"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

- 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

• **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

• **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

Economic efficiency

- Revenue
- Costs
Costs are driven by 3 basic factors

Classical action: Cost cutting

Personnel
- Mixture
  - e.g. Delegation
- Tarifcost and Number
  - e.g. Negotiation
  - e.g. FTE reduction

Processcost

Material
- Mix of Portfolio
  - e.g. Standardization
- Number used
  - e.g. CPTs or Benchmarks

Covered in the part Revenues
Revenues are driven by 3 basic factors:

1. **Number of patients**
   - Population catchment area
   - Incidence rates
   - Competition
   - Referrer

2. **Processcost & Capacity**
   - # OR
   - Procedures and Pre-Procedures
   - Duration
   - OR capacity utilisation

3. **Refunding**
   - Case-Mix
   - Pricing of DRG

Classical action: Negotiating, Contracting and Innovating

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Technology is getting faster and faster ...

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 ...

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? Disruptive Process Innovations are needed!
The optimal mixture is a combination of sustaining innovations and disruptive ones.

Source: Clayton Christensen, The Innovators Solution
The optimal portfolio is a combination of bread and butter (cash cows) business and stars

Dr. Christian Elsner

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

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.

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