Fund Holding for Divisions Now or Never?

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Chairman, Pegasus Health.

Chairman, IPA Council of NZ.

1992 - Where We Started

- A publicly funded health sector that considered the private GP business as an annoying but nevertheless, necessary add-on – "a problem"
- GPs isolated and disconnected from the system - Most GP influence applied negatively
- Narrow scope of options for our patients - increasing barriers & bureaucracy

1992 - Demand-Driven Expenditure

- Increase in expenditure was seen as inevitable
- GPs seen as "irresponsible users of public money"
- Bureaucratic solutions based on reducing access and choice imposed - decreasing choices for patients / their clinicians
- General practice teams [of nurses and doctors] struggled to develop in rigid funding environment

2003 - Where We Are Now?

- Joint owners of a major publicly funded health care provider - influence over $75 million per year budget
- A ‘not for profit’ bridge sitting between the publicly funded health system and the ‘for profit’ general practice business
- Strong network of motivated clinicians - an emerging strong partnership between doctors and nurses – expanding the roles and opportunities for both!

Where We Are Now?

- Part of "the solution" – the major innovators in health service delivery
- Consulted on primary and secondary care issues - direct influence on government policy and implementation
- Pegasus general practice is now an integral part of our local public health system:

health service delivery depends on us …….
and we still own our own businesses.

The Pegasus Health Experience
1993 - 2003

Pegasus Health- The people

- 95 family practice team sites
- 220 general practitioners & 250 practice nurses
- Deliver more than 1,200,000 direct **medical** patient contacts per year
- Deliver approx 800,000 direct **nurse** patient contacts per year
- 57 organisational staff - 50% have clinical background: nurses, doctors & pharmacists & allied health professionals, incl dieticians

Mission statement:

Managing change
in health care
with quality solutions

Where it all began…

- Jul 1993 – one of first NZ IPA contracts
- Mar 1994 – budget-holding for pathology services
- Dec 1994 - budget-holding for pharmaceuticals
- Jul 1999 - the Pegasus Global Budget

What that meant for our clinicians:

- Free mammography for our patients
- Free care for the under five year old children
- Funded to care for terminally ill patients
- Free sexual health services
- Subsidised smoking cessation programmes

- Nurses and doctors paid time to attend education & for clinical leadership

Financial Facts - 1993 to 2003

- $0.75 billion of Vote Health to fund govt access subsidies, pharmaceuticals and laboratory tests
- $84 million has been saved through careful management of the budgets and project funding
- $68 million re-invested in new health projects and services
- Residual funds [$16m] available to support innovation in health care delivery

What is fund-holding ?

- From **a funders'** perspective:

  an opportunity to manage the risk of demand driven expenditure

- From **a clinician's** perspective:

  an opportunity to manage ourselves and the environment

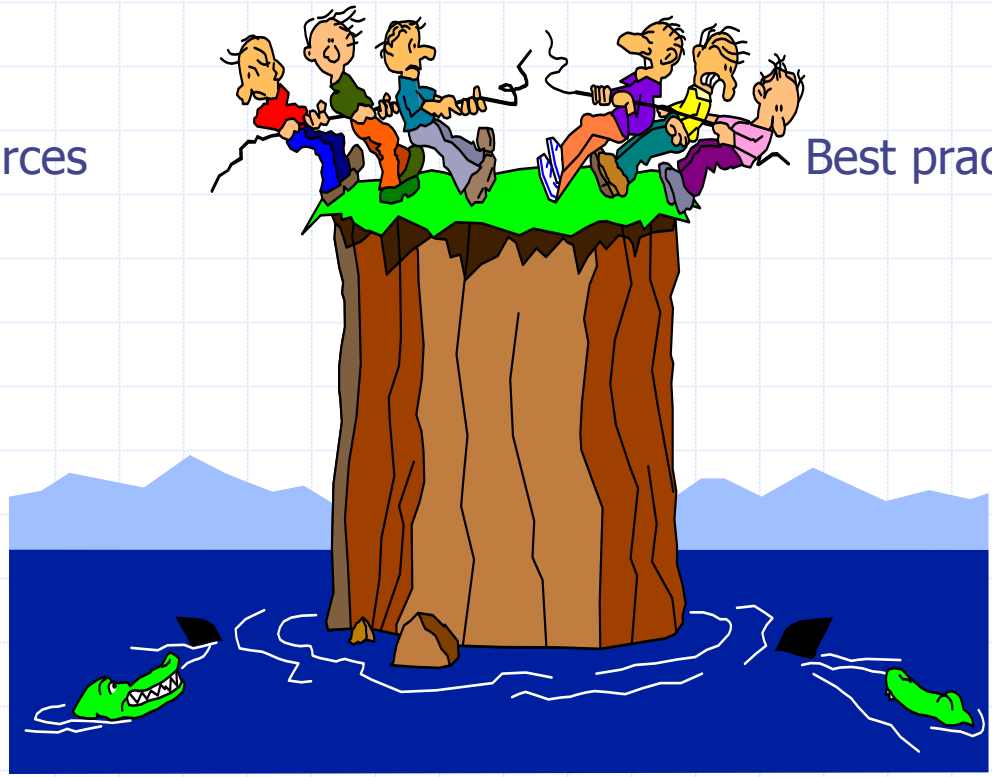
- Fund/Budget management = Notional
- Budget/Fund holding = Risk holding

Clinical Practice Education

Best clinical practice

with optimal and ethical use of finite resources

Finite resources



Best practice

What tools do we use ?

