



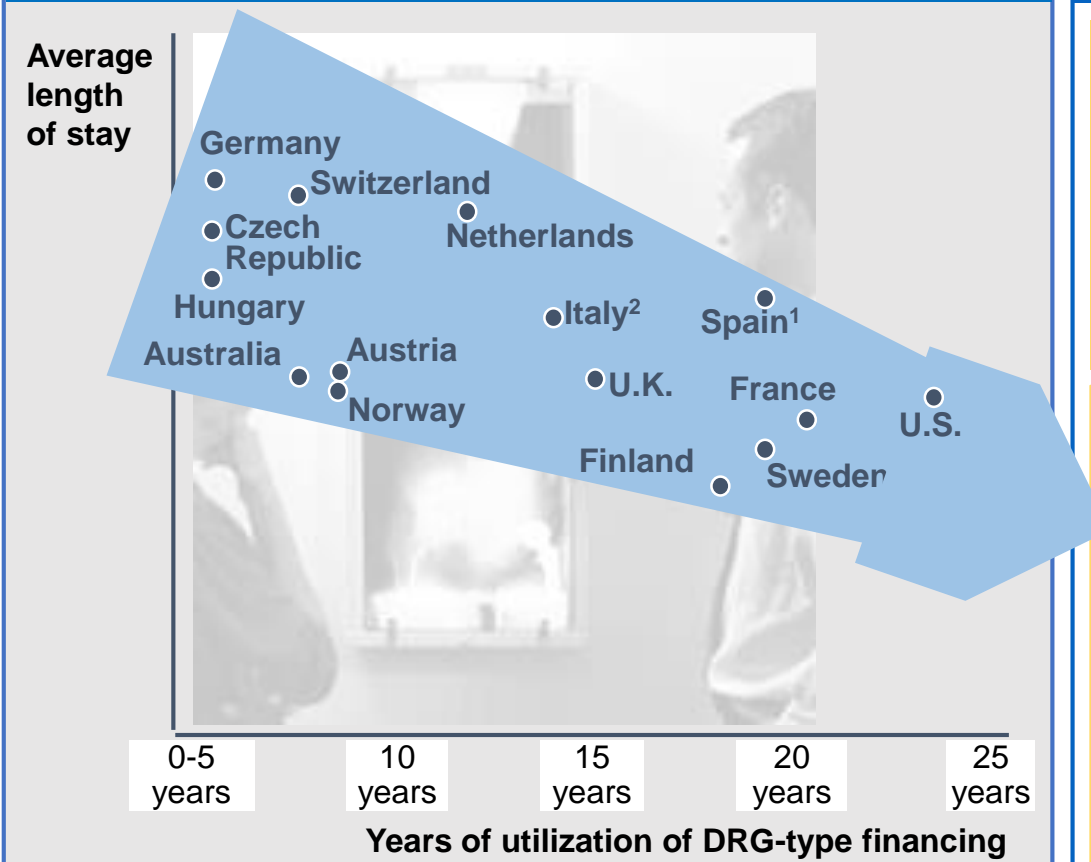
PM-JAY 3rd Anniversary

Next Steps: Hospital Payment

Diagnosis-Related-Groups (DRGs)

is the payment mechanism towards which most developed systems are converging

Case mix/activity-based payment systems have been introduced in many countries, including Eastern Europe



