

Economics is your friend- the use of economics to support value based healthcare

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An ageing population, increasing chronic disease burden and new technologies that increase longevity and a tight fiscal environment are creating challenges for all health systems. Patients' expectations, health literacy and preferences for types of care are increasing and will change care delivery methods. In response, NSW is progressing its journey towards value based healthcare (VBHC), defined as, health care that improves health outcomes, the experience of giving and receiving care along with effectiveness and efficiency. VBHC puts the patient at the centre of care.

The NSW Leading Better Value Care (LBVC) initiative began in 2016 as a key strategy to accelerate VBHC. LBVC, a system priority, is a refocus – away from volume based healthcare to VBHC. There are 13 LBVC clinical initiatives in key areas that result in implementation of “new” ways of providing care at scale – across the NSW public health system.

The enablers that support the journey to value include strategies to focus on what matters to patients, delivery organisations, measurement and evaluation, funding models, digital health and analytics.

A key strategic measurement enabler is the use of economics and economic modelling that draws on multiple activity based management (ABM), administrative, clinical and patient reported measures data sets.

A multi-level approach to economics is used to support LBVC including pre-implementation economic appraisal, purpose built economic models, costing studies and post intervention economic evaluation.

A transparent approach to sharing economic outcomes provides opportunities to re-purpose capacity towards emerging priorities and create an activity benefit that supports strategies to improve both technical and allocative efficiency. Multiple economic approaches are used including:

- Upfront economic appraisals to inform investment decisions, prioritise resourcing, consider opportunity cost and determine net benefit and return on investment.
- Development of an economic model to facilitate understanding of cost avoided, support repurposing of capacity and monitoring and measurement of economic benefit at an initiative, Local Health District and system level.
- Costing studies to support providing care in alternative settings to inform the economic evaluation and assist in aligning resources and purchasing decisions.
- Post intervention economic evaluation will focus on costs and benefits, compare the projected usual care with the intervention scenario and determine economic impact.

There is significant economic work being undertaken to support elements of VBHC, refocus away from volume and focus on allocative efficiency across care settings. This draws heavily on joined up ABM, administrative, clinical and patient reported measure data.

Preliminary trended data and results show that NSW is on track to realise activity benefits which will further enable and incentivise care in the 'right setting' as well as support the shift away from volume based resourcing. These results confirm:

- Emergence of a net economic and activity benefit as care transitions from in-patient to non-admitted settings
- Support for conscious and transparent decision making around repurposing capacity to support emerging priorities given fiscal constraints

