

# Health System Funding Reform (HSFR): What You Need To Know



## Background

Ontario's health care system has been facing economic uncertainty for a considerable time. As such, growth in health care spending has been impacted by the provincial government's deficit recovery plan.

In response to these fiscal challenges and to the government's commitment to ensuring continued access to high-quality care, the *Excellent Care for All Act* (<http://www.health.gov.on.ca/en/pro/programs/ecfa/>) was passed in June 2010. ECFAA aims to improve the patient experience by providing patients with the right evidence-informed health care at the right time and in the right place.

In 2012, as part of Ontario's Action Plan for Health Care, the Ministry of Health and Long-Term Care (Ministry) implemented Health System Funding Reform (HSFR). Ontario's HSFR initiative was recognized as an important policy to strengthen the link between the delivery of high-quality care and fiscal sustainability.

## What is Patient-Based Funding?

Patient Based Funding (PBF) is a key component of HSFR. PBF has helped accelerate the move towards a fairer, more evidence based approach to funding. It allows government to respond to a population's emerging health care needs and has built in incentives to encourage the delivery of high quality, evidence based care.

PBF provides a more transparent link between funding and the care delivered to patients. Under PBF, reimbursement to hospitals shifted from a historical global budget payment system, in which hospitals received one lump sum for funding, towards a patient-centred funding model, where funding fluctuates based on the type and the quantity of services provided.

Shifting funding from a global budget system towards a PBF model better reflects the needs of the patients that the health system serves and promotes. It does so in two ways:

- Patient-centred care focuses on the individual and ensures that money follows the patient.
- It makes better use of limited resources, enabling a sustainable health care system based on quality.

PBF consists of two key components:

- **Health-Based Allocation Model (HBAM)**
- **Quality-Based Procedures (QBP)**



### Important to Know

Global budgets continue to be used for a portion of hospital funding, including to cover activities that cannot be modeled or that are otherwise unique.

## What is the Health-Based Allocation Model?

The Health-Based Allocation Model (HBAM) is an evidence-based population-health-based funding formula that uses population and clinical information to inform funding allocations. Population information includes basic demographic information, such as age, gender and growth projections, as well as socio-economic status and rural geography. Clinical information includes measures of disease and status such as diagnostic and procedural information related to the different types of care provided to the population.

The model currently covers selected service areas in the hospital sector, including:

- Acute Inpatient and Day Surgery
- Emergency
- Complex Continuing Care
- Inpatient Rehabilitation
- Inpatient Mental Health



### Important to Know

In HBAM, a fixed and pre-determined envelope of money gets distributed between hospitals based on their share of expenses relative to all hospital expenses in the province.

## What are Quality-Based Procedures?

Quality-Based Procedures (QBP) are groups of clinical services for specific types of patients that require similar care (for example, hip or knee replacement surgery). They present opportunities for health care providers to share best practices and allow the system to achieve even better quality and efficiencies. This approach reimburses health care providers for the types and quantities of patients treated, using evidence-informed rates that are adjusted for patient complexity and quality of-care delivered.

Detailed clinical handbooks for all QBPs can be downloaded from the Health Quality Ontario's QBP Connect website at: <http://www.hqontario.ca/Quality-Improvement/Our-Programs/QBP-Connect>



### Important to Know

Funding for QBPs is provided to hospitals based on a 'price x volume' basis.

## Are all hospitals currently included in HSFR?

There are currently 75 hospitals included in HSFR. Small hospitals are excluded from HBAM and QBP funding. These HSFR-defined small hospitals are currently funded using global budget or lump sum payments only.

### Resources

- For more information on HSFR, visit [http://www.health.gov.on.ca/en/pro/programs/ecfa/funding/hs\\_funding.aspx](http://www.health.gov.on.ca/en/pro/programs/ecfa/funding/hs_funding.aspx)
- For additional HSFR education materials, visit [https://hsim.health.gov.on.ca/hdbportal/HSFR\\_Online\\_Self\\_Study\\_Modules](https://hsim.health.gov.on.ca/hdbportal/HSFR_Online_Self_Study_Modules) on the Ministry of Health and Long-Term Care, Health Data Branch, Health System Information Management and Investment (HSIMI) website.