Healthcare systems: Tackling waste to boost resources

Written by: Francesca Colombo

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Is there such a thing as a right amount of health spending? In an ideal world, this would likely mean spending that achieves effective healthcare services, with good outcomes for patients, the right number of professionals with the right skills, and delivers good value for tax payers with little, if any, wastage. Finding that balance is a difficult challenge.

Avoiding wasteful healthcare spending has been a public policy goal for decades, but since the global financial crisis started in 2008, the need has gained new urgency. The US, for instance, spends 16.9% of its gross domestic product on health. Nearly a third could be wasted, according to a 2012 Institute of Medicine

study. US healthcare spending as a share of the economy is almost double that of OECD spending of 8.9%–and yet, the country's citizens can hardly claim to be twice as healthy as people in other developed countries.

But the US is not alone: alarmingly, as much as a fifth of health expenditure makes little or no contribution to good health outcomes. All OECD countries need to free up resources so that healthcare systems can perform better . Far more could be done to sort out what is wasteful from what is not, and possibly even achieve more with less.

OECD countries need to free up resources so that healthcare systems can perform better

Consider clinical care. Wasteful clinical care occurs in hospitals when people seek emergency care even when their condition is not urgent.

Hospital inpatient care comprises an average of 28% of total health spending in OECD countries. Hospital care could be made more efficient if it were devoted solely to essential or acute care. Pressure can be taken off hospital services by focusing resources on alternatives like primary care and community care facilities. Norway has intermediate care clinics that are open out of hours, and the UK is experimenting with GPs who consult seven days a week.

Umbrella systems of caregivers can help relieve pressure on hospitals, too. In France, the system called PAERPA (*Personnes Agées En Risque de Perte d'Autonomie*) coordinates health and social care services for the elderly, for instance. Hospital At Home is another resource currently being expanded.

Even when a hospital stay is unavoidable, effectiveness can be improved. Same-day surgery for procedures such as cataracts and arthroscopic meniscectomy has grown over time, yet same-day surgery rates for cataract remain relatively low in Poland, Hungary and Turkey.

So-called adverse events can lead to prolonged inpatient stay. They affect between 4% and 17% of admissions, with around 30-70% judged preventable. The use of checklists, a strategy borrowed from the aviation industry, is an effective way to reduce error. A 2002 study showed that checklists reduced the rate of error from 30.9% to 4.4%. The digitalisation of health records and computerised physician order entries also reduce errors. Systems and protocols need to be upgraded to avoid mistakes.

Patient stays can be unnecessarily prolonged when they acquire infections. About 23,000 and 25,000 deaths per year are directly attributable to antimicrobial resistance (AMR) in the US and Europe respectively with a cost of about US$20 billion per year. Inappropriate use represents about 50% of all antimicrobial consumption by humans, but may be as high as 90% in general practice. Comprehensive strategies to monitor and encourage rational use of

antimicrobials include interventions targeted at both the general public and clinicians, among others.

Pharmaceuticals constitute a major source of operational wastefulness. In OECD countries, pharmaceutical spending comprises between 6.7 and 30.2% of national healthcare budgets. Two irrefutable ways to tackle waste in pharmaceutical spending is through bulk purchasing and replacing originator with cheaper generic drugs.

Swapping originator for generic drugs holds tantalising price-saving possibilities, but requires changes in behaviour. Physicians can be nudged to prescribe cheaper generics with guidelines and incentives. In Greece, public hospitals are required to reach a 50% share of generics in total volume of administered pharmaceuticals, and in Japan pharmacists receive bonuses. Meanwhile, patients can be persuaded to use generics instead of originator drugs if the reimbursement for the former is higher or if, as in Greece and Ireland, people pay the difference in price.

Shifting from expensive biologic medicines used in highly-targeted therapies for cancer and rheumatoid arthritis, for example, to their cheaper biosimilar alternatives could yield even larger results: replacing eight key biologics with biosimilars in the US and five European countries could save more than €50 billion (US$54.5 billion) by the end of 2020, according to estimates from the IMS Institute for Healthcare.

What about governance?

Spending on administration comprises a rather modest share of overall health expenditure–only around 3% on average in OECD countries in 2014–but it is often perceived as a soft target when it comes to cutting clinical waste. There could be areas to look at though, for example reduction in unnecessary administrative systems or the growing use of paperless e-prescription.

Fighting fraud and corruption, which are all too prevalent in OECD healthcare systems, would also generate savings. According to one survey, around 35% of citizens in OECD European Union (EU) countries believe that "giving and taking of bribes and the abuse of power for personal gain is widespread" in health. Meanwhile, loss to fraud and error is estimated in a 2015 report at about 6% of related health expenditure on average. Several OECD countries have recouped millions if not billions thanks to fraud detection in their systems. Policymakers could take a stronger lead in reducing waste from these and other integrity violations, and promoting better practices in healthcare.

In short, the rule of thumb for policymakers is clear: encourage healthcare systems to stop doing the things that do not bring value, and swap for equivalent but less pricy alternatives. Targeted action with a surgeon's scalpel, rather than wielding an axe, would generate large savings and boost healthcare performance, too.

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