1 Length of stay in 1997

2 Length of stay in 1998

Benefits and drawbacks for implementing activity-based reimbursements

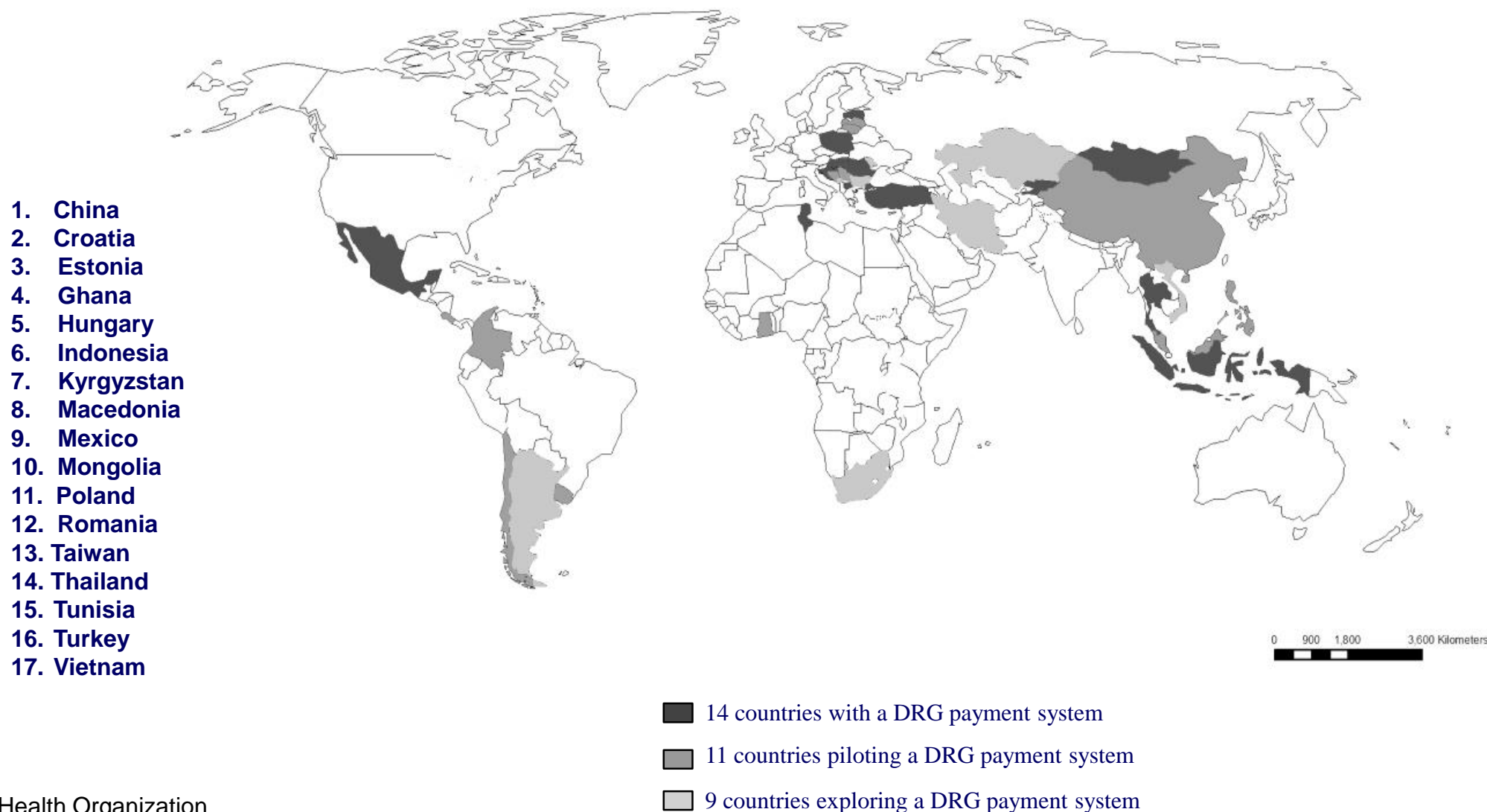
Benefits

- Technical Efficiency
- Facilitates **competition on Quality**
- Fairness: Improves **cost transparency** addresses **co-morbidities, complications**
- Improves **responsiveness to patient needs**

