

"The spiralling down of technology- and DRG-reimbursement: how to stop?"

16 March - EHRA Summit - in Session 2
from 16:55 to 17:15

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Content

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- **Design, History and Future of the DRG system**
- **The driver tree model for profits in the DRG System**
- **A look in the different driver arms: classical actions**
- **Take home message: A good mix to prevent DRG spiralling down**

Background of the DRG Financing System

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- **How is the DRG-system designed?**
 - Every DRG has a relative cost weight (RCW)
 - The RCW is the average weight of a DRG relatively to the reference
 - RCWs are the same in a local DRG-system (AR-DRG, G-DRG etc.)
 - A yearly calculation is done by the INEK
 - Eg. In the Catalogue Germany 2013 there were 1.187 DRGs
 - The standardized RCW = 1

Revenue = DRG-RCW x Baserate

e.g. DRG: E36Z with RCW 7,959 and Baserate: 3.200,- Euro
Revenue: 3.200,- € x 7,959 = 25.468,80 Euro

Background of the DRG Financing System

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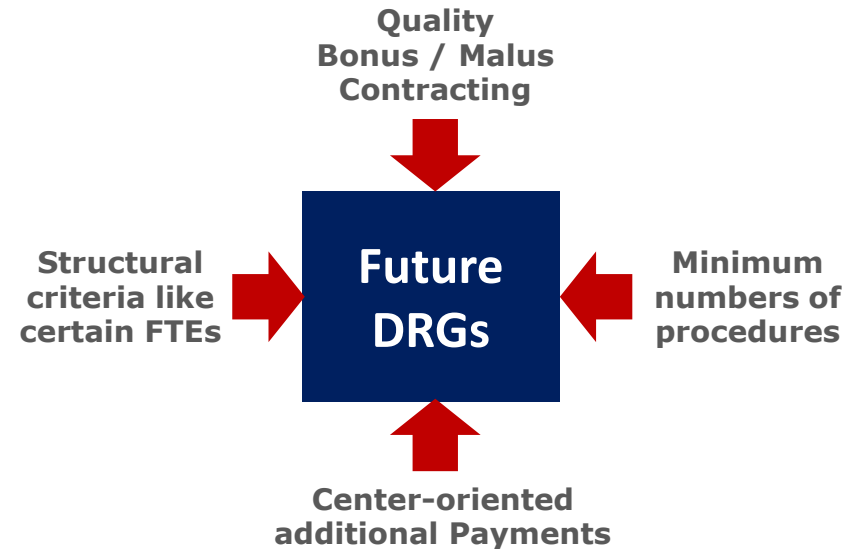
- **Targets, History and Maintenance of the DRGs System**

- In Germany switch in 2003 from a day based to a case-based reimbursement
- Impact on the duration of stay and overall efficiency
- More Transparency for the system over a „central intelligence“ collecting detailed information about the system and all cost factors
- Yearly update of the system with a 3-year process of new data (and innovation) influence

New components & changes in DRG 2017ff

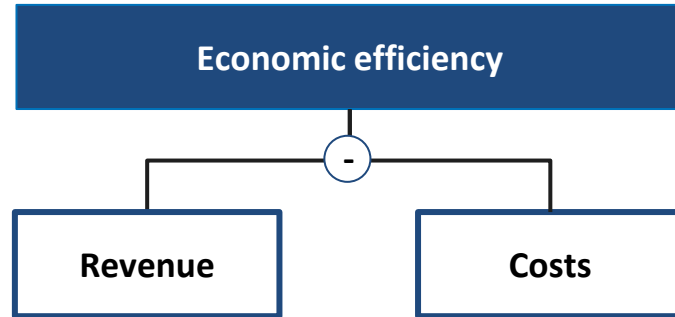
- **Different discussions are conducted in DRG context**

- Quality will get an additional criterium – long discussed but not very operational at the moment
- Center building and minimal procedure numbers are often topic
- More and More structural criteria find into the system and make a lot of trouble on cost side
- The Transparency of Costs is a further topic being pushed by payors