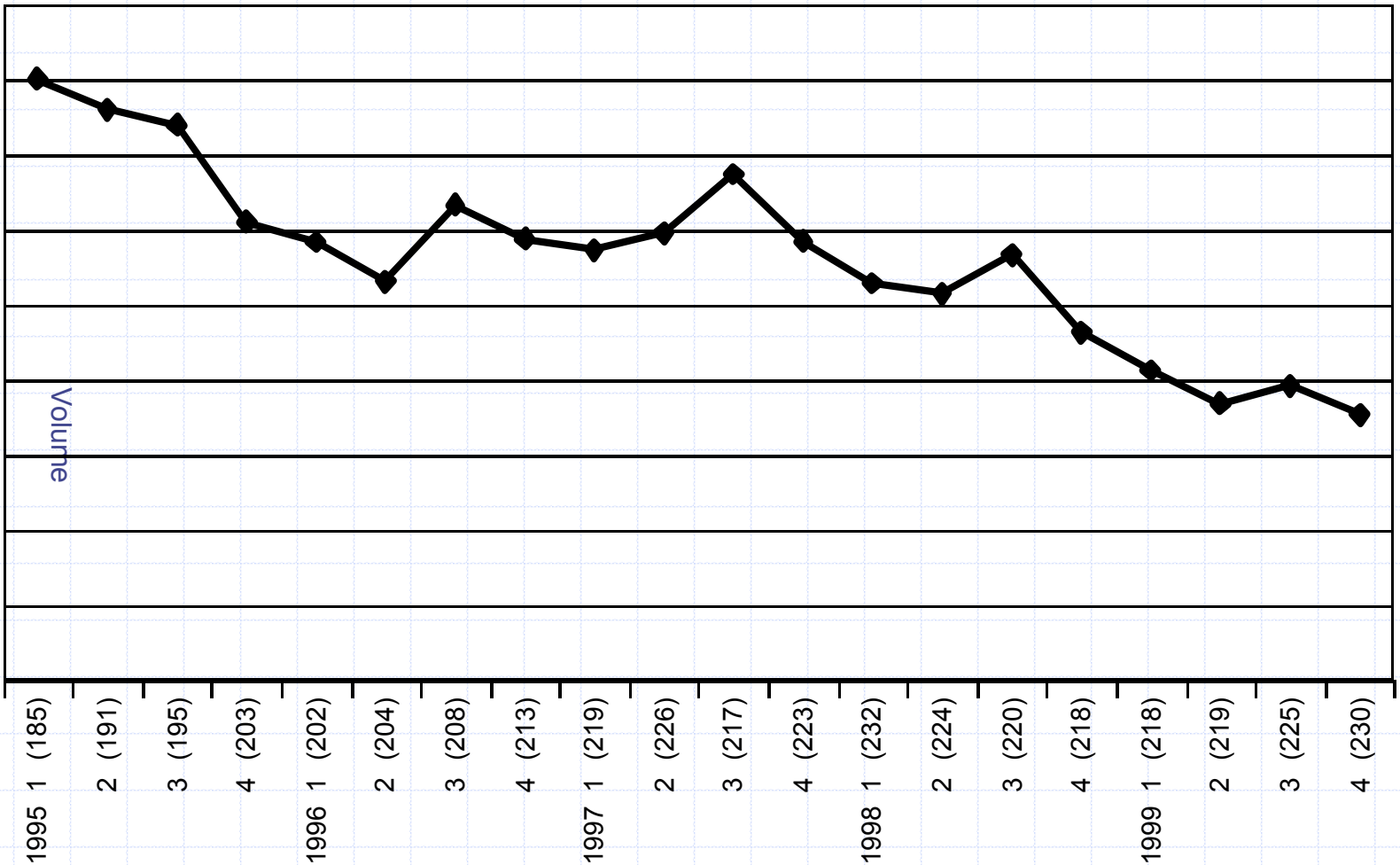
1. Peer led small group education
2. Clinical practice facilitator visits
3. Individualised member feedback
4. Bulletins – 'best practice'
5. Repeat feedback - after education
6. Modified laboratory request forms
7. Targeting of high volume items
8. Near patient testing

Education Meetings

- Peer facilitated small groups
- 98% participation. Over 80% attendance p.a.
- Educational messages same for both GPs and PNs
- Independently researched - evidence based where possible
- Individual data presented for peer review
- Currently 17 GP groups, 15 PN groups

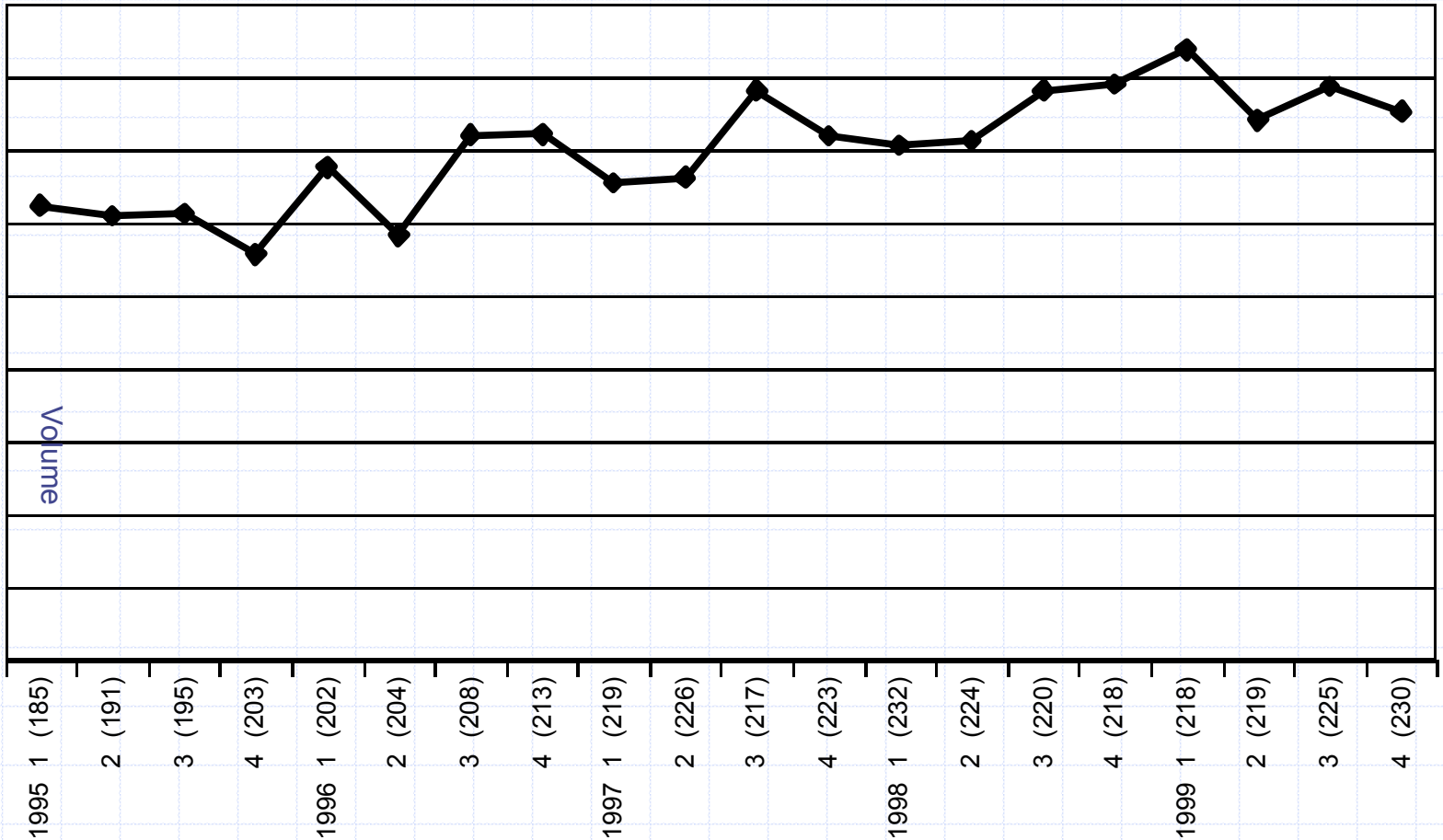
- **A key forum for engagement of membership**

