

4.2: Health care reform in OECD countries

Reducing costs, improving clinical and cost effectiveness, increasing public health, patient safety and patient responsiveness have been key issues for most OECD countries for more than two decades. Tactics and strategies to improve performance have drawn on economic, management and organisational theory as well as the results of experiments in many countries. The OECD have identified over twenty (at least) different areas where reform has or is being tried in order to tackle three broad performance concerns: Improving public health and clinical quality; Improving system responsiveness; and Improving efficiency and cost effectiveness.

Box 4.1 summarises the various reform strategies identified by the OECD; while not all of these are of relevance or applicability to the health and social care system in Northern Ireland, this list provides some structure in describing Northern Ireland's current performance management system and efforts to reform and modernise. It also illustrates the sheer range of possible reform tactics that could be considered in the Northern Ireland context.

Box 4.1: Reform strategies to improve performance

Improving public health and clinical quality

- Focused public health programmes
- New health care delivery arrangements
- Patient safety systems
- Public reporting of information on quality
- Targets and standards for improvement
- Technical assistance to improve quality and performance
- Aligning economic incentives with effectiveness incentives

Improving system responsiveness

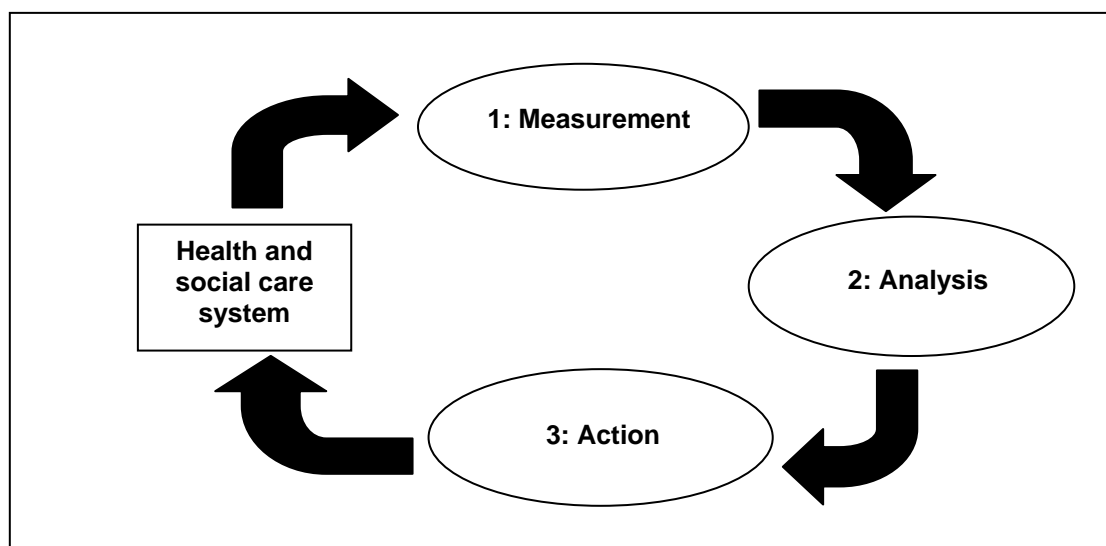
- Improving patients' rights to treatment
- Patient satisfaction and experience surveys
- Patient choice

Improving efficiency and cost effectiveness

- Control of wages and prices
- Budgetary caps
- Shifting costs to the private sector
- Shifting care to lower cost services within the system
- Incentives embodied in primary care provider payments
- Incentives embodied in secondary care provider payments
- Separation of purchasers and providers
- 'Earned autonomy' for providers
- Provider competition
- Assessing technological change
- Pharmaceutical regulation

Within the continuous performance management cycle (see figure 4.1), the majority of reform strategies pursued in OECD countries have focussed on the third performance management activity, *actions*. However, as noted later, of equal importance with respect to Northern Ireland are the prior stages of measurement and analysis (for example, key areas of performance are poorly described in official statistics and hence the reasons why changes in performance measures occur poorly understood).

Figure 4.1: The Performance Management Cycle



Drawing conclusions from the range of reform activity being pursued in OECD countries is difficult. However, some common strategies emerge which might be helpful in informing possible changes to the performance management system currently in operation in Northern Ireland:

- separate purchaser and provider functions,
- better align incentives with objectives through contracts,
- decentralise decision making,
- increase competition/contestability among providers
- benchmark performance against best-performing providers,
- use (carefully designed and run) output-related prospective payment systems

The OECD suggest that,

‘While the positive impact of such policies has most often been weakened by continued central control, tight spending limits and tighter supply constraints than elsewhere, these policies generally have been sustained, despite subsequent reforms in many countries.’¹¹²

But the OECD go on to caution that,

‘Experiments with competition among providers have been less successful and reforms have been reversed in those countries where they were

¹¹² OECD, *ibid*

introduced. Failures partly reflected tight supply conditions and monopoly positions of providers in local health-care markets and lack of sufficiently skilled purchasers. Positive results from competition probably require establishing market conditions conducive to competition, better purchasing capacity, and the information base needed to appropriately set and monitor contracts.'

Reform and modernisation are, then, the norm rather than the exception in health and social care systems around the world. While there are few definitive explanations for observed successes and failures in different countries' reform strategies, in the face of clear evidence that systems are not achieving the best results given resource levels and the particular economic, social and other circumstances in which they operate, doing nothing is not an option.

Next we review current arrangements for performance management in Northern Ireland and, with reference to some of the reform strategies pursued elsewhere, suggest possible options for change.