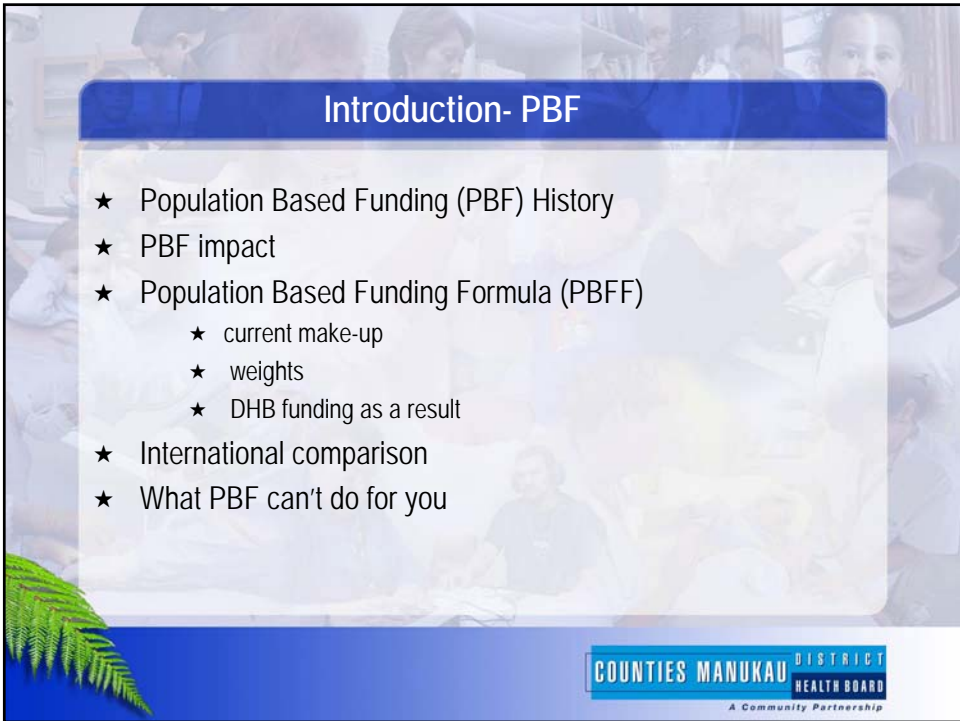


Population Based Funding and Health Policy

Dr Gary Jackson
June 2007

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Introduction- PBF

- ★ Population Based Funding (PBF) History
- ★ PBF impact
- ★ Population Based Funding Formula (PBFF)
 - ★ current make-up
 - ★ weights
 - ★ DHB funding as a result
- ★ International comparison
- ★ What PBF can't do for you

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Population based funding (PBF)

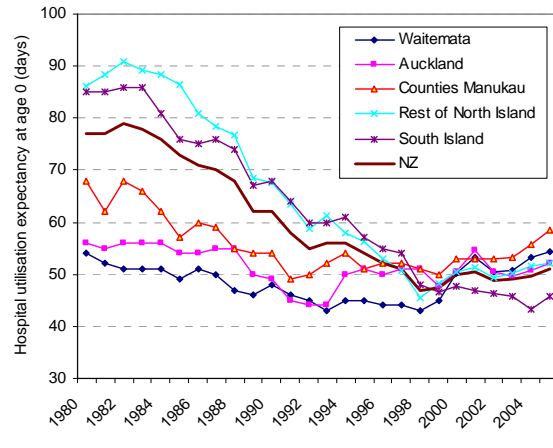
- ★ PBF designed to fairly distribute available funding between DHBs according to the relative needs of their populations
- ★ Distribution is by means of a formula (PBFF) based on the population living in each area, and its characteristics.
- ★ The PBFF does not determine the overall level of funding – that is set by the Budget process based on Government spending priorities.
- ★ Has not included public health, DSS under 65, primary maternity or other national services to date

“The PBFF will give each DHB the same opportunity, in terms of resources, to respond to the needs of its population.”

History of PBF

- ★ Population based funding (PBF) began in NZ in 1983 for Hospital Boards, following a 1980 review
- ★ Prior to this funding based on historical allocation plus negotiated additions each year; was becoming increasingly inequitable
- ★ Slow move to equity, carrying through to Area Health Boards
- ★ RHAs inherited PBF, in 94/95 started primary care PBF
- ★ Regional targets achieved by 97/98 for personal health
- ★ DSS PBF started in 95/96, Public Health in 96/97
- ★ New 'interim' formula for DHBs published June 2001
- ★ Implementation began 2003/04 – population 'smoothing'
- ★ 2007/08 – 6 Boards on transitional funding, only \$34m outstanding
- ★ First 5-yearly review commences 2007

