

LSE/NHS Confederation Seminar Series 2010

Hospital Financing in Germany: The G-DRG System

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European Observatory on Health Systems and Policies



1. Diagnosis Related Groups (DRGs): Introduction

- Options for hospital reimbursement
- DRGs: Patient classification + hospital payment

2. DRGs in Germany

- Three phases of introducing DRGs
- Current developments and options for the future

3. EuroDRG

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Options for hospital reimbursement (I)

Reimbursement	Strengths	Weaknesses
Global budgets	<ul style="list-style-type: none"> - cost containment - administratively simple - planning security for providers 	<ul style="list-style-type: none"> - no incentives for performance / productivity - no incentive Undertreatment - incentives to avoid sicker patients
Per diems	<ul style="list-style-type: none"> - administratively simple - somewhat related to resource consumption of patients 	<ul style="list-style-type: none"> - incentives to increase length of stay - few incentives for productivity - incentives to Inappropriate treatment

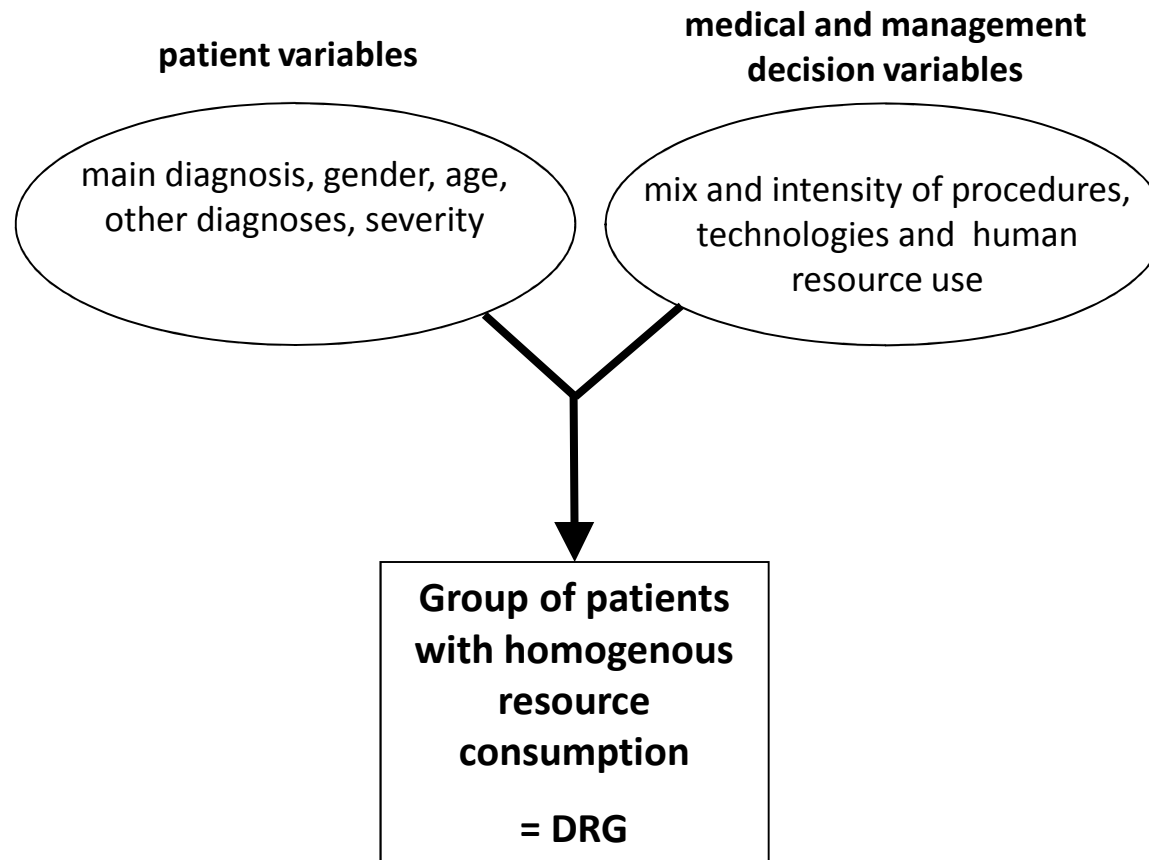
Options for hospital reimbursement (II)

Reimbursement	Strengths	Weaknesses
Global budgets	<ul style="list-style-type: none"> - cost containment - administratively simple - planning security for providers 	<ul style="list-style-type: none"> - no incentives for performance / productivity - no incentives - incentives to <p>Undertreatment</p>
Per diems	<ul style="list-style-type: none"> - administratively simple - somewhat related to resource consumption of patients 	<ul style="list-style-type: none"> - incentives to increase length of stay - usually not ad - incentives to <p>Inappropriate treatment</p>
Fee-for-service	<ul style="list-style-type: none"> - incentives to increase provision of services - incentives to provide all (necessary) care for all patients - allows incentivising specific services 	<ul style="list-style-type: none"> - incentives for overtreatment - no incentives for efficiency - cost inflation - administratively complex <p>Overtreatment</p>