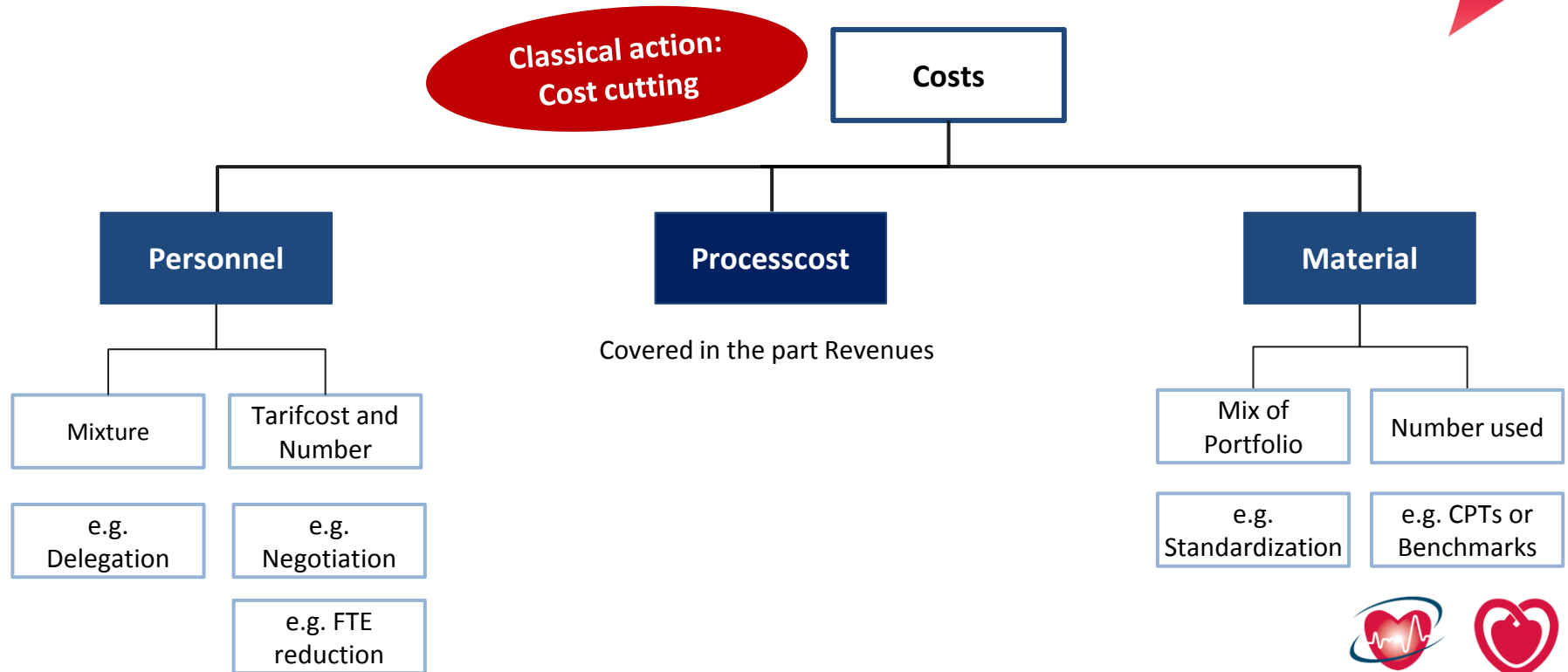


The typical driver tree in hospitals

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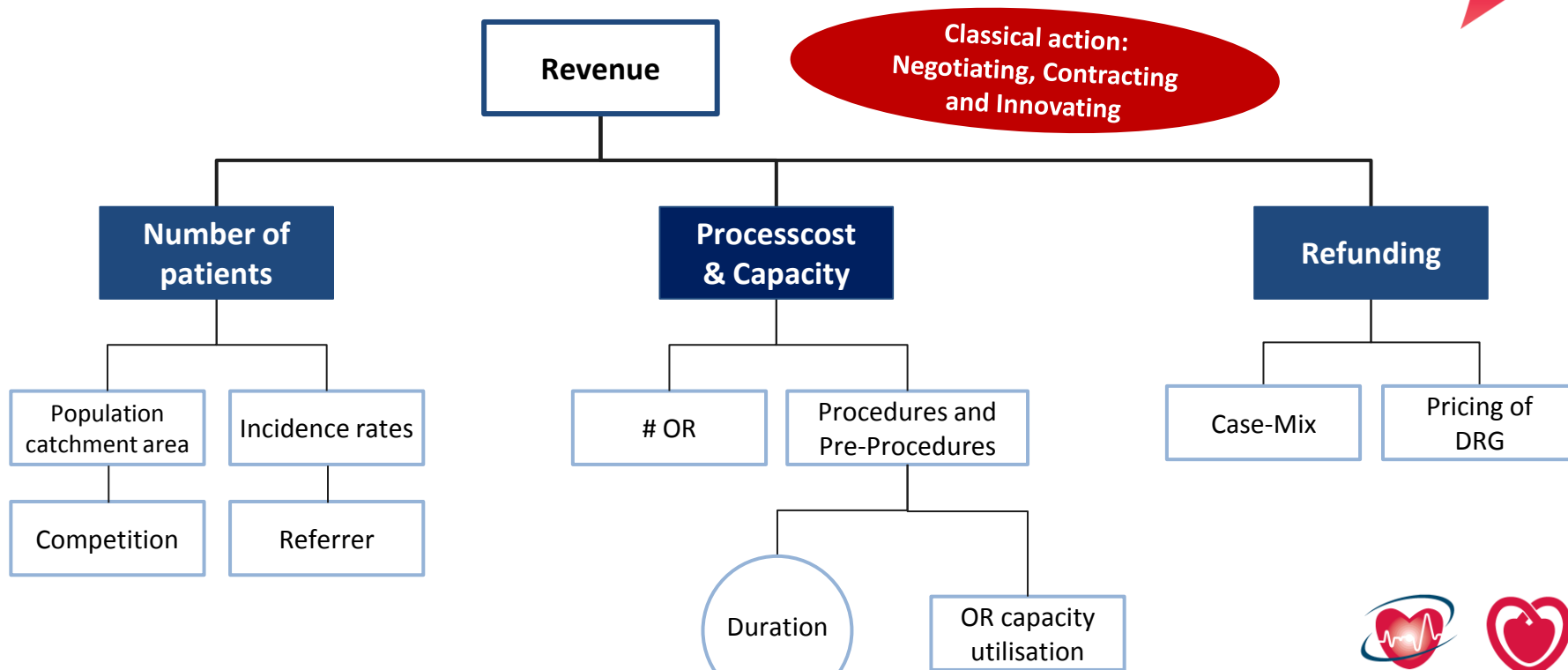


Costs are driven by 3 basic factors



Revenues are driven by 3 basic factors

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Technology is getting faster and faster ...

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The first CT prototype „calculates“