Trend - ESR



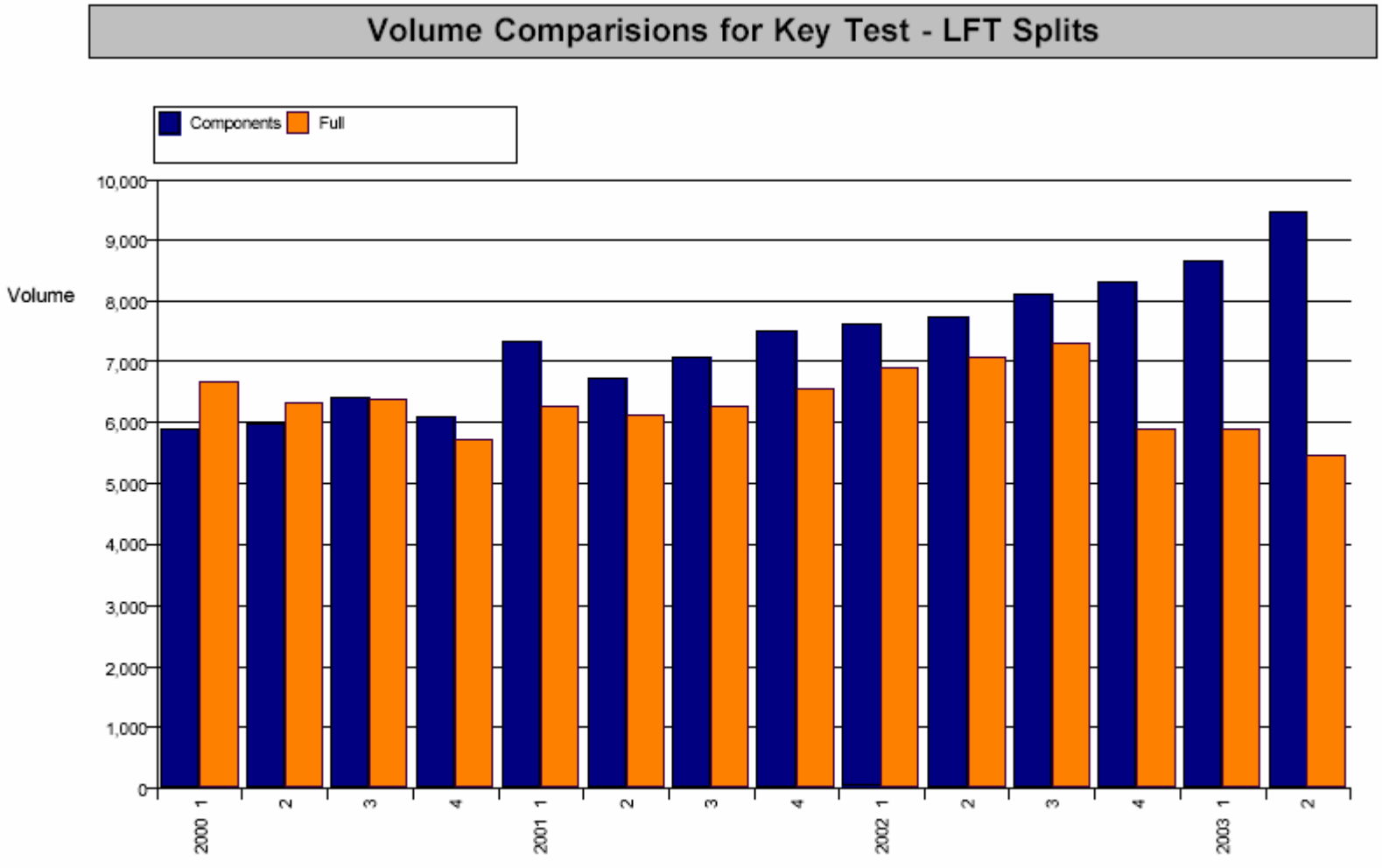
Test Volume per Average GP

Trend - TSH



Test Volume per Average GP

The Power of the Message


Volume Comparisions for Key Test - LFT Splits
Components
Full
Volume
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2000 1
2
3
4
2001 1
2
3
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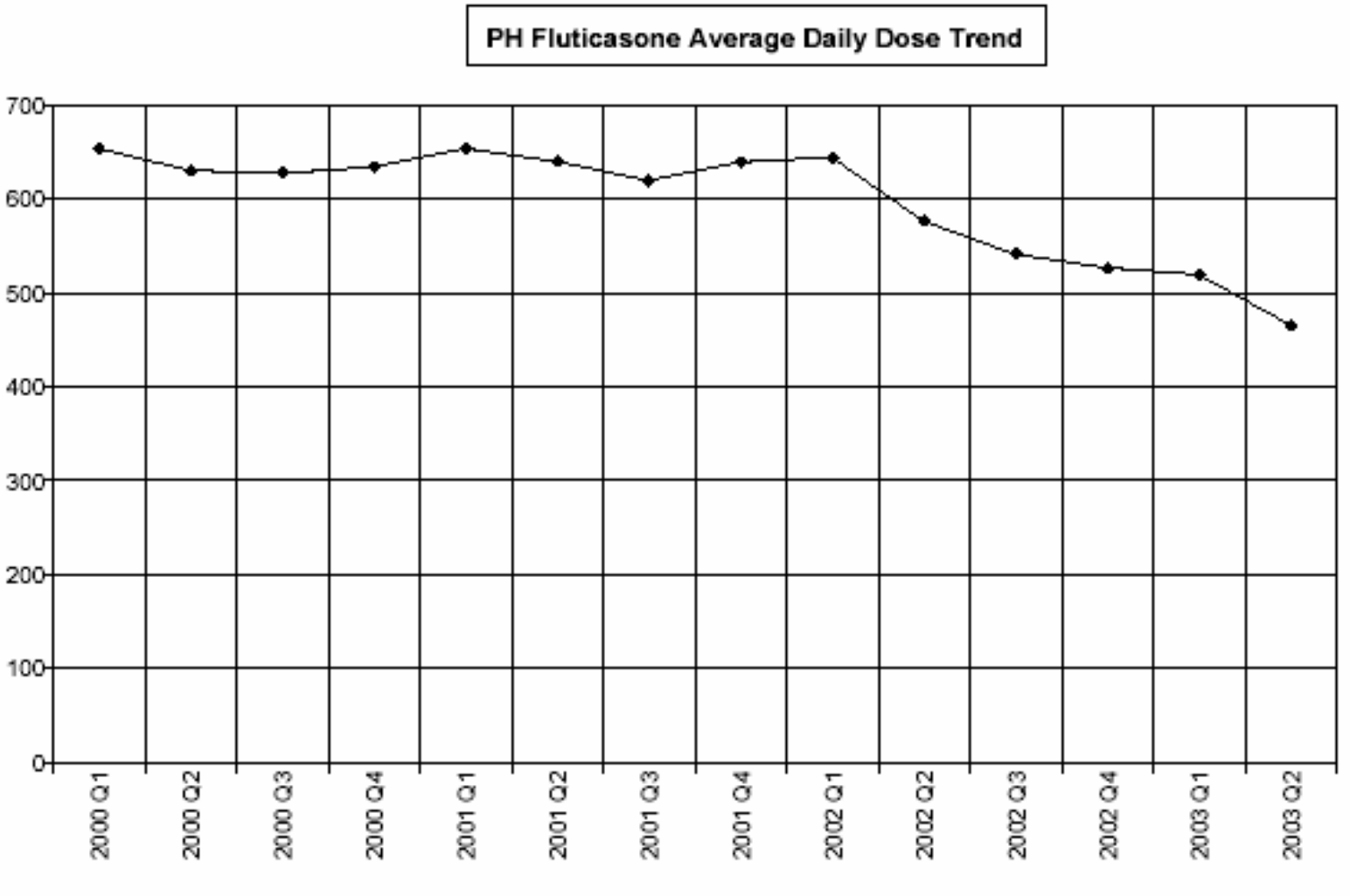
2002 1
2
3
4
2003 1
2