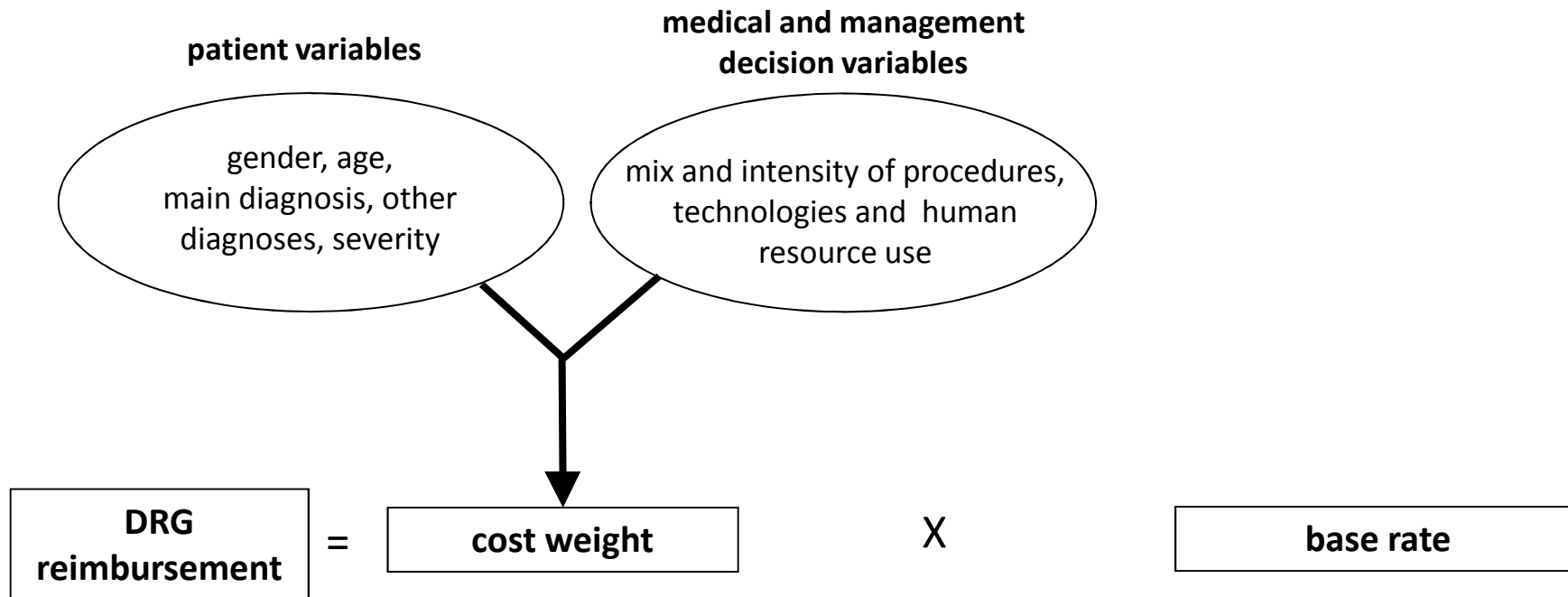
Options for hospital reimbursement (III)

Reimbursement	Strengths	Weaknesses
Global budgets	<ul style="list-style-type: none"> - cost containment - administratively simple - planning security for providers 	<ul style="list-style-type: none"> - no incentives for performance / productivity - no incentives for efficiency - incentives to avoid patients <p>Undertreatment</p>
Per diems	<ul style="list-style-type: none"> - administratively simple - somewhat related to resource consumption of patients 	<ul style="list-style-type: none"> - incentives to increase length of stay - usually not adapted to patient needs - incentives to avoid patients <p>Inappropriate treatment</p>
DRGs	<ul style="list-style-type: none"> - reimbursement is related to performance - incentives to increase efficiency 	<ul style="list-style-type: none"> - administratively complex - incentives to avoid sicker patients - undertreatment of patients possible - up/wrong-coding, gaming - tendency to increase admissions
Fee-for-service	<ul style="list-style-type: none"> - incentives to increase provision of services - incentives to provide all (necessary) care for all patients - allows incentivising specific services 	<ul style="list-style-type: none"> - incentives for overtreatment - no incentives for efficiency - cost inflation - administratively complex <p>Overtreatment</p>

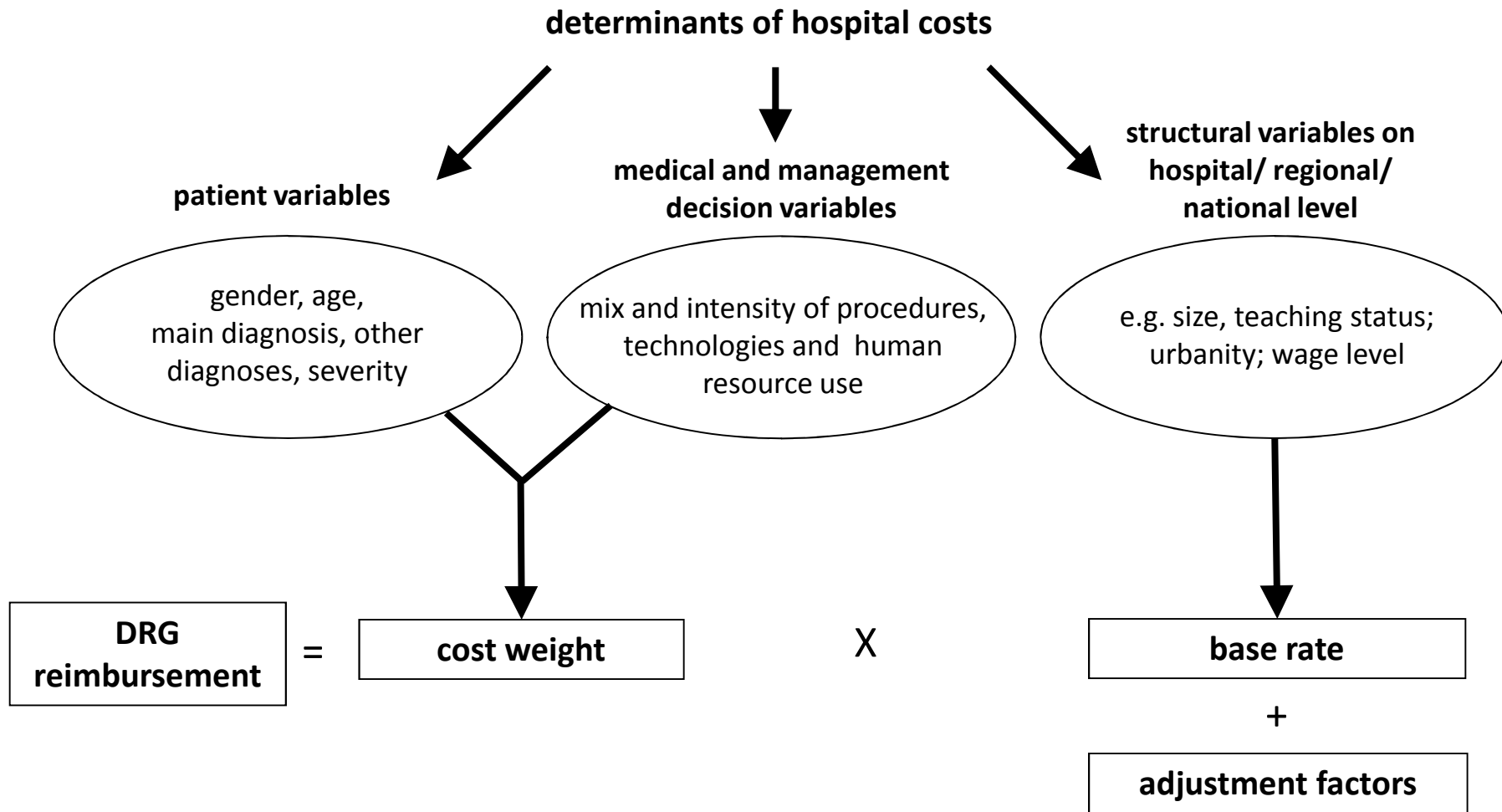
DRGs: 1st step = patient classification / grouping



