more freedom to respond to these trends.

Rulings of the European Court of Justice show that arrangements for healthcare provision are being increasingly tested alongside services that have to conform to the fundamental freedoms in the EU, even when healthcare providers are public authorities. Freedom to provide these services can only be restricted if there are important and well motivated reasons. Third party payers can restrict some payments, but not if they cause undue delay for patients.

In all member states, controlling costs and securing better value from the money invested in healthcare will be more challenging as patient choice expands and demand grows faster than the finances available. The result will be further pressures on healthcare resources and costs to meet these patient requirements. This will lead to more difficult decisions about how to invest more in healthcare and to prioritise the needs of patients from several countries.

Within the overall arrangements in each member state, financing healthcare provision must match the increasing patient focus of healthcare. A common language is needed for this purpose.

3 CURRENT PROBLEMS

Because there is no common language for healthcare across the EU, there is no consistent approach to, or methodology for, collecting information. This limits informed comparison between integrated patient care pathways and their costs, and so inhibits effective choice.

There is also no generally accepted standard for accounting for healthcare across the EU. In each member state, finance and accounting for healthcare provision is segmented and cannot easily show the full picture for individual patients. Finance is mainly directed to healthcare organisations rather than to healthcare teams at the point of care. Consequently, it does not respond directly to changes in demand and ongoing developments in clinical practice. Nor does it reveal differences in quality or the costs of delay.

Cost information is not consistent or comprehensive. It does not extend across integrated patient care pathways. Nor does it help patients to make informed choices. Where diagnosis related groups (DRG) systems or their equivalents are used, there is no general agreement on the criteria used to create or develop them to enable comparisons across member states.

The Treaties of the European Union do not yet set out explicitly patients' rights in healthcare.

Creating a common language for healthcare

A common language should be created to help all involved to understand healthcare and its costs in the same way. It should ensure that medical terms, indications and diagnoses would have the same meaning for everyone who needs the information and that each type of healthcare is defined and described in the same way. It must include quality specifications.

DRG systems or their equivalents should express the same conditions consistently. The criteria for creating them should be based on best practice and comprehensive indications for treatment, including quality measures. The services of all healthcare professionals involved should be included and the expected or desired outcomes expressed consistently. Specifications of DRG systems, their constituent integrated patient care pathways and clinical networks and good clinical practices need to be agreed collaboratively with healthcare professionals, healthcare providers, third party payers and policy makers.

Information on healthcare costs should be based on International Financial Reporting Standards (IFRS). Billing information, where it is used, should be co-ordinated with the potential ultimately to standardise it so that patients can understand the full cost of their healthcare.

Comparing standards and quality of care

A wide range of information is needed about:
- Patient outcomes and potential complications
- Mortality and morbidity rates
- Quality control systems
- Clinical risk management strategies
- Evidence-based protocols, standards, guidelines and routines for healthcare
- External factors such as quality of life and environment.

Comparative information is also needed about the healthcare resources available, including:
- Staffing levels, types and skills
- Equipment and technology available
- Waiting times
- Accommodation and facilities such as hotel services
- Links between healthcare resources
- The financial reporting standards and practices used.

This information will ultimately be part of a future common language. Arrangements are needed for its collection and use.

Understanding healthcare costs

Comparing costs for healthcare needs costing methodologies to be co-ordinated. For the member states that use a billing system, bills to patients and third party payers should show the exact treatments and care that have been provided for the whole patient care pathway and also show breakdowns of the cost. The types of costs that should be shown include:

- Medical services
- Diagnostic services
- Nursing and midwifery services
- Rehabilitation services
- Drugs prescribed
- Medical and surgical materials
- Charges for facilities and services
- Charges to cover overheads
- Transport.

This information must be comprehensive and be prepared from consistent, comparable cost information that complies with IFRS.

5 JOINT PROPOSALS

We propose that national and/or regional governments, EU institutions, patients, healthcare professionals, third party payers, policy makers, associations for healthcare providers and healthcare professions agree and develop a common language for healthcare. It should incorporate the highest clinical standards and practices across the EU so that quality and diagnoses, healthcare definitions, DRGs where they are used, and their underpinning integrated patient care pathways and clinical networks can be compared.

As part of this, a consistent, uniform, transparent costing methodology should be agreed to describe, compile and break down costs. It should rely on consistent IFRS and practices and should be applied so that relevant healthcare and cost information can be readily collected and analysed nationally and across the EU.