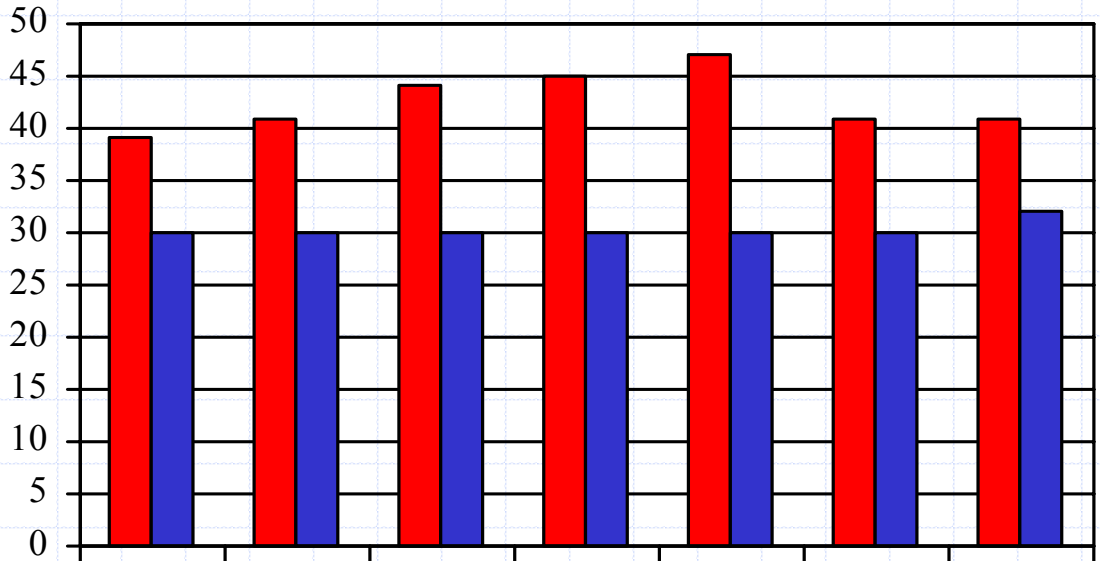
You can make a difference



Pegasus Contract History

Laboratory Contract per GP

$ thousands

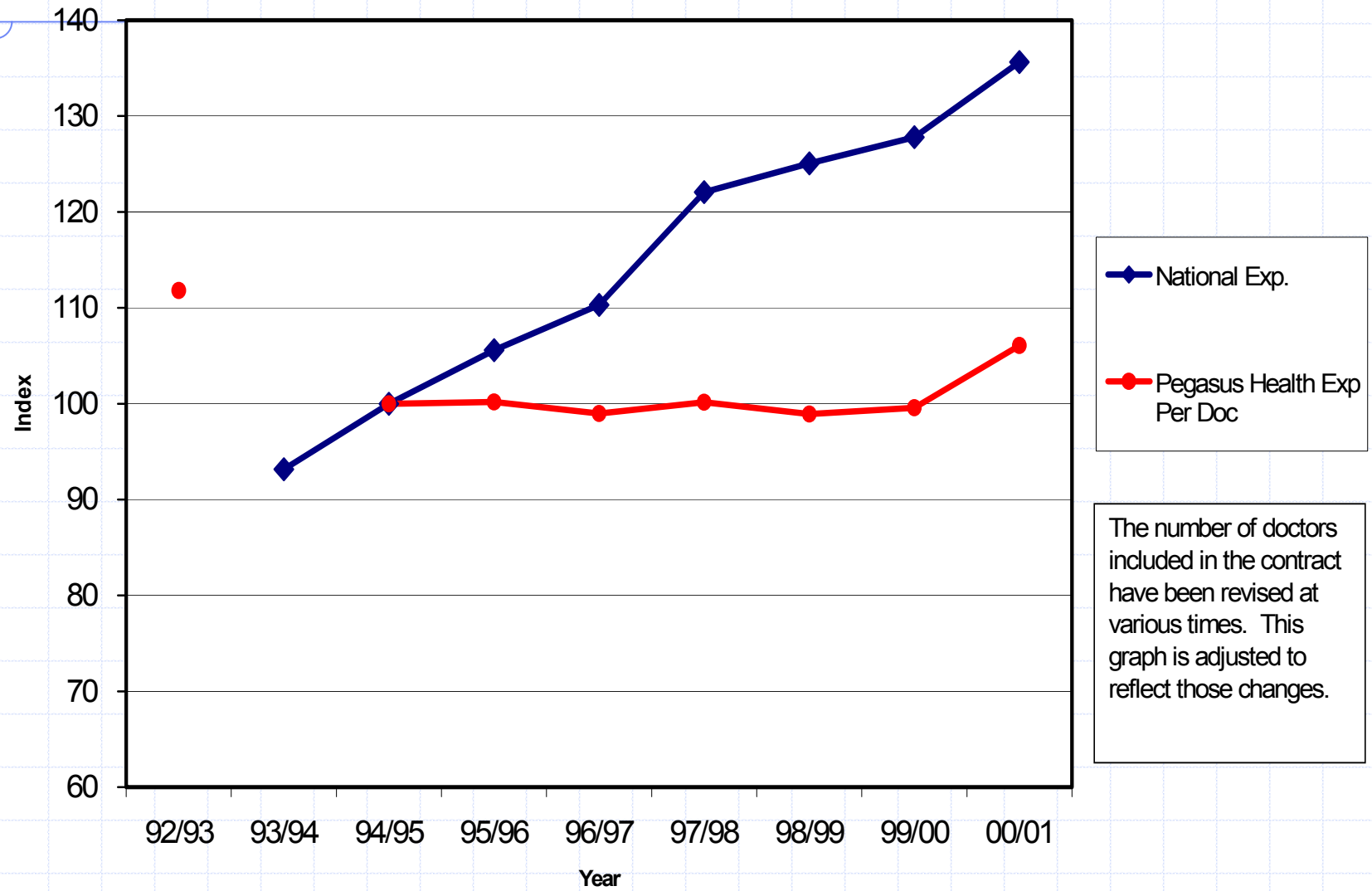


	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01
Pegasus Health lab budget per GP	39	41	44	45	47	41	41
Pegasus Health lab exp per GP	30	30	30	30	30	30	32

Number of Members	187	187	208	214	218	228	226

Laboratories Graph

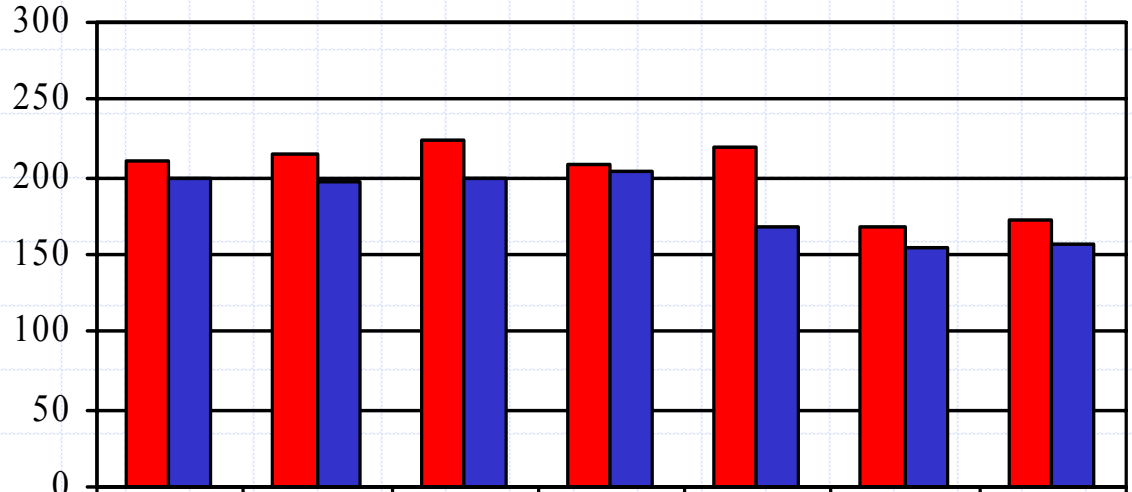
Average doctor expenditure compared with national expenditure



The number of doctors included in the contract have been revised at various times. This graph is adjusted to reflect those changes.

