

A proposed typology of policy-driven payment rates for hospital care

Authors: Stephen Duckett (a)

Introduction

With the increased use of quasi-market mechanisms in health care, with activity-based funding the best example, there is an increased use of payment rates or 'prices' to send signals to providers about a range of issues of interest to policy makers, beyond simply improving system (technical) efficiency. In particular, payment rates, which were originally simply based on the pre-existing average, or perhaps adjusted downwards to achieve expenditure reductions, now often have an additional normative element about a range of other issues, most often safety of care. This paper is primarily theoretical, that is, it advances a framework for thinking about policy-driven adjustment of payment rates.

Methods

It is proposed that policy driven payment rates could be classified both by their objective that is whether it's primarily about technical efficiency or allocative efficiency, and their target - whether it is primarily about changing the behaviour of a single institution such as a hospital, or whether it is also about changing behaviour across institutions.

Conclusions

The paper concludes with some of the considerations to be taken your account in setting policy-driven payment rates

a: University of Melbourne, Australia