These measures will support patient-focused healthcare provision by ensuring that:

- Healthcare financial information helps patients to make informed choices based on good and consistent data
- Clinical decisions at the point of care drive the availability and utilisation of healthcare resources
- Healthcare resources needed by patients are deployed more responsively to clinical decisions and so are more rapidly available
- Available healthcare finance is allocated as close as possible to the point of care between clinicians and patients and so supports clinical decision making
- The available healthcare finance is allocated equitably to whole patient care pathways and their underpinning episodes of care
- An effective balance is sustained between meeting patients' needs and cost control
- Costing and accounting in healthcare is transparent within and between member states.

All healthcare providers in the EU should adopt the equivalent of the IFRS that will be adopted from 2005 by large listed entities in the EU.

Member states that use DRGs should collaborate to begin to develop consistency in their analyses and to identify the ways that primary care services can be incorporated into integrated patient care pathways and supporting clinical networks.

Member states should collaborate to develop a common language to help to improve the understanding of the costs of healthcare and patient experiences from the beginning of the disease to the end of recovery. This could begin with a small number of common conditions and treatments, such as cardiac infarction, respiratory infections, hip replacement, varices, and cataract operations.

From this beginning, healthcare professionals, managers, accountants, economists and national and EU healthcare associations can develop the common costing methodologies for healthcare services.

We believe that these proposals should be undertaken in many ways: by national and pan EU initiatives, collaborative networks and projects with healthcare professionals, healthcare providers, third party payers, politicians and civil servants. These projects should form a continuous, long-term programme of development aimed at moving towards patient-focused financing for healthcare provision.

ACCA, CPME and HOPE will be exploring ways to design and progress several of the initiatives needed to move towards a common language for healthcare and the IFRS and costing methodologies needed to move towards patient-focused financing for healthcare provision.

ACCA (The Association of Chartered Certified Accountants)

ACCA is the largest global professional accountancy body in the world, with over 300,000 members and students in 160 countries. ACCA's headquarters is in London and it has 70 offices and other centres around the world. The ACCA syllabus has been adopted by the United Nations as providing the basis for a global accountancy qualification. ACCA's mission is to provide quality, professional oppportunities to people of ability and application, to be a leader in the development of the global accountancy profession, to promote the highest ethical and governance standards and to work in the public interest. ACCA operates a health services network of qualified ACCA members.

www.accaglobal.com

CPME (Standing Committee of European Doctors)

CPME is an international, non-governmental organisation (NGO) promoting equal access to high quality healthcare. CPME represents 1.6 million doctors, soon to become more than 2 million in an enlarged EU. It has seventeen members from the National Medical Associations of the EU/EEA, fourteen associate members, including the accession countries and ten associated organisations representing sectoral professional interests. The aim of CPME is to foster the highest standards of medical training and medical practice in order to provide top quality healthcare throughout the EU. Patient safety is key. CPME promotes public health, the relationship between patients and doctors and the free movement of patients and medical professionals.

www.cpme.be

HOPE (Standing Committee of the Hospitals of the European Union)

HOPE is made up of national hospital associations and representatives from the national health systems of the 15 Member States of the EU plus seven observer members. As an international non-governmental organisation its mission is to promote the health of EU citizens and a uniformly high standard of care throughout the countries of the EU. HOPE aims to foster efficiency, effectiveness and humanity in the organisation and operation of hospital services and of the health systems within which they function.

www.hope.be

IFRS are developed by the International Accounting Standards Board (IASB).

In 2002, the EU passed a regulation requiring all publicly traded companies to prepare their consolidated financial statements in compliance with IFRS from 2005. In several member states there are active projects to converge current national standards and rules with IFRS and this trend is likely to increase over the next few years. IFRS is also the basis for the development of International Public Sector Accounting Standards (IPSAS) with suitable modifications to fit the different context of the public sector compared to those of the world's capital markets. In some member states, national accounting standards are already applied, with appropriate adaptations, to healthcare organisations.

There are over 30 IFRS forming a coherent set of accounting rules for general purpose financial statements. Current IFRS include standards on:

- Presentation of financial statements
- Property, plant and equipment
- Provisions and contingencies
- Leases
- Revenue
- Employee benefits.

Compliance with IFRS provides the consistent financial information needed for costing, though the bases for costing are not covered by IFRS.

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