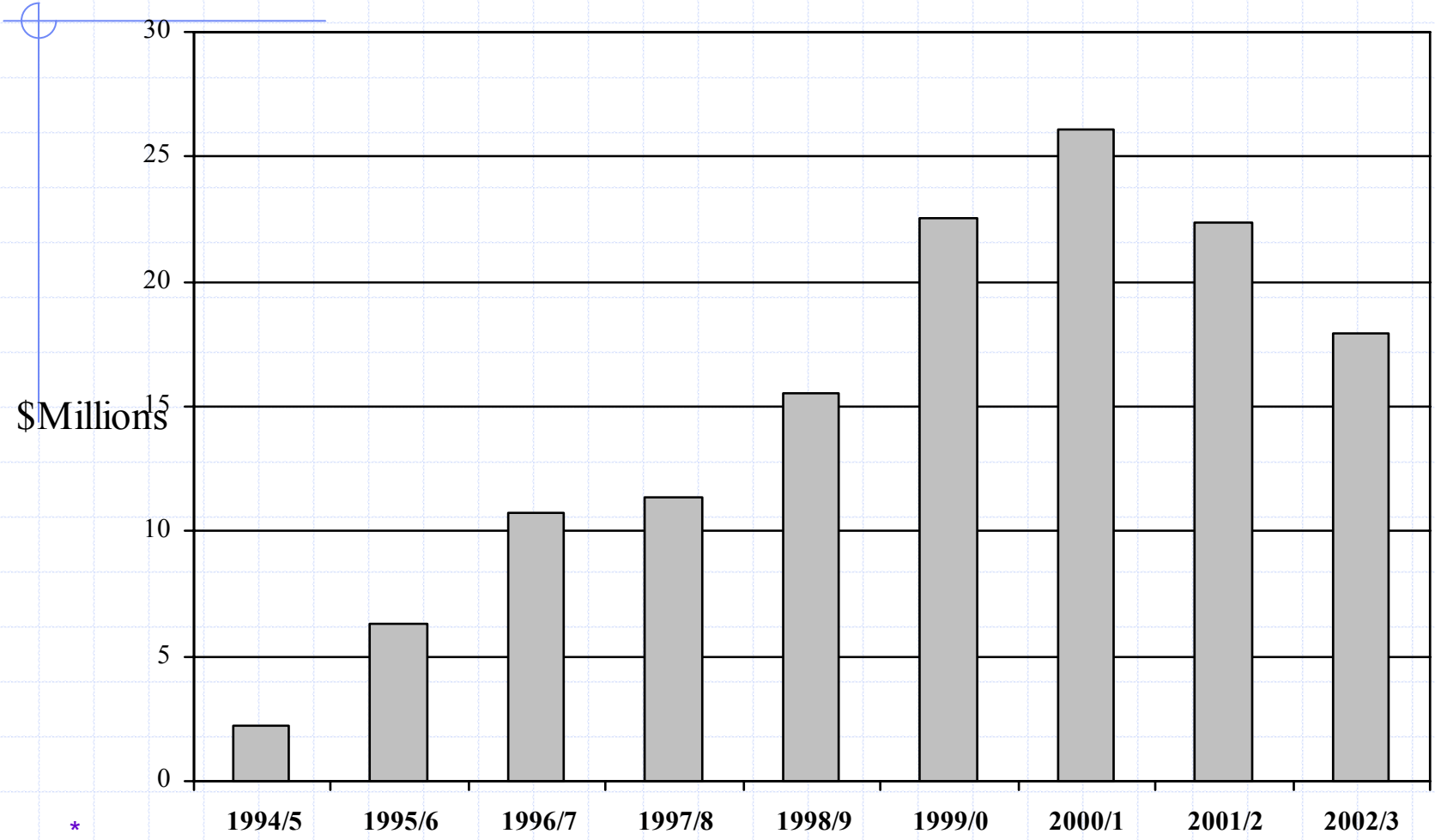
Pharmaceutical Contract per GP

$ thousands



	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01
Pegasus Health pharms contract income per GP	210	216	223	209	220	168	172
Pegasus Health pharms exp per GP	200	198	199	203	169	154	157

Pegasus Health Closing Reserves



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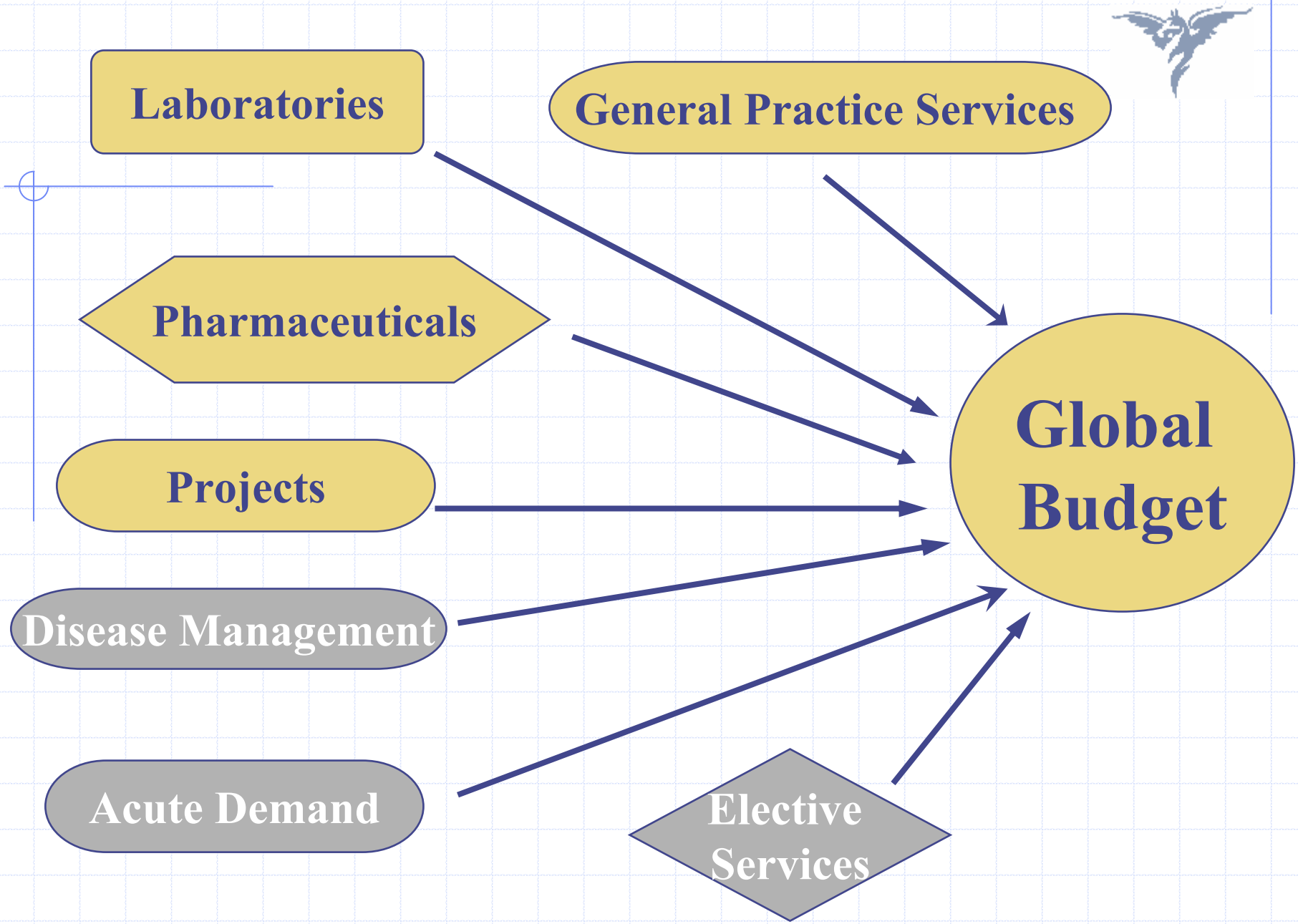
1999 - 2002 Global Budget Contract

- One funding stream - a form of population based funding
- Flexibility, accountability
- Aligned clinical and financial incentives
- Innovation - supporting our 'next great leap forward' in service development and delivery
- Certainty about funding and expenditure - capacity to prioritise


Laboratories
General Practice Services
Pharmaceuticals
Projects
Global Budget
Disease Management
Acute Demand
Elective Services

The Global Budget Opportunity:

- Taking a system view

  - Moving from spending to investing ……
  - An opportunity to tackle the items in the 'too hard' basket - tackling secondary care issues
  - Expanding the role of primary care based doctors and nurses into new [often nurse led] programmes to support general practice