Move to 'supply' equity 1980-2005



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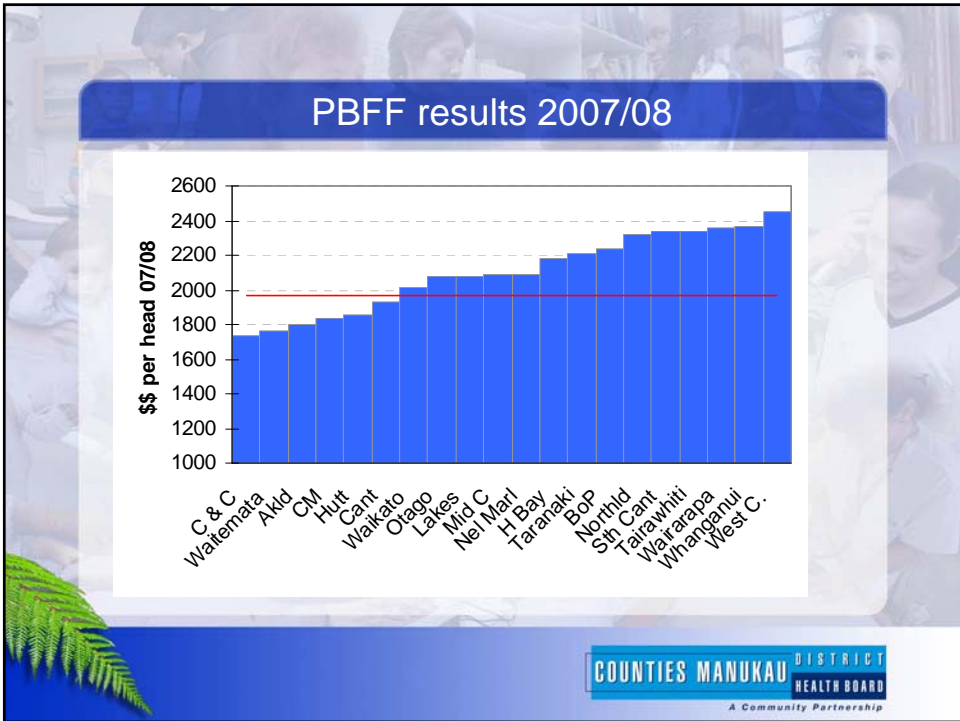
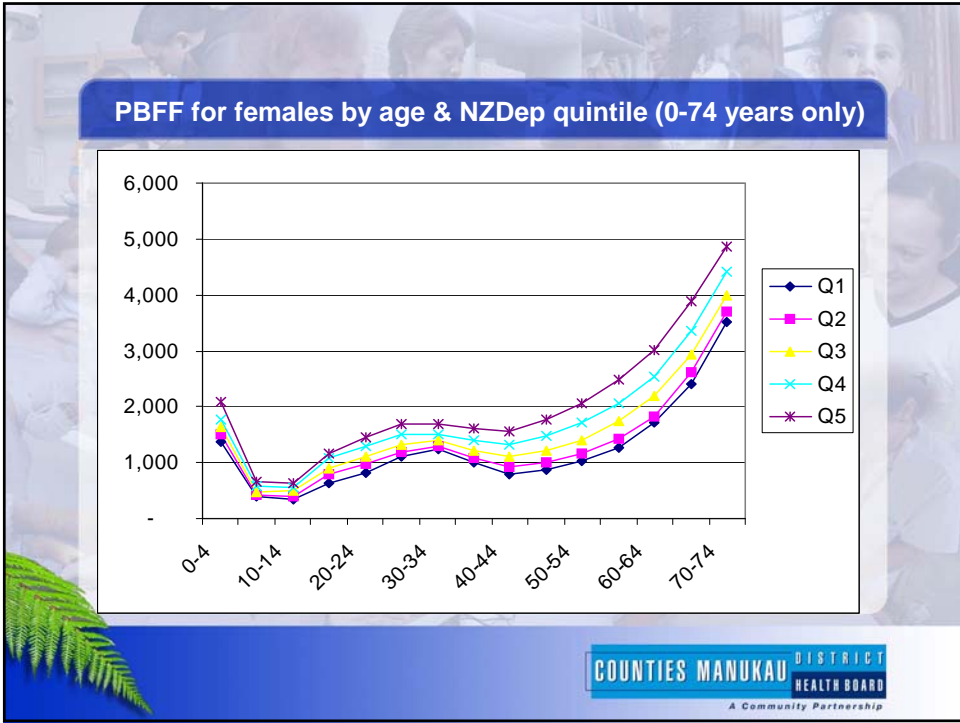
Population Based Funding Formula