DRGs 2nd step = Price setting (I)



DRGs 2nd step = Price setting (II)



1. Diagnosis Related Groups (DRGs): Introduction

- Options for hospital reimbursement
- DRGs: Patient classification + hospital payment

2. DRGs in Germany

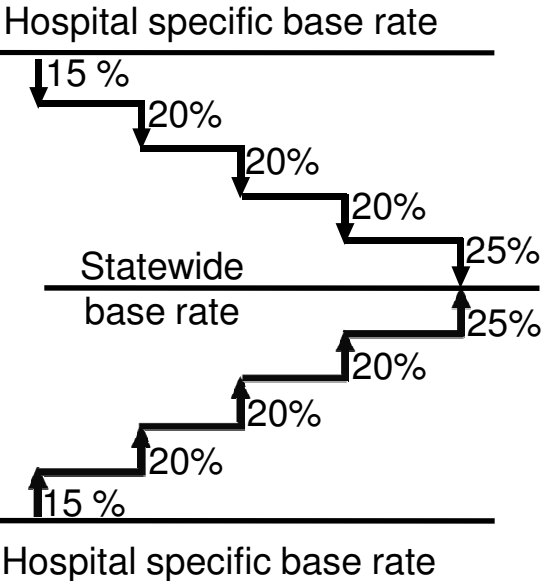
- Three phases of introducing DRGs
- Current developments and options for the future

3. EuroDRG

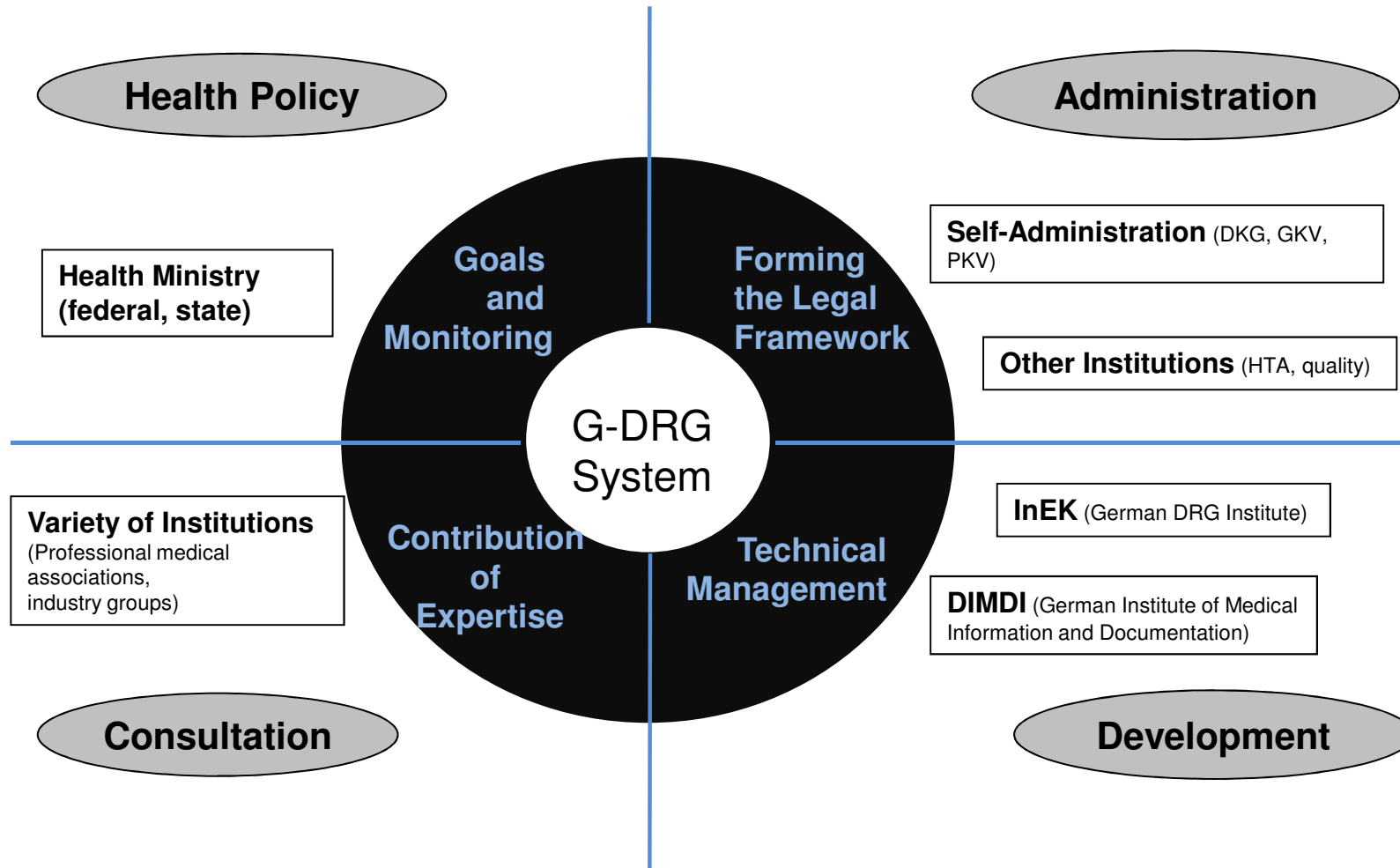
- Key figures (2008):
 - 2100 Hospitals (1780 reimbursed through DRGs)
 - 17 mio. inpatient cases
 - 57 bill. € financing sum

- Dualistic way of hospital financing
 - Sickness funds pay running costs
 - States pay investment costs