Problem – growing acute demand

- Our funder in late 1999: Can you help us manage the growth of acute medical admissions in hospitals?
- Pegasus Health created a solution: "Community Care" – a general practice based response
- Piloted in March 2000 & commenced full service from July 2000

Pegasus Community Care

- Our goal: a safe, patient supported, cost effective alternative to hospital admission - responsive to patient needs

- General practice team & patient make the decisions
- Innovation supported and encouraged
- Major role for nurse led work
- Barriers to diagnostics, home support, & other services removed
- GPs enjoying using their clinical skills again

Community Care –four elements:

- **Prevention**: flu vaccination, pneumococcal vaccination, etc
- Community based **Observation Unit**
- **Extended care** – a nurse led service into people's homes and into clinics providing diagnostic certainy and advanced care – GP delivered IV programmes - DBB
- **Management** plans, ED 'frequent flyer' programmes, etc

Community Care – services available

Practice Support	Funding for free GP visits For practice nurse to visit patients at home Practice Observation	
Mobile Diagnostic Service	TNT/Myoglobin, ECG Peak Flow, Nebulisers Oxygen Sats Rapid Biochemistry Routine Obs	
IV Therapy for Cellulitis	Practice or home based BD Administration Call Support Co-ordinator for advice/assistance	
Logistical Support	Dinner Bed Breakfast Meals, Home Supports Practice or support co-ordinator arranged	
Extended Care Management Plan	Free extended consultation to formulate and document a plan	
Urgent Tests/ investigations	Funding for private tests, X-rays when required when alternative would mean admission	
Doctor Visits	Doctor visits after hours and weekends - free to ExCare Patients Funding for GP to see own patient free	
Home Support	Sitter Services Nursing Services Meals, practical help Child care - to avoid admission	

Phone 377 1830 or fax 353 9953 8am to Midnight Every Day

Community Care

Review of the Pegasus Global Budget

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Preliminary result is favourable

Effect	*Direction*	*Degree of confidence*
Reduction on laboratory spending	**Positive**	High
Reduction in pharmaceutical spending	**Positive/ mixed**	High
Impact on admissions to ED	**Positive**	High
Impact on acute admissions	**Positive**	Moderate
Cost Effectiveness	**Positive**	Weak
Option for Capability Development	**Positive**	Moderate

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FINANCE

Laboratory expenditure – "a rare sector success"

- Lab. expenditure per GP on $30,000 to $32,000 per annum from 1995 to 2001
- Expenditure per GP amongst other IPAs is higher – range $36,000 to $56,000 per annum

- High points include:
  - reduced expenditure on liver function test
  - introduction of near patient testing

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FINANCE

Pharmaceutical expenditure - "could do better!"

- In 1992, Pegasus GPs were amongst the highest prescribers in the country, with very high growth
- Pegasus have reduced pharmaceutical expenditure per GP from $200,000 to $150,000 per annum and retained this level of expenditure for the last three years
- Pegasus GPs remain high prescribers, other IPAs expenditure per GP ranges from $75,000 to $141,000 per annum
- More could still be done to constrain expenditure

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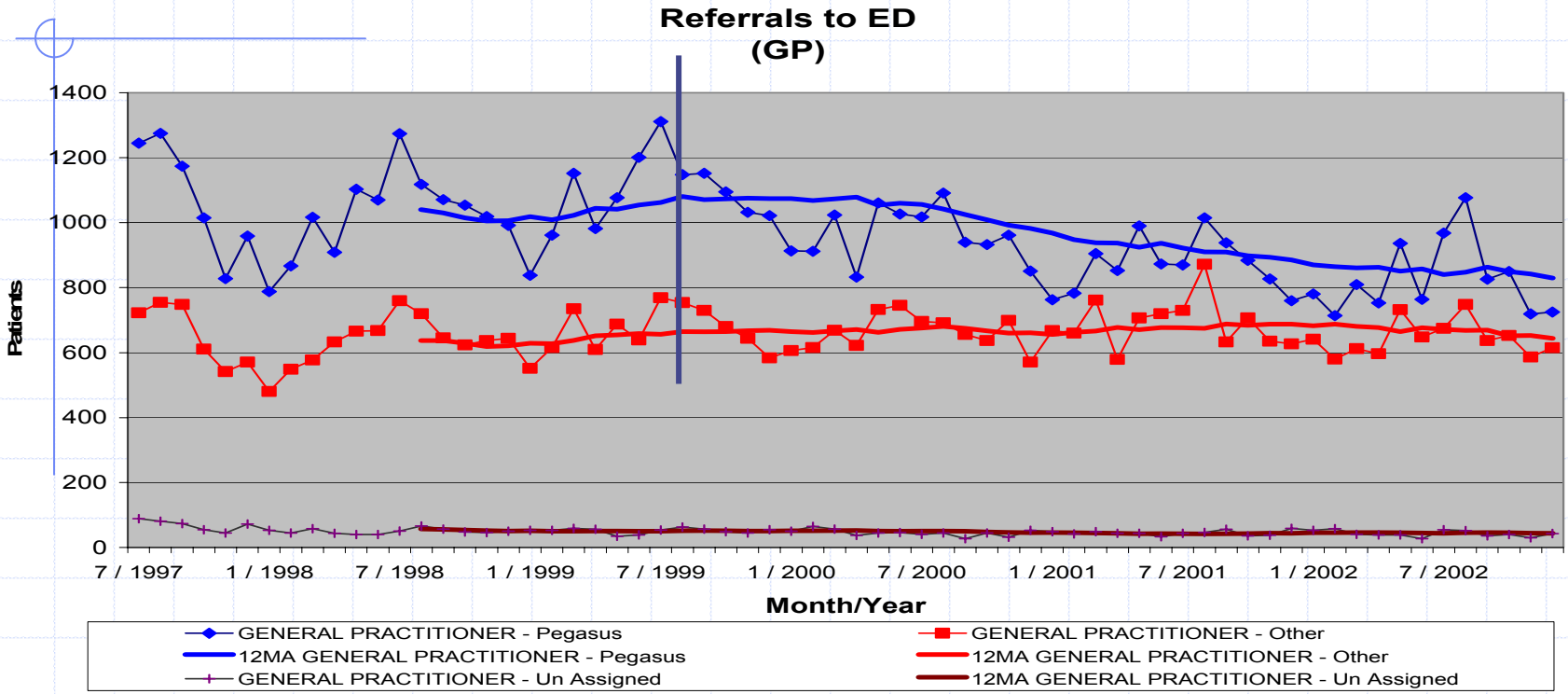
FINANCE