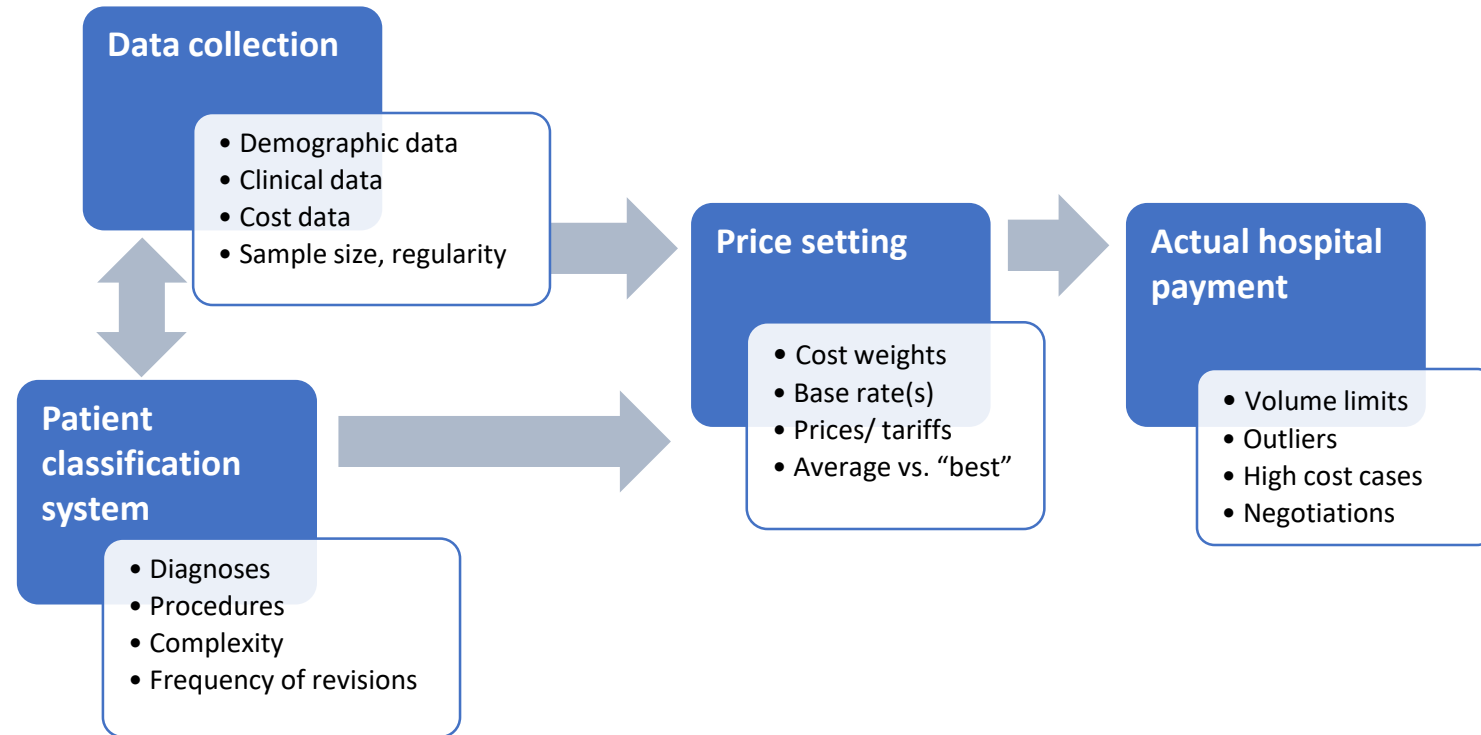
Draw-backs

- Increases **complexity in financial flows and data recording**
- Risk of significant **increase in costs** (due to increase in volume of activities) **if not properly implemented and controlled**
- **Leaves space for frauds** (e.g., up-coding)