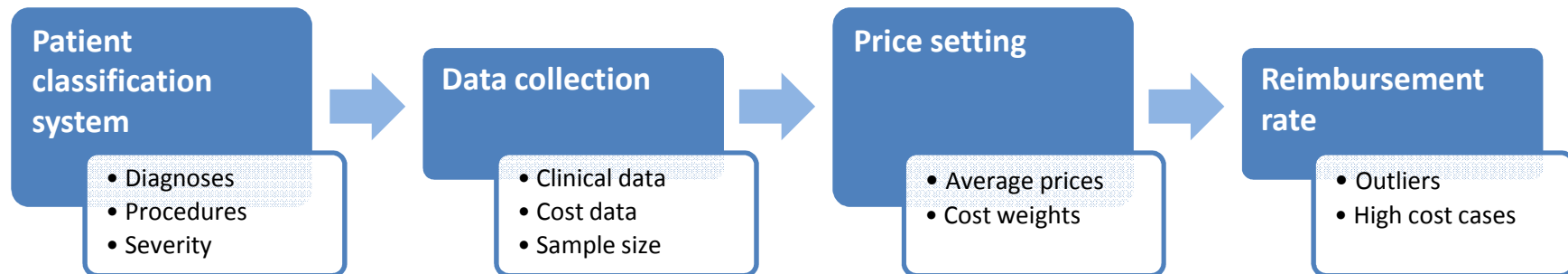
DRGs in Germany

	2000-2002	2003 - 2004	2005 - 2009	2010 - 2014	
1) Phase of preparation	2) Budget-neutral phase		3) Phase of convergence to state-wide base rates		
	<p>Historical Budget (2003)</p> <p>↓</p> <p>Transformation</p> <p>↓</p> <p>DRG-Budget (2004)</p>		 <p>Hospital specific base rate</p> <p>↓ 15 %</p> <p>↓ 20%</p> <p>↓ 20%</p> <p>↓ 20%</p> <p>↓ 25%</p> <p>Statewide base rate</p> <p>↑ 25%</p> <p>↑ 20%</p> <p>↑ 20%</p> <p>↑ 20%</p> <p>↑ 15 %</p> <p>Hospital specific base rate</p>		<p>4) Current developments and options for the future</p> <ul style="list-style-type: none"> • Nationwide base rate • Dual Financing or Monistic • Introduction of DRG-like reimbursement for psychiatric hospitals • Selective or uniform negotiations • Quality Assurance (adjustments)

1) Phase of preparation: Responsibilities



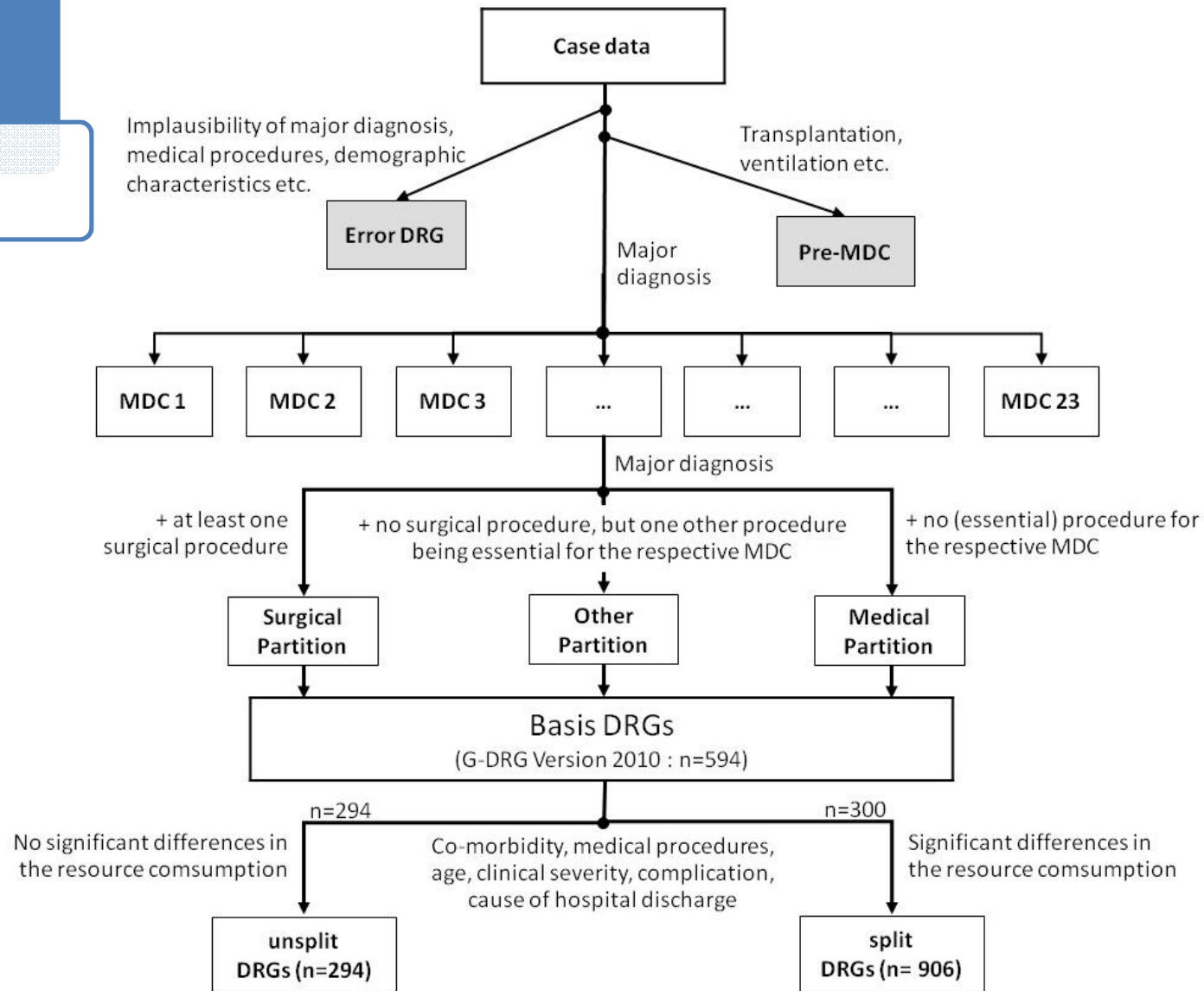
1) Phase of preparation: How to construct a system?