GP referrals to ED – "strong decrease"



- Pegasus GP referrals have significantly decreased since Jan 2000:
  - Pegasus volumes have decreased 23%
  - Non Pegasus have decreased 3%

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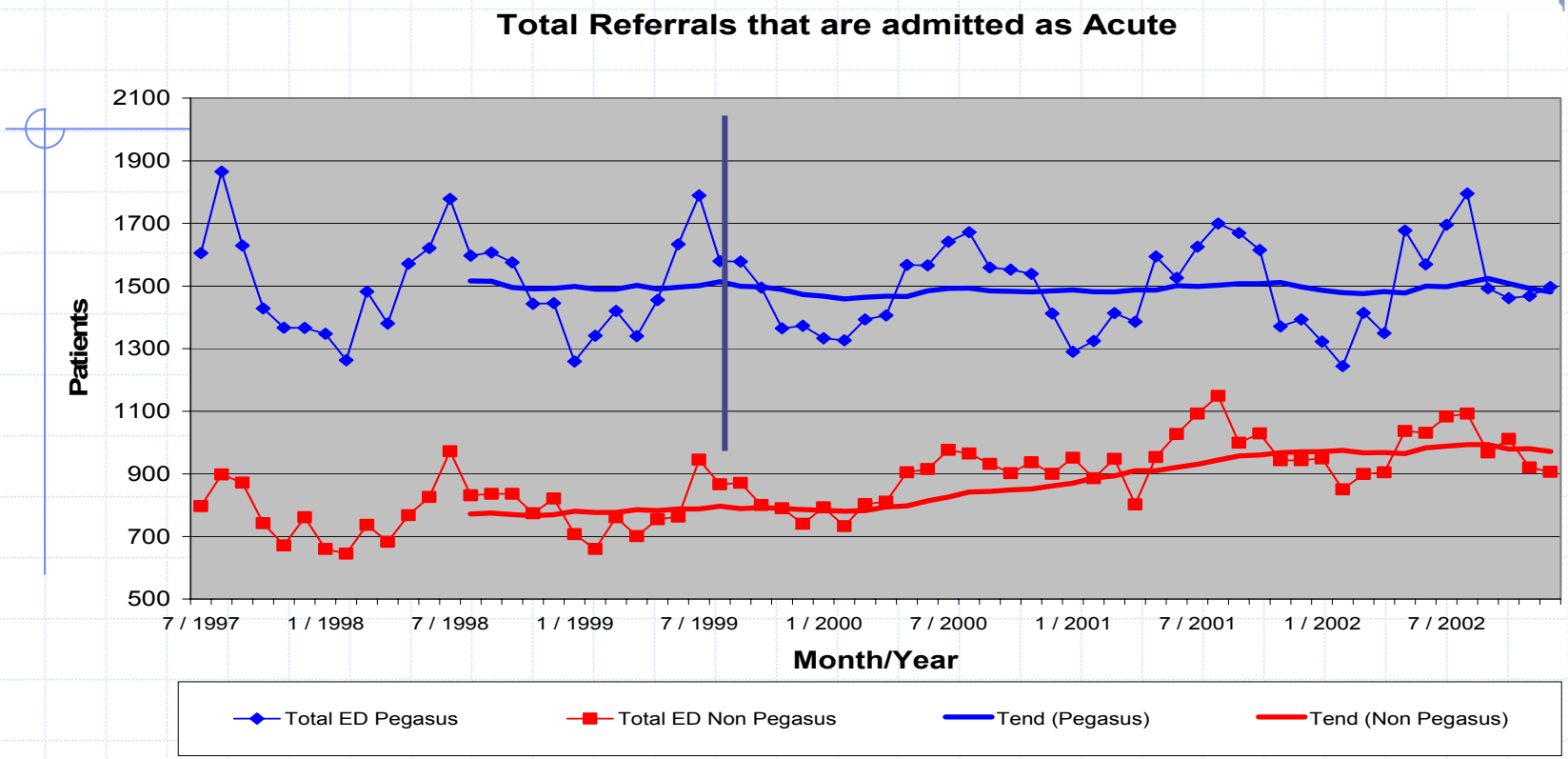
Acute medical admissions – "no increase"



Total Pegasus acute admissions have increased very slightly since July 2000, while non-Pegasus have increased significantly

- Pegasus trend volumes have increased by 1%
- Control group - Non Pegasus have increased 24%

LECG ECONOMICS FINANCE

An ABC of Budget/Fund Holding:

- Build a relationship with your funder
- Ensure an ethical framework
- Agree the budget – in advance!
- Agree the use of any savings
- Ensure regular supply of reliable utilisation data
- Ensure timely payment from funder
- Deliver to your patients and your clinicians – create an incentive framework that motivates

Ethical Dilemma?

- Do NOT risk hold for your basic general practice income – you should not risk your ability to pay your mortgage on your home!
- Avoid being in a ethical dilemma - where you might be in a position where you consider disadvantaging your patient to gain personal advantage for yourself
- Create an incentive framework that works

How do you start?

- Pilots of willing clinicians
- Deliver a comprehensive programme – as described
- It must be safe to make mistakes – as long as you learn from them
- Talk about the pilot with your other clinicians – they usually already know the answers
- Pegasus change management is a ‘hearts and minds’ exercise!

Where do you start?

- Develop an information strategy early
- **Data -> information -> knowledge**
- Build analysis skills at local levels to answer your local questions
- You need at least as much information as your funders when you contract with them

Clinical Quality

- ✓ Patient centred
- ✓ Focus on evidence based best clinical practice
- ✓ The **optimal and ethical use of finite health resources**
- ✓ Solution focused
- ✓ Moving the bell curve forward

- An ethical, **'primary care team' based culture** that values medical & nursing clinicians and their teams

What Does Success Look Like?

- Improved integration across services
- Manage within budget
- More $$ spent on direct patient care - due to lowered overheads
- An environment for innovation – motivated clinicians **having fun**!

"The right care in the right place at the right time delivered by the right people"

What we have learned

- Adopting a system view to changes in health care delivers the best outcomes

- **Funding has to be aligned to create the RIGHT incentives for all involved**

Is Budget Holding the Nirvana?

- No - Budget holding has an inevitable closure
- But, it is a significant opportunity to develop your capacity to understand complex budgets and change management issues
- Then, you can engage with the key decision makers in health – and have an influence on your health system

Fund Holding for Divisions
Now or Never?

My answer – Yes - Now!