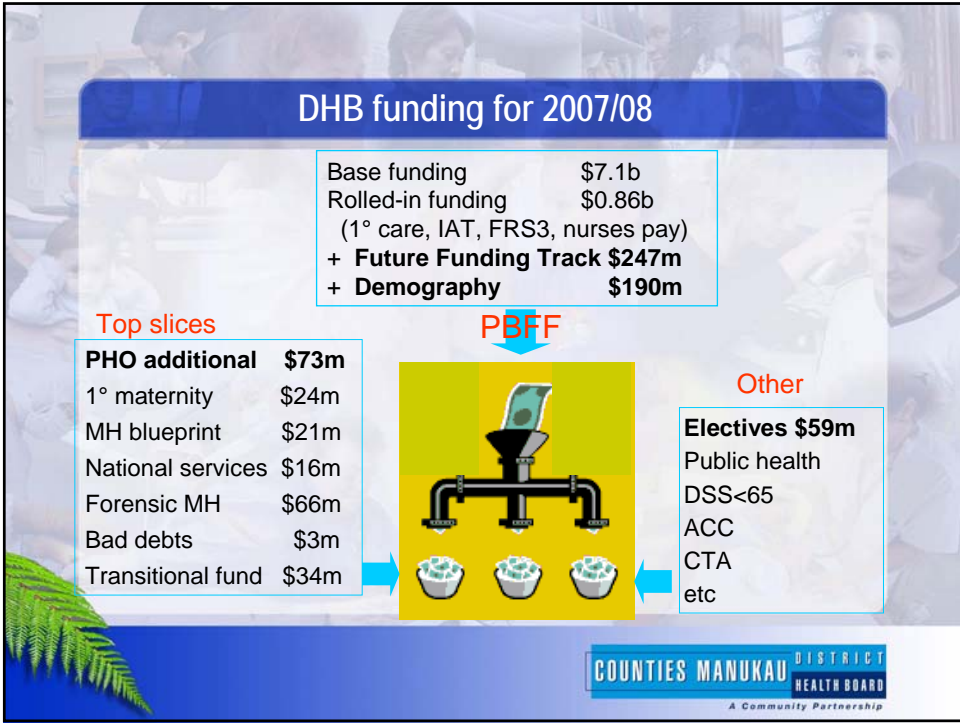
In 2007/08 approx \$8.3b to be distributed

Each DHB's funds based on its share of NZ population:

- ★ Weighted by age, gender, ethnicity and deprivation
- ★ by service area (mainly based on past utilisation)
 - ☆ Personal Health - hospital \$4,000m
 - ☆ Personal Health - primary \$1,700m
 - ☆ Disability Support >65 \$1,100m
 - ☆ Mental Health \$ 900m
- ★ Adjusted for the costs of delivering services to rural areas (\$130m), and to overseas patients (\$21m)
- ★ Adjusted for unmet need – policy-driven (\$130m)

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PBF – international comparison

	Health needs					Delivery costs		
	Age-sex	Deprivation	Ethnicity	Mortality	Other health needs	Unmet need	rural/remote	Other
New Zealand	AS	Y	Y			Y	Y	Overseas adjuster
* Wales	AS			SMR<75			Y	
* Scotland	AS	Y		SMR<65	births		Y	
N Ireland	AS	Y		SMR<75	births, chronic illness			
* England	A	Y		SMR<75	births + LBW, LTI, HIV		Ambulance	Market costs, language needs
Norway	AS	Y		Y				tax base
Finland	A				disability		Y	tax base
Stockholm county	A	Y			Previous diagnoses			
* NSW	Y	Y	Y	SMR<70	births, caries, homelessness, HIV		Y	Private, cross-boundary, costs
Alberta	Y	Y	Y				Y	Cross-boundary, costs, funding prot

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PBF – what it doesn't solve

- ★ System design issues
 - ☆ viability of smaller boards, size and mix of rural services, safety, efficiency, access
 - ☆ tertiary service delivery - system organisation, efficiency, access
 - ☆ ability of DHBs to make changes if population static and reliant on FFT for growth
 - ☆ Fair resource distribution for services purchased directly by MoH (eg Public Health)
- ★ Size of the pie decisions
 - ☆ funding amount for Vote Health
 - ☆ size/calculation of unmet need adjuster, health inequalities
- ★ Conditions not evenly spread throughout population
 - ☆ forensic mental health, haemophilia, renal dialysis, refugee settlement
 - ☆ geographic variation in costs – eg land prices
- ★ NZ governance vs local autonomy – can the Minister dabble?
 - ☆ tagged funding for specific initiatives vs local priorities
 - ☆ national benchmarking vs local priorities
 - ☆ differing service provision across DHBs – 'postcode rationing'

Conclusion – population based funding

- ★ PBF has had a significant positive impact on NZ health system since its introduction in 1983
- ★ It takes time to address funding inequities through re-distribution alone
- ★ A feature of the NZ formula is the clear needs adjuster, policy-driven
- ★ Relatively successful - current review is likely to be more about fine-tuning than any major change
- ★ It cannot solve system design problems for the government
- ★ Equal access for equal need means different intervention rates for different areas