1) Phase of preparation: Patient Classification

Patient classification system

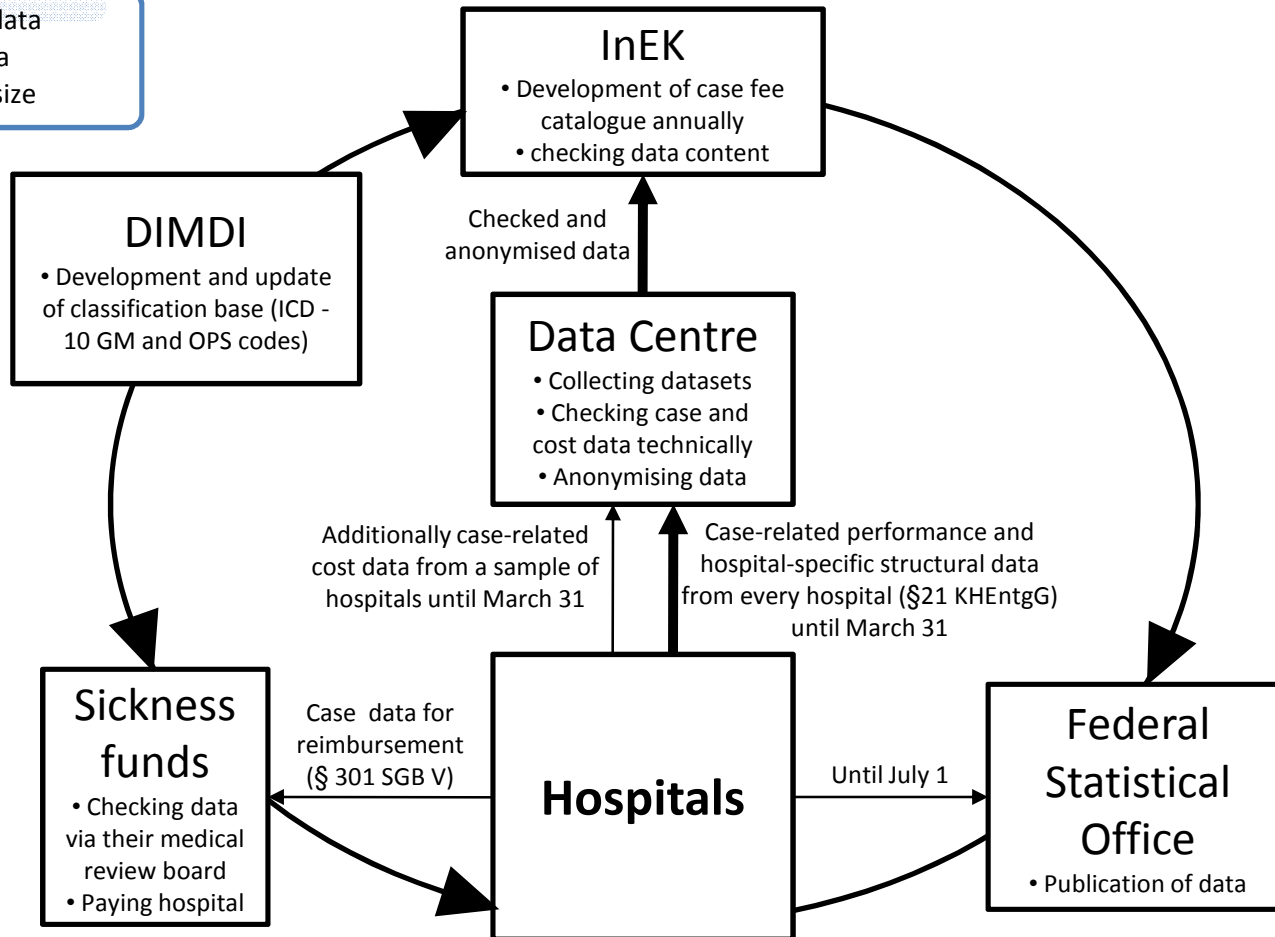
- Diagnoses
- Procedures
- Severity



1) Phase of preparation: Data collection

Data collection

- Clinical data
- Cost data
- Sample size



1) Phase of preparation: Price setting mechanism

Price setting

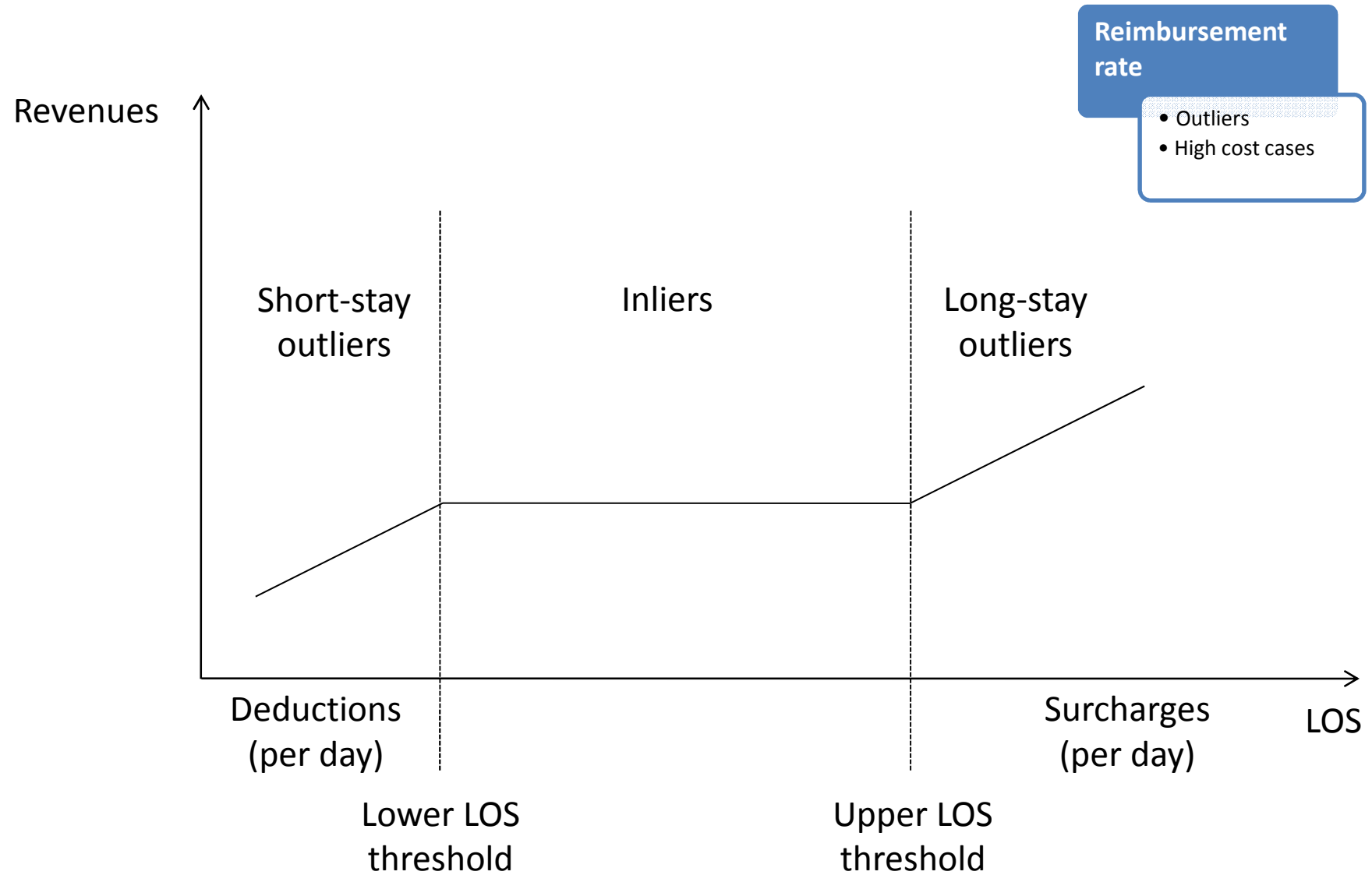
- Average prices
- Cost weights

- Calculation of cost weights: based on average costs of cases
- Data sample:

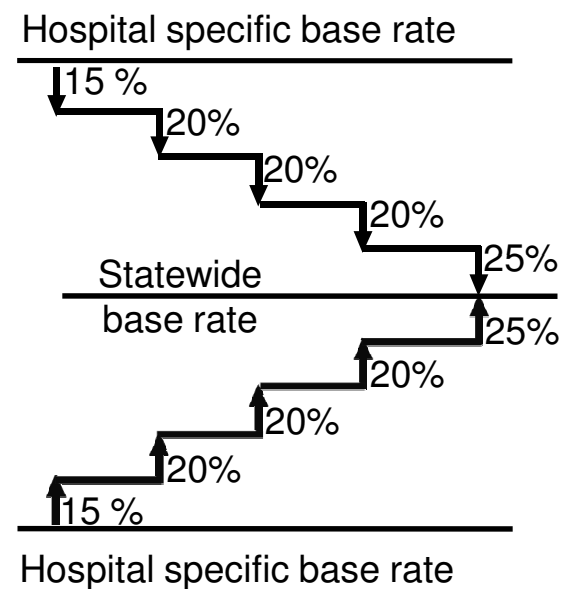
Year	2003	2005	2007	2009	2010
Hospitals participating in cost data collection	125	148	263	251	253
