

Patient-Based Payment For Hospitals

May 3, 2010

Ontario will continue moving larger hospitals towards a patient-based funding payment model where hospitals are reimbursed based on the types and volumes of patients they treat.

The current hospital funding system in Ontario is primarily based on global budgets. Global budgets, introduced in 1969, are largely based on historical decisions, and do not directly reflect the quality of care, volumes or the types of services provided. The new patient-based payment system will build upon the success of Ontario Wait Time Strategy funding approach that clearly links funding with the services delivered.

Under the new patient-based payment system, there will be:

- Transparency in how much care should cost, based on clinical evidence;
- Clear expectations on the services to be provided by hospitals; and
- Funding that reflects the volumes and the quality of care that is delivered in hospitals.

The new funding system will be applied on April 1st 2011 to pay for care in hospitals and will not, in any way, be used to support for-profit delivery.

The Ministry of Health and Long-Term Care will be consulting with hospitals, LHINs and other relevant partners in the detailed design of the payment system. Among the issues to be considered is how to recognize hospitals with unique roles, such as academic health science centres, as well as those serving small and rural communities.

The ministry will use this input to inform development of a multi-year implementation plan for the new payment system.

Most developed countries (including the United States, England, all of Western Europe and Australia) have variations of patient-based payment systems in place. Using this system has led to improved access and decreased wait times, improved cost efficiency, improved quality of care, and increased patient choice where they receive care.