over 11,5 hours for one picture
in 1968



A CT- Scanner in 1975, only
Cranio-CTs per Layer 20 seconds



Modern CT with 320 slices in 0,4 Seconds

Technology is getting faster and faster ...

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First MRT experiments, ca. 1980,
15 minutes per picture



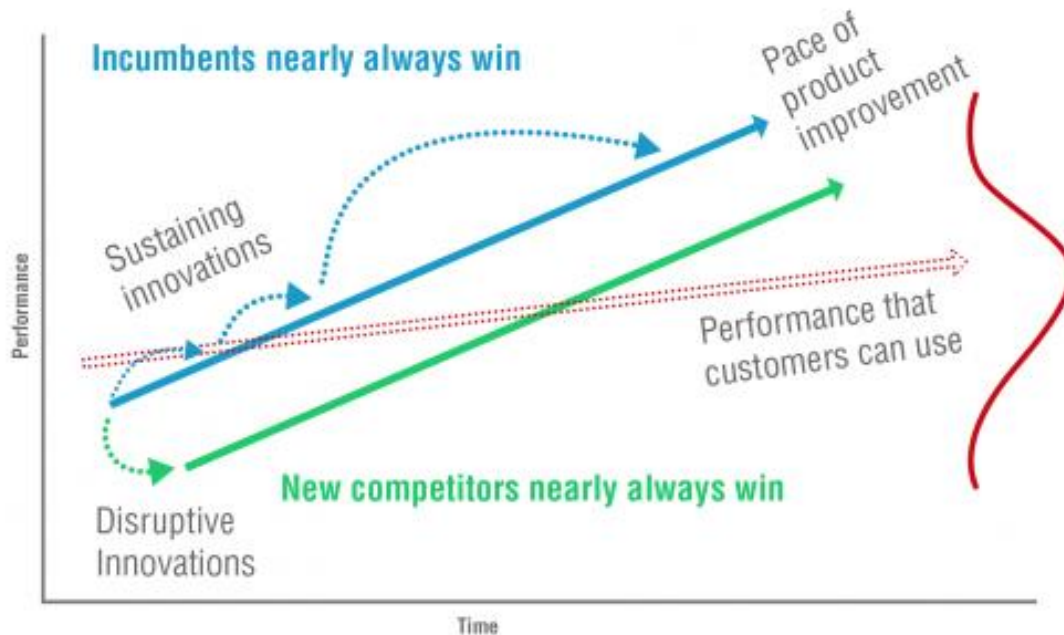
Today 20 pictures per second: Watch the
patient thinking, while MRT is generated ...