- excluded for data quality	9	0	38	33	28
- actual	116	148	225	218	225
- included university hospitals	0	10	10	10	10
- number of cases available for calculation	633,577	2,909,784	4,239,365	4,377,021	4,539,763
- number of cases used for calculation after data checks	494,325	2,283,874	2,863,115	3,075,378	3,257,497

→ Cost weight of each DRG = Average costs of DRG inliers / Reference Value

1) Phase of preparation: Reimbursement



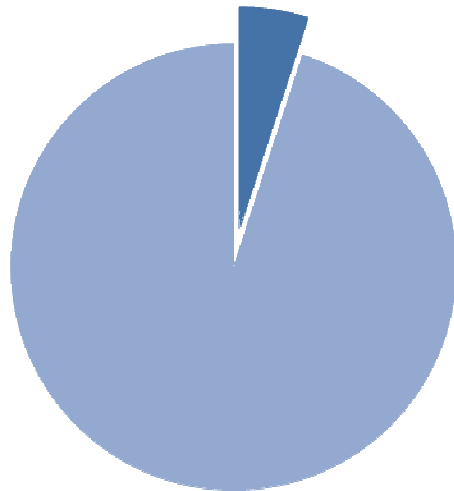
DRGs in Germany

	2000-2002	2003 - 2004	2005 - 2009	2010 - 2014
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2) Budget neutral phase: Transfer to DRG budgets

