The introduction of DRGs in Germany as a reimbursement system

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Outline

• The current system of hospital financing and payment mechanisms
• The Health Care Reform Act 2000
• The Case Fees Act 2002
• The evolving system of DRG-regulation
Hospital Financing in Germany

• Since 1972: Dual hospital financing, i.e. investment costs are paid by the Länder and the running costs are paid mainly by SHI-funds

• Running costs are reimbursed via negotiated hospital budgets (with limits given by the Federal Ministry of Health)
Hospital Budget until 2003/2004

- Case fee
- Procedure fee:
  - Reduced departmental charge
  - Basic charge
- Departmental charge:
  - Basic charge

approx. 20% - 25%
approx. 80% - 75%
Health Care Reform Act 2000

• intends to introduce a fully-fledged case based payment system based on DRGs
• concrete development and introduction of this system to be done in complex interaction of state-regulation and the self-government
Requirements of the Health Care Reform Act 2000 for the new case based system

- introduction of a universal, performance-oriented and case-based reimbursement system (exception: psychiatry, psychosomatic and psychotherapeutic medicine)
- system has to reproduce complexities and co-morbidities
- practicability
Requirements of the Health Care Reform Act 2000 for the new case based system

- Delegation to self-government -

• The self-government has to agree upon an existing case based system based on DRGs
• This system must be already in operation
• Self-government must also agree how to further develop and maintain the system
• Deadline: 30th of June 2000 (i.e. within 6 months)
Agreement of the Self-government

- German DRG System will be based on the Australian AR-DRG (Version 4.1)
- a separate institute will be created (DRG-Institute) for the development and maintenance of the system
- however: for a specification of the regulatory framework an additional law was needed
Case Fees Act 2002

• was very disputed in the decision-making process. Most controversial was the question whether hospitals have to guarantee certain minimum volumes of services.
• regulates the general framework for the implementation of the system
• outlines the time schedule
Regulations of Case Fee Act - time schedule (I)

- Optional introduction of the new system for hospitals on 1\textsuperscript{st} January 2003
- Obligatory introduction for all hospitals on 1\textsuperscript{st} January 2004
- Budget-neutral phase between 2003 and 2004, i.e. budgets are calculated according to conventional methods and the price for a DRG results from the hospital specific budget
Regulations of Case Fee Act - time schedule (II)

• In 2005/2006, the base rates will be gradually adjusted towards uniform rates
• On 1\textsuperscript{st} January 2007 uniform rates for DRGs on Land level shall be established
• In the year 2007 a new law will be passed which will incorporate the experiences made so far
Hospital Income from 2003/2004

Case fees based on DRGs

- additional fees
- surcharges and discounts
- fees for new treatments and diagnosis
- DRG systems surcharge
- provisional payments in the years 2003/04
- additional payment if LOS is longer than the max. LOS in DRG-calculation
DRG-Institutions on the Federal Level

Regulatory Framework

Federal Ministry of Health/Parliament and Council

Adaptation and maintenance of the DRGs system, calculation of relative weights and surcharges and discounts
# Tasks of the Self-governments

| Federal Level                  | • definition and maintenance of the case fee system  
|                               | • calculation of relative weights  
|                               | • calculation of surcharges and discounts  
| Regional (Land)Level           | • Definition of the base rate  
| Local Level                   | • Special payments for new treatments and diagnosis  |