**Same-Process always faster? Dis-
ruptive Process Innovations are needed !**

The optimal mixture is a combination of sustaining innovations and disruptive ones

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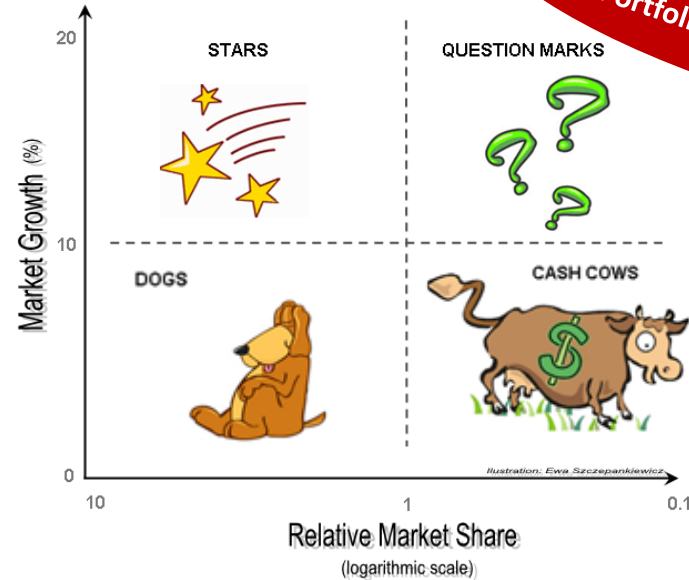
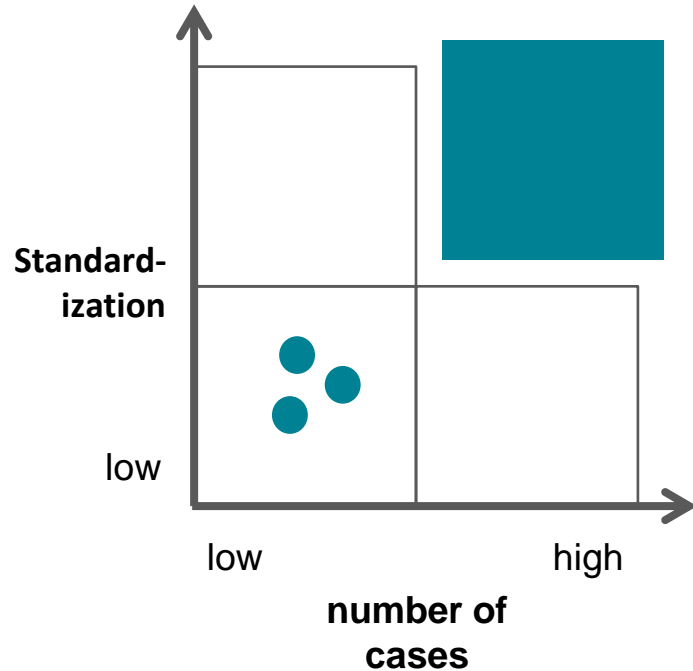


Classical action:
Disruptive Innovation

Source: Clayton Christensen, The Innovators Solution

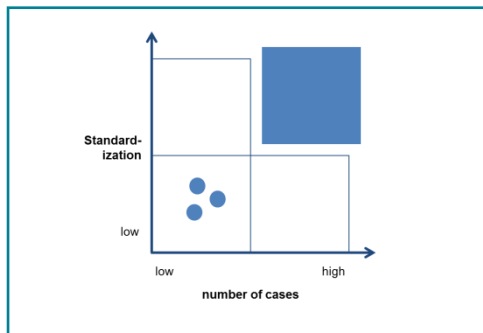
The optimal portfolio is a combination of bread and butter (cash cows) business and stars

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How to prevent spiralling down of the DRG system – a suggestion and take home message

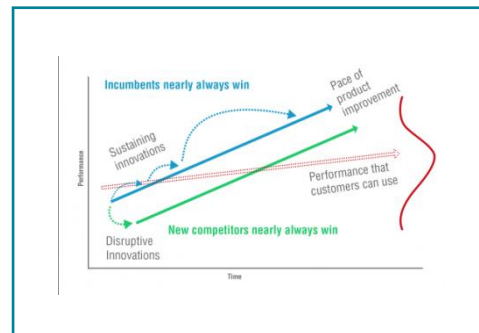
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Optimized and „Quality“
Portfolio of strong „Bread
& Butter“ and „Stars“



Political Influence
in shaping the DRG
Development



Keep Innovating in
a balanced setting
of disruptive & sustaining

Finding the right strategy to fight revenue portfolio spiralling down in DRG settings is an individual process with 3 columns to be considered. Only a balanced setting and continuous work will give success to this venture.