

Hospital reforms have changed transfer behaviour

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People with more complicated health conditions are being transferred from smaller regional hospitals to the larger tertiary hospitals less often since the health reforms of 2003, according to research from Massey University's School of Economics & Finance.

The research also finds tertiary and teaching hospitals are under-funded

for their level of expertise and workload.

Dr Somi Shin's doctoral research examines the impact of the [health system](#) reforms of 2003.

One aspect of her work looked at data around the transferral of patients between hospitals.

Dr Shin found that where smaller hospitals once routinely transferred the most complex cases to specialists at tertiary hospitals, since the system reforms that introduced the population-based funding formula smaller hospitals were more likely to keep their complex cases.

"What this means is that sicker patients are less likely to be transferred since the health system reform in 2003," says Dr Shin.

"We think that is because the new system gives non-tertiary district health boards incentives to keep patients in their districts to retain the funds. If you transfer patients, you have to pay the other provider for the treatment from the funds you received."

The research also found, however, that even though more complex cases were less likely to be transferred, the more fatal cases – that is, those people with higher mortality rates - were still transferred to the tertiary hospitals – "so non-tertiary district health boards seem to selectively treat severe but non-fatal cases".

Another aspect of Dr Shin's research was analysing data around the population-based funding formula, which provides lump sums to hospitals based on their population mix.

She found that the larger hospitals were being under-funded – not because fewer complex cases were being sent to them – but because the

population-based funding formula does not directly reimburse providers for the complexity or volume of cases they receive.

She found that some ethnic groups, such as Māori and Pacific people, used the health system in excess of their population share.

Population-based funding means some district health boards may find a disproportionate amount of their funding goes towards a smaller group within the population mix who use services more intensively. This means that in those cases, those hospitals were effectively under-funded.

Dr Shin's supervisor, Innovation and Economics professor Christoph Schumacher, said Dr Shin's was the first piece of research which showed larger hospitals are under-funded.

"By looking at a very large data set, there is sufficient evidence to show they do get penalised."

Provided by Massey University

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