Hospital Budget 2002

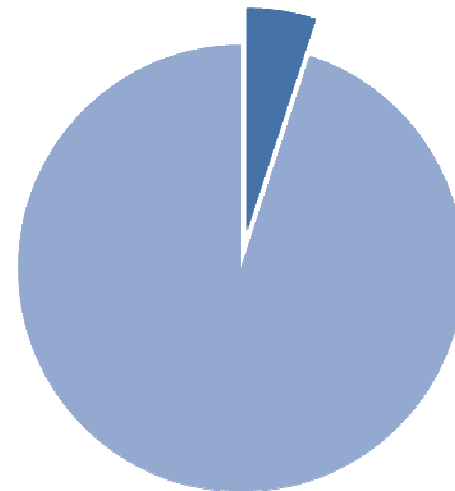
100 Million Euros



Reimbursement unit = per diem

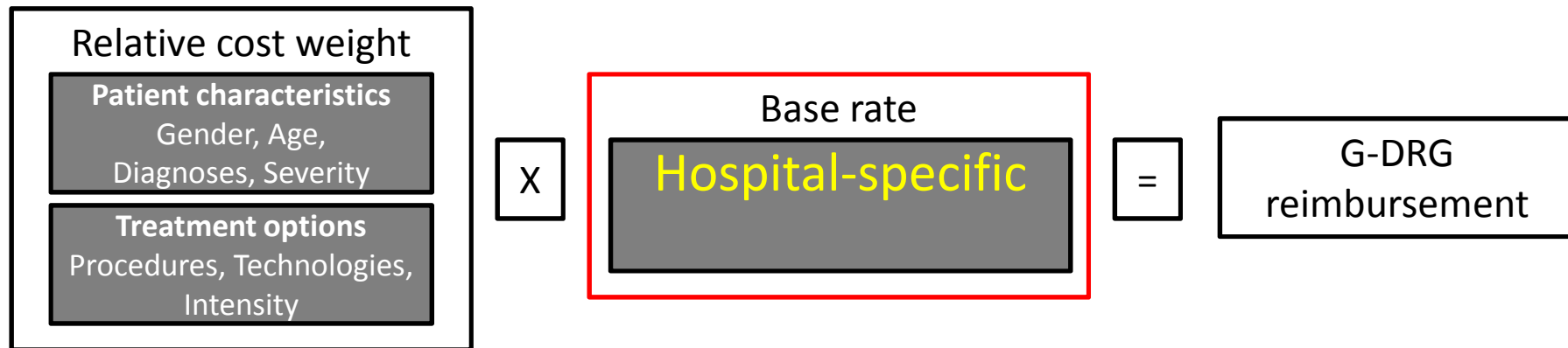
Hospital Budget 2004

100 Million Euros

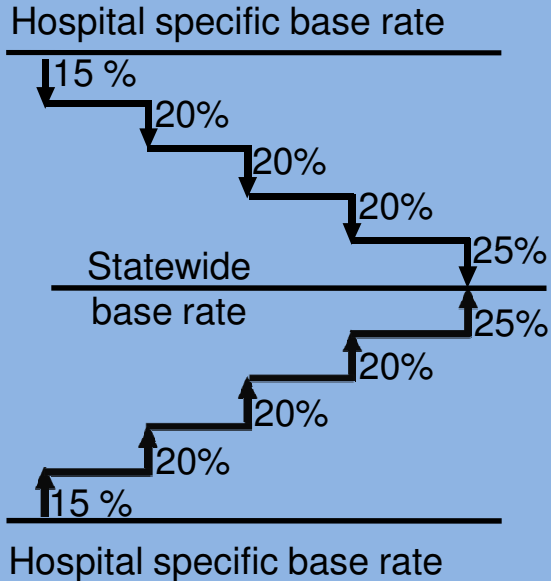


Reimbursement unit = case (DRG)

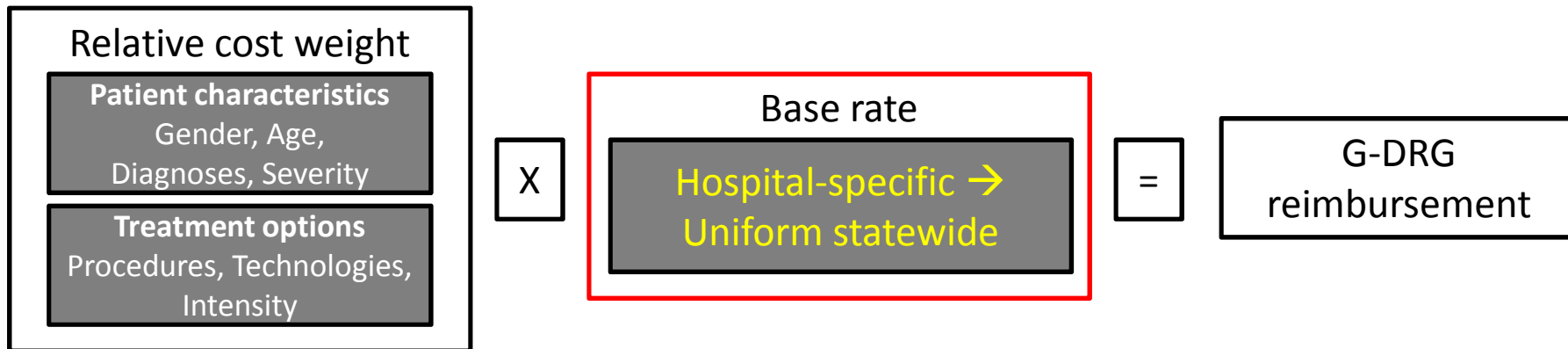
2) Budget neutral phase: Hospital-specific base rate



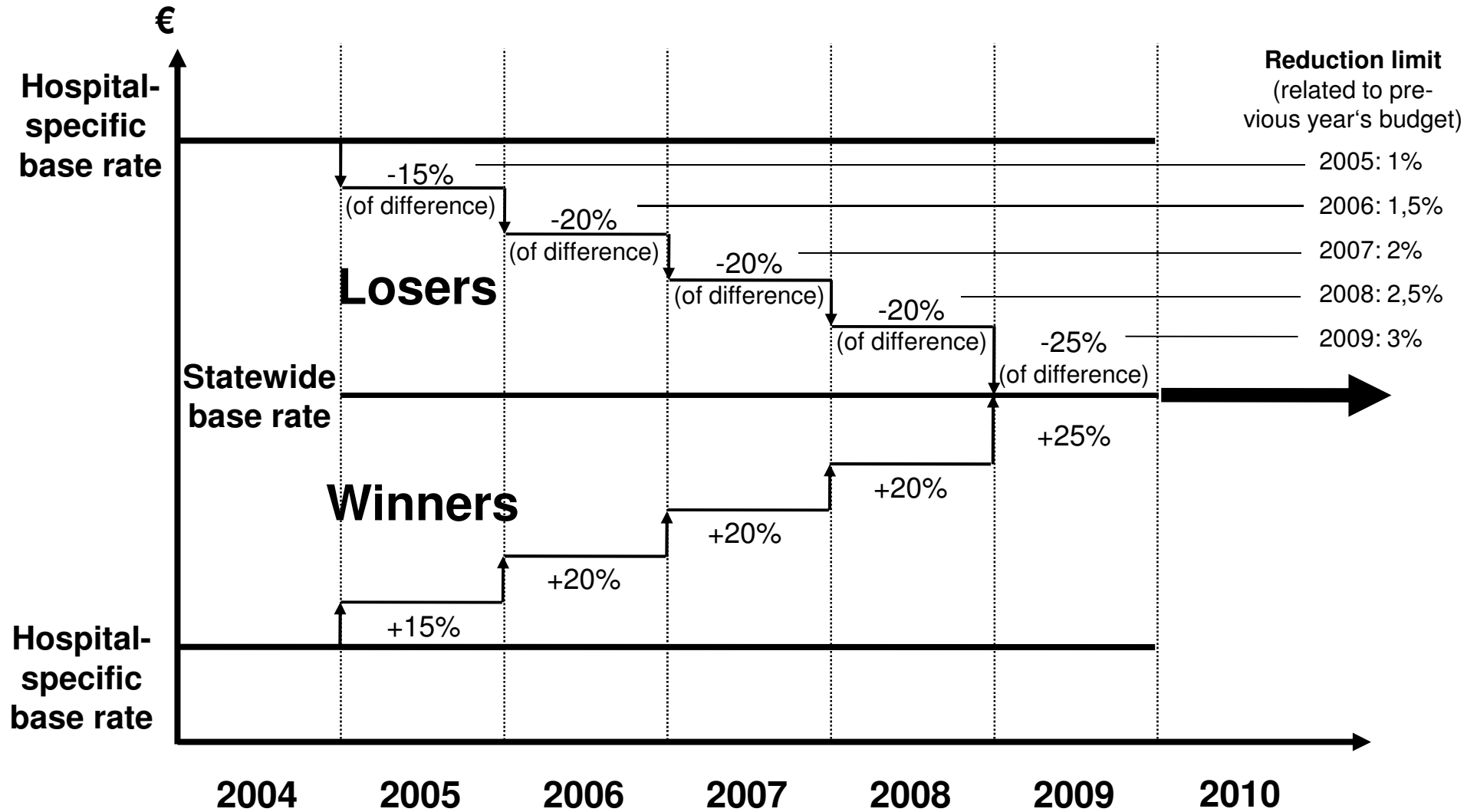
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3) Phase of convergence: Adaptation of base rate



