



Transforming healthcare: Form follows Finance.

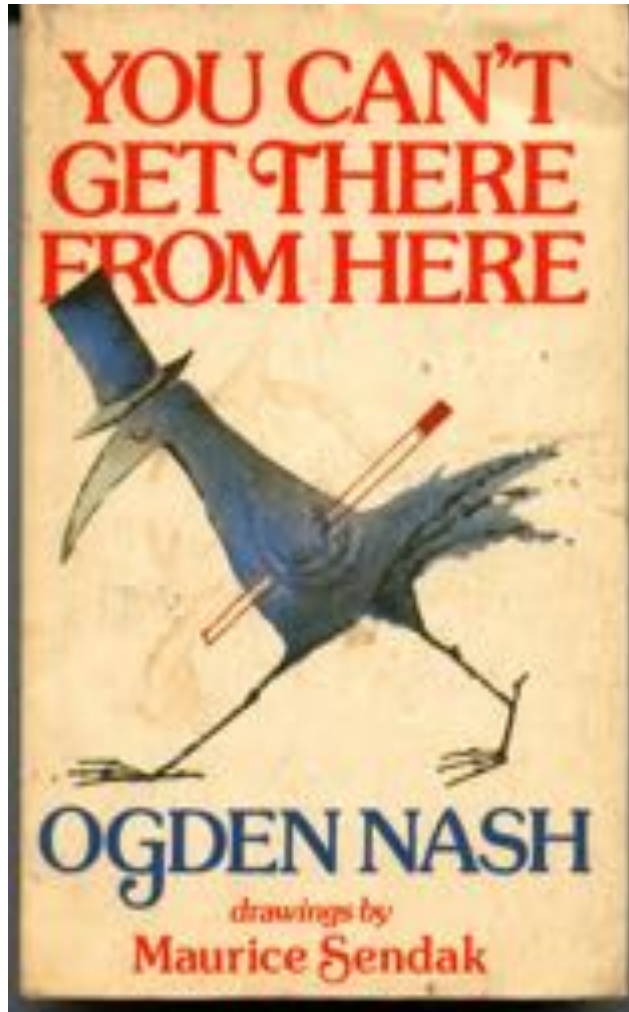
Rhonda Kerr

Principal Health Services Planner, Hames Sharley Architects,
Ph.D. Candidate in Health Economics, Curtin University, Western Australia
Director, Economics, Health Services and Planning, Guidelines and
Economists Network International (GENI)

Technology rich acute healthcare



Standards for effective hospitals



Clinically appropriate care

Efficient hospitals

Patient access



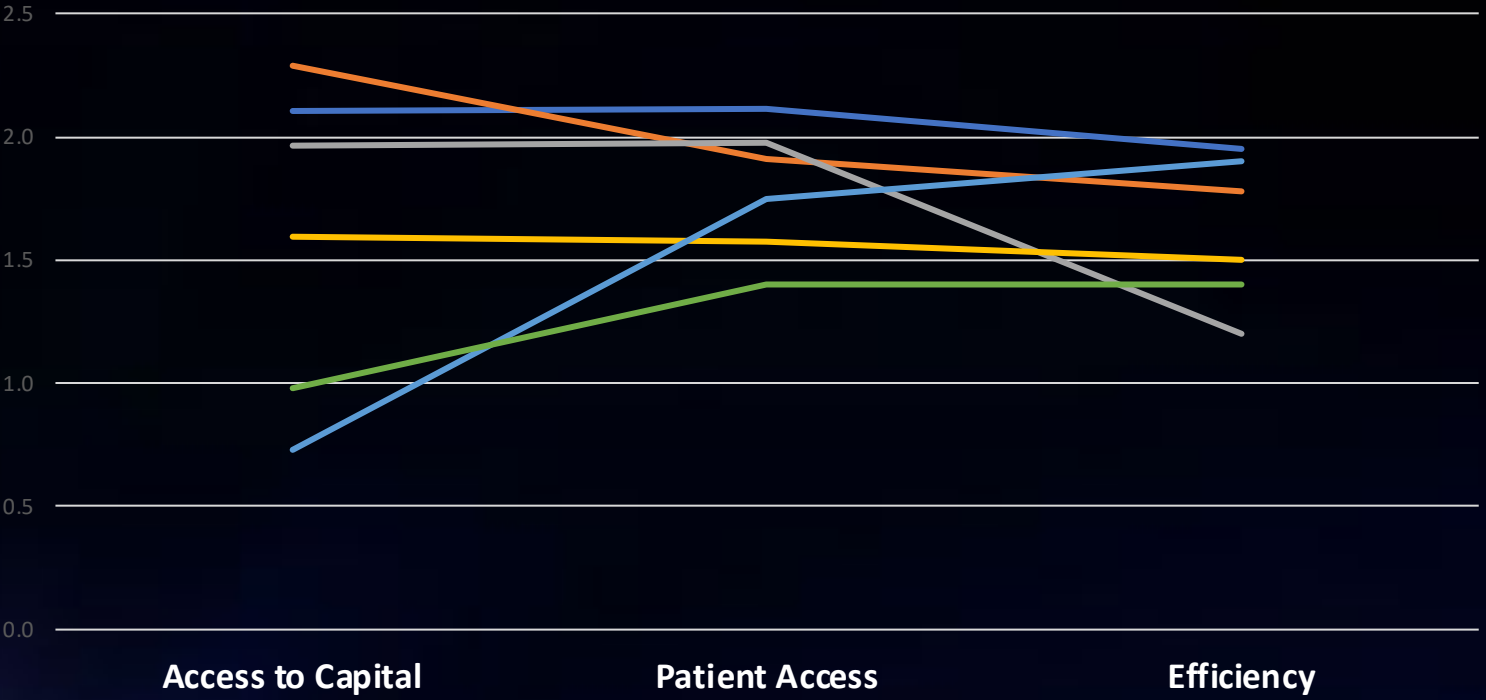
- Capital to fund patient access to efficient and appropriate acute clinical care
- Assessing the effectiveness of three systems of capital funding for hospitals
- Funding continuous improvement for acute care



