University of Ljubljana

SEB SCHOOL OF ECONOMICS AND BUSINESS

Incentives for evidence-informed management in public healthcare organisations

Prof. dr. Petra Došenović Bonča

EFMD EQUIS ACCREDITED

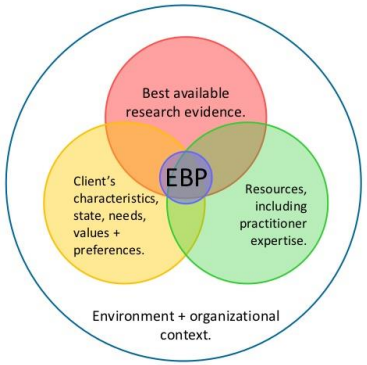
AACSB ACCREDITED

ASSOCIATION OF MBAS ACCREDITED

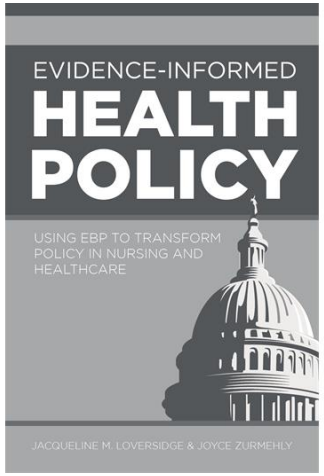
Why?

international society for EVIDENCE BASED HEALTH CARE

EBP



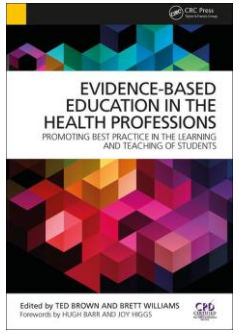
Evidence Informed Healthcare



EFMD EQUIS ACCREDITED

AACSB ACCREDITED

ASSOCIATION OF MBAS ACCREDITED



Why?

$$\text{health care goods} = f(inputs)$$

surgery, check-up,…

doctors, nurses, beds, equipment,…

*technical **efficiency***

cost efficiency (business performance)

Why?

$$\text{health} = g[x_1, x_2, \ldots, x_n, \text{health care goods} = f(inputs)]$$

life style, nutrition,…

surgery, check-up,…

doctors, nurses, beds, equipment,…

effectiveness

technical efficiency

cost efficiency (business performance)

Why?

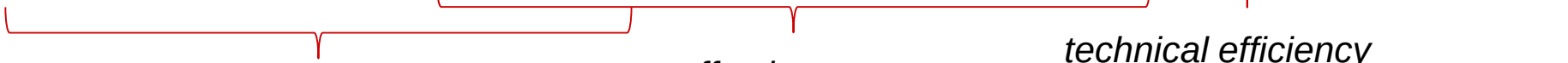
$$\text{utility} = h\{y_1, y_2, \ldots, y_n, \text{health} = g[x_1, x_2, \ldots, x_n, \text{health care goods} = f(inputs)]\}$$

values, life style,…

life style, nutrition,…

surgery, check-up,…

doctors, nurses, beds, equipment,…



utility

effectiveness

technical efficiency

cost efficiency (business performance)

Why?

$$\text{utility} = h\{y_1, y_2, \ldots, y_n, \text{health} = g[x_1, x_2, \ldots, x_n, \text{health care goods} = f(inputs)]\}$$

Health promotion

»Sin« taxes

Clinical registries

HTA

Cost-effectiveness analysis

Performance indicators

Benchmarking

Restructuring

Cost-utility analysis

utility

effectiveness

technical efficiency

cost efficiency (business performance)

Evidence-informed

Evidence-based

Why?

Management of health care providers

$$\text{utility} = h\{y_1, y_2, \ldots, y_n, \text{health} = g[x_1, x_2, \ldots, x_n, \text{health care goods} = f(inputs)]\}$$

Health promotion

»Sin« taxes

Clinical registries

HTA

Cost-effectiveness analysis

Performance indicators

Benchmarking

Restructuring

Cost-utility analysis

utility

effectiveness

technical efficiency

cost efficiency (business performance)

When information isn't enough

When there isn't enough information

University of Ljubljana

SEB SCHOOL OF ECONOMICS AND BUSINESS

Evidence-based management of public healthcare organisations

Two ways of achieving technical efficiency:

- maximize outputs with given resources

or

- minimize resources for a given output

Which approach for public providers?

$$profit = \overline{revenues} - costs$$

business performance through the lens of cost minimisation

(not skimping on quality)

Management of health care providers

$$\text{health care goods} = f(inputs)$$

Performance indicators

Benchmarking

Restructuring

technical efficiency

cost efficiency (business performance)

EFMD EQUIS ACCREDITED

AACSB ACCREDITED

ASSOCIATION AMBA ACCREDITED

Non-profits

Nature of health care goods and services

- Imperfect competition (monopoly etc.)
- Public goods
- Externalities
- Imperfect and asymmetric information (supplier induced demand etc.)

OUTPUT GOALS & PRICE SETTING according to normal average returns eliminating disequilibrium profits

+

Non-profit provision

- the **non-distribution constraint** which implies that no one has a legal claim on the non-profit's residual

→ either a tax incentive or legislative provision to encourage reinvestment in health care

Evidence-based management of non-profits

Incentives for cost-minimisation in public non-profit organisations often facing soft budget constraints?

- Weak incentives for cost minimisation if no one has a legal claim on the non-profit's residual (even weaker under soft budget constraints)

↓

- Financial (payment models) and non-financial supply side incentives

Evidence-based management of non-profits

Fee-for-Service Payment

- providers with limited possibility to induce demand
- output goals

Case-based Payment (e.g. DRGs)

- incentive to minimise costs for treatment of cases within a given case category

Capitation

- incentive to minimise costs
- incentive to engage in prevention

↓

- **Financial** (payment models) and non-financial supply side incentives

→ constant fine-tuning

→ designed according to the averagely efficient provider

→ incentive for extra profits

Evidence-based management of non-profits

→ **Meaningful information on performance and peer-to-peer comparison proven to lead to an intrinsic response much larger than profit incentives.**

↓

- Financial (payment models) and **non-financial** supply side incentives

University of Ljubljana

SEB SCHOOL OF ECONOMICS AND BUSINESS

Evidence-based management of non-profits

→ Governance of health care providers

→ Recognition and understanding of the role of supply-side incentives

→ Reorganisation of health care providers so that real decision-makers are incentivised

→ Hard budget constraints

↓

- Resolving the **principal agent problems**

EFMD EQUIS ACCREDITED

AACSB ACCREDITED

ASSOCIATION AMBA ACCREDITED

Some key lessons for Slovenia

1. A crucial role of adequate payment models designed according to the averagely efficient provider
2. Recognition and understanding of the role of supply-side incentives
3. Management under hard budget constraints
4. Reorganisation of providers so that financial and non-financial incentives can work → incentivising actual decision-makers
5. Ongoing fine-tuning with the evaluation phase always in mind