



NEWS RELEASE

Funding hospitals based on patient services means better health care for Canadians

June 10, 2021
For immediate release

VANCOUVER—Paying hospitals based on services provided to patients, instead of allocating pre-defined annual budgets, could improve the quantity and quality of health care services while reducing wait times for Canadians, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

“The way we fund hospitals in Canada matters a great deal when it comes to how many patients are treated, and how we either encourage or discourage hospitals to be more efficient and productive,” said Nadeem Esmail, senior fellow at the Fraser Institute and author of *Understanding Universal Health Care Reform Options: Activity-Based Funding*.

The study highlights the potential improvements in health care when hospitals are funded on a per patient service basis—also known as activity-based funding.

Currently, hospitals across Canada are predominantly funded with lump sum payments, known as global budgets, regardless of how many patients are treated or what treatments are performed. This actually incentivizes hospitals to treat fewer patients to avoid exceeding budgets.

But when hospitals are paid a pre-defined amount of money for each patient cared for based on their particular condition and unique care needs, it creates powerful incentives to treat more patients. In other words, when “money follows patients”, patients transform from a drain on hospital budgets into a source of revenue.

Crucially, nearly every other developed country with a universal health-care system has moved towards activity-based funding in recent decades, whereas Canada is among the last to continue to use lump sum payments.

And among those universal health care countries that have switched to per patient services hospital funding, activity-based funding has been found to improve access to services, improve cost efficiency and increase transparency all without necessarily increasing total expenditures.

“The evidence from around the world is very clear—changing the incentives for hospitals improves care for patients,” Esmail said.

“While governments might prefer global budget funding for its administrative simplicity, it serves neither the interests of patients nor the interests of taxpayers who fund their care,” said Esmail.

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