Capital allocation systems

Most effective-Capital funding by diagnosis group

Least effective- private and private-public partnership funding for public hospitals



- Capital aligned to Diagnosis Group minus USA
- Capital aligned to Diagnosis Group including USA
- Government Subsidy
- Government Project Grants
- Private Public Partnerships
- Predominantly Private

Kerr, R. Hendrie, D.(2018) Is capital investment in Australian hospitals effectively funding patient access to efficient public hospital care? Australian Health Review Vol 42. Issue 5. Pages501-513

Three systems of
capital allocation
for public
hospitals

Capital costs approach

- Depreciation based
- Unaligned with
 - Allocative efficiency of capital resources
 - Productive efficiency of labour and capital
 - Dynamic efficiency for a sustainable future

Back of Royal Perth Hospital



My Health Record



Perth Childrens Hospital 2018



Curtin University

Australian system of capital allocation

8 States and Territories

Project-based hospital funding

Common system



You never
change things by fighting
the existing reality.

To change something,
build a new model
that makes the
existing model
obsolete.

R. Buckminster Fuller

A new model
to fund
capital for
acute care.



Guideline-based Clinical pathways

Defining :

- Areas
- Medical equipment
- Information & Communications Technology



Perth Children's Hospital

Aligning capital with clinical pathways for each diagnosis group

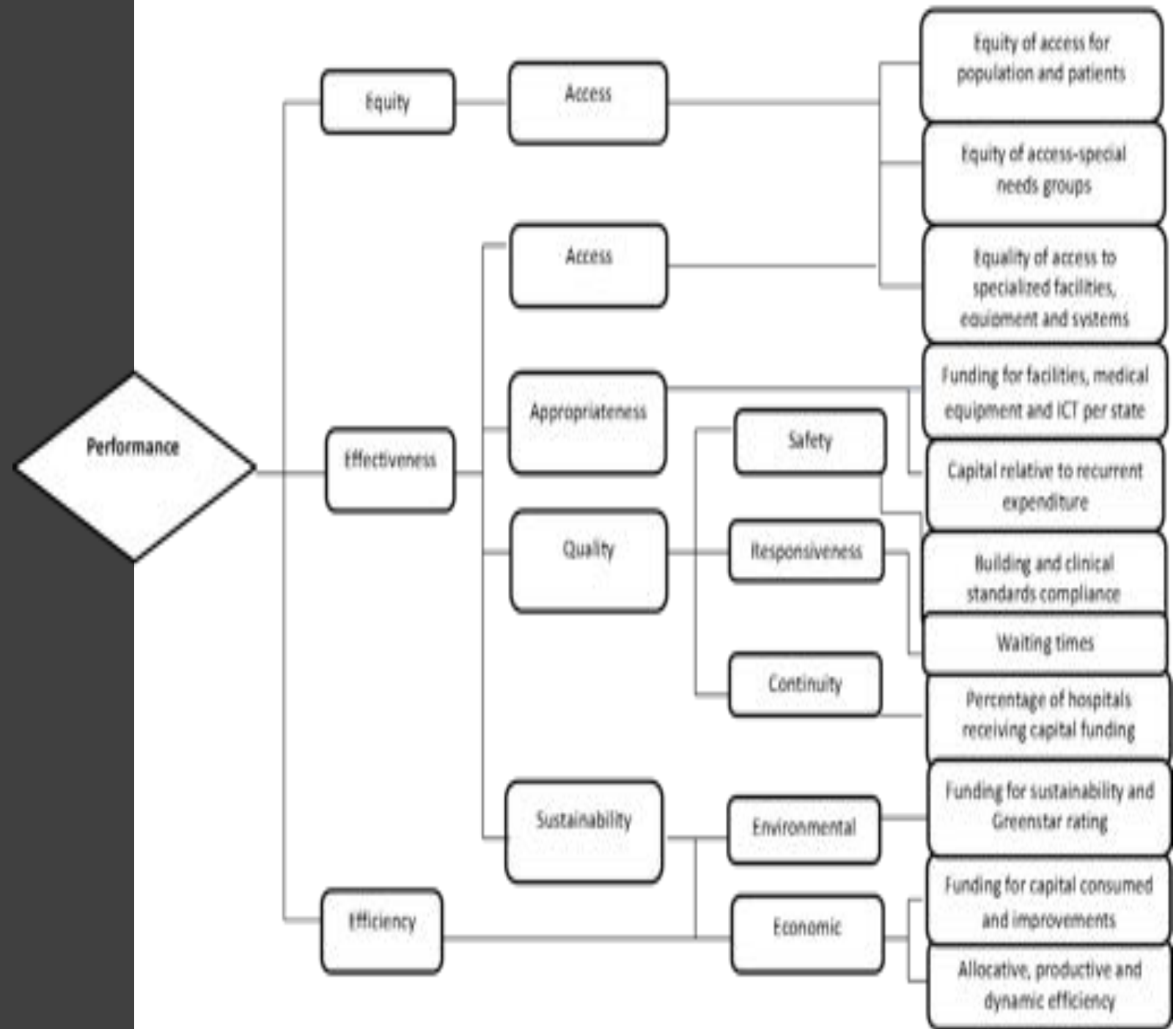


Fiona Stanley Hospital, Perth

- Directly required for patient care
 - Indirectly required in the hospital
- ↓
- Costing capital to the patient level