3) Phase of convergence: Five year process



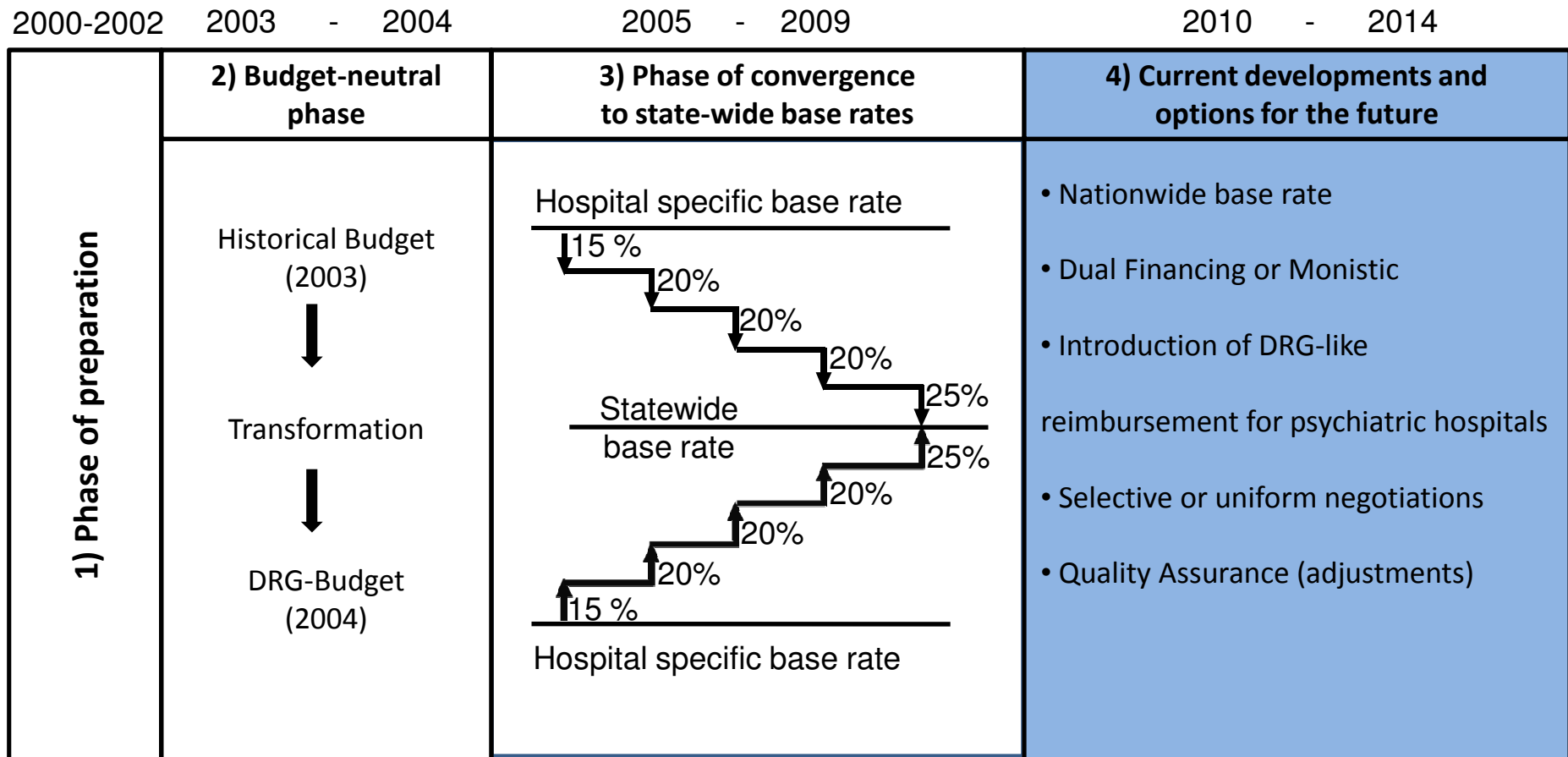
3) Phase of convergence: Changing cost weights

Relative cost weight

- Patient characteristics**
Gender, Age, Diagnoses, Severity
- Treatment options**
Procedures, Technologies, Intensity

Year	2003	2005	2007	2009	2010
DRGs total	664	878	1082	1192	1200
Inpatient DRGs total	664	878	1077	1187	1195
Range of cost weights: min.-max.(rounded)	0.12 - 29.71	0.12 - 57.63	0.11 - 64.90	0.12 - 78.47	0.13 - 73.76
Day care DRGs total	0	0	5	5	5
Supplementary fees	0	71	105	127	143

DRGs in Germany



1. Central role of self-governing bodies
2. Data driven system with annual updates
3. Detailed analysis of hospital costs
4. Ten-year process of introduction

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EuroDRG project

- EuroDRG: project partner institutions from 13 countries
- Book on DRGs in Europe
- Mapping of grouping algorithms
- Analyses of determinants of hospital costs



<http://www.eurodrg.eu/>

Thank you very much!