Evaluating three systems
for effectiveness,
efficiency and
equity

- Equity of Access
- Appropriateness
- Effectiveness
- Quality & safety
- Continuity
- Responsiveness
- Innovation
- Sustainability



Results

Score

Capital costs per patient met through a Depreciation-based system

7

Australian model of capital allocation (hospital project based)

2

New Model (patient- and diagnosis-based funding)

33



Effectiveness

1. Measuring capital expenditure as a percentage of recurrent expenditure
2. The rate of growth of capital invested compared to increases in recurrent costs.

Depreciation
Score = 0

Australian
Score = 0

Model
Score = 2



Efficiency

1. Measuring allocative efficiency, sustainability, productive efficiency,
2. Measures of dynamic efficiency, funding for innovation, asset replacement and the distribution of funding for evidence-based improvements.

Depreciation
Score =1

Australian
Score = 0

Model
Score =6



Equity

1. Measuring capital expenditure as a percentage of recurrent expenditure
2. The rate of growth of capital invested compared to increases in recurrent costs.

Depreciation
Score = 1

Australian
Score = 0

Model
Score = 7



Conflicting visions for funding future hospitals

Individual hospital or System-wide view

- Valuing capital as inert assets
- Productively significant
- Hospital by hospital





Form follows function or
form follows finance

The model:

- defines functions through clinical pathways
- funds specific patient care for facilities, medical equipment and ICT
- enhances efficient clinical care.





Valuing capital to fund a viable future





Thank you

rhonda.kerr@postgrad.curtin.edu.au

Rhonda Kerr
2019-2020