Europe, North America, Australia...plus ...Emerging Economies



Diagnosis-Related Groups – Complex

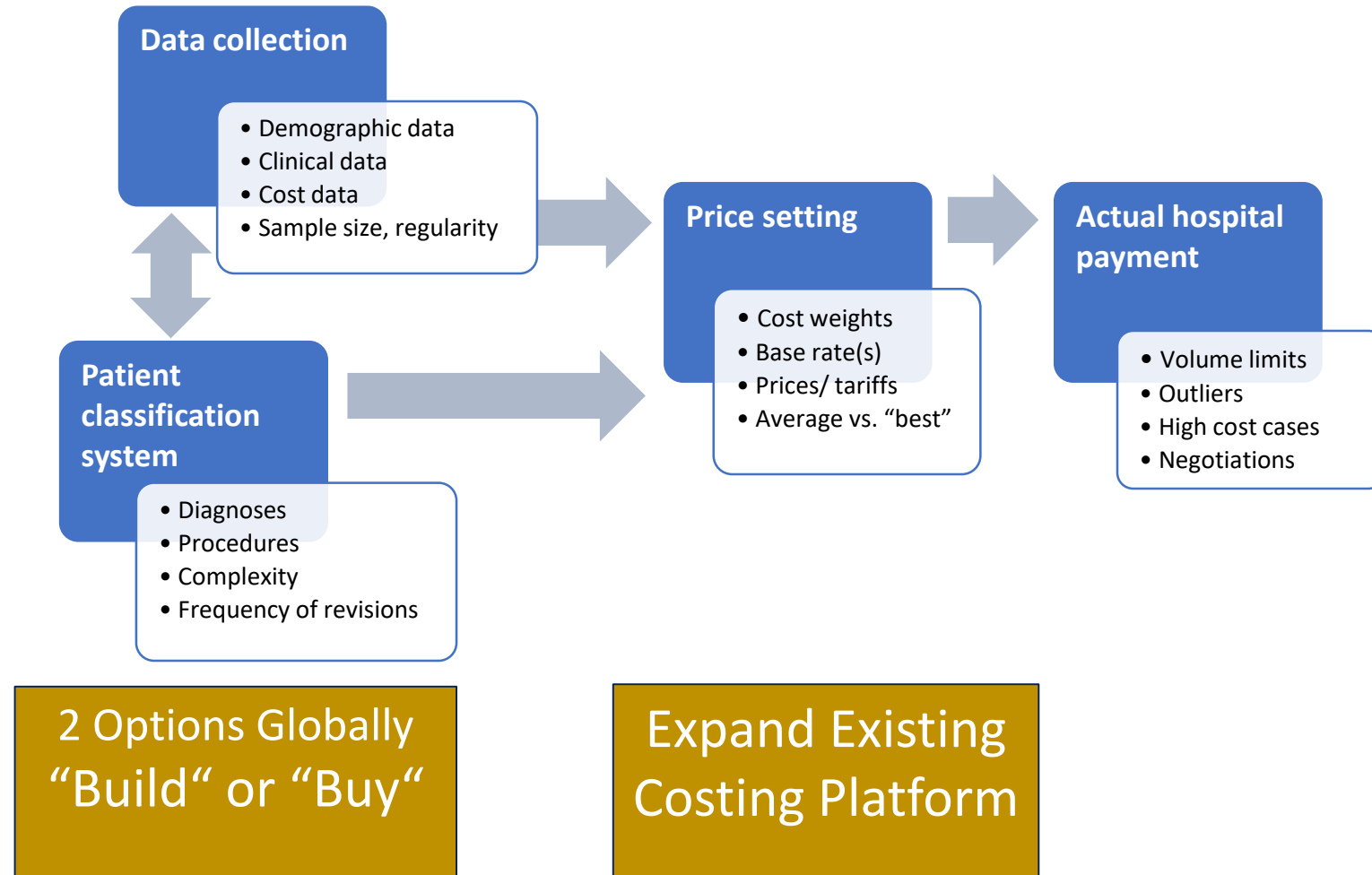


Broader Set of Clinical Data Needed: Classification Variables

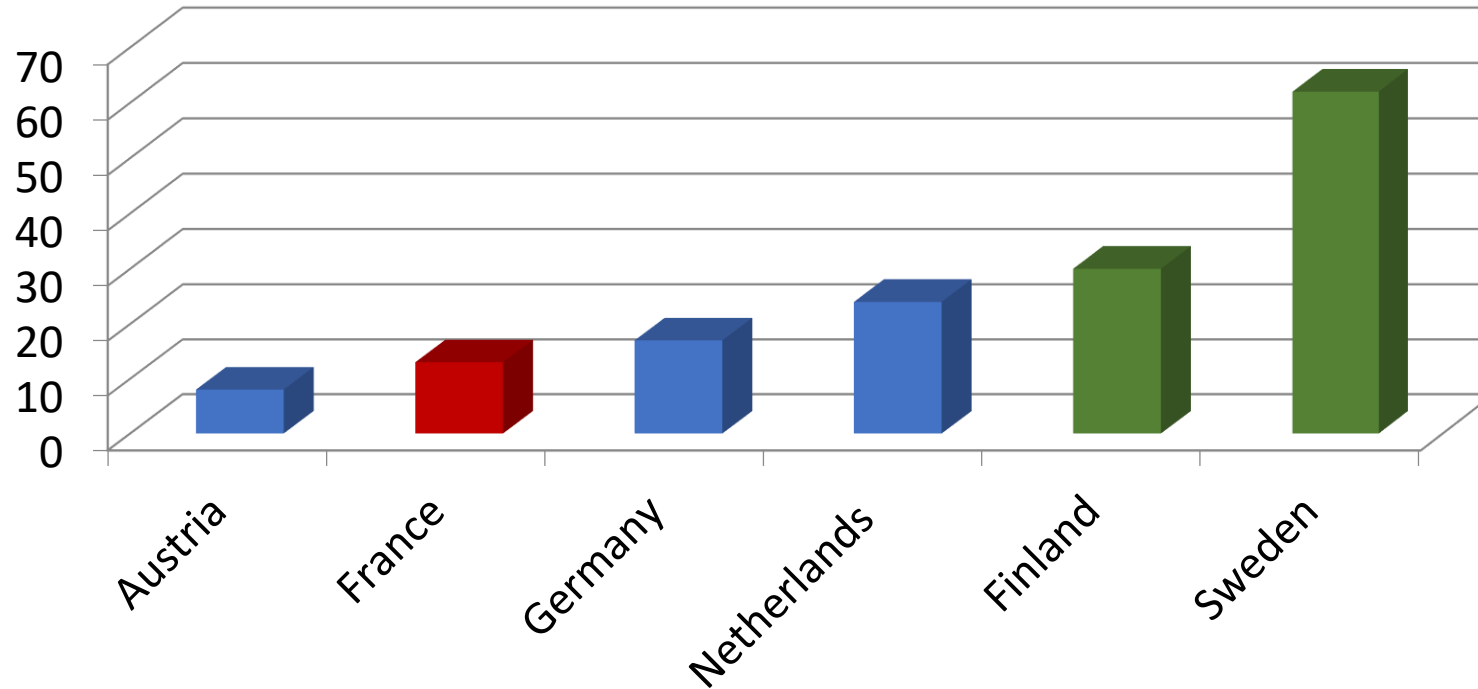
	AP-DRG	AR-DRG	G-DRG	GHM	NordDRG	HRG	JGP	LKF	DBC
Classification Variables									
<i>Patient characteristics</i>									
Age	X	X	X	X	X	X	X	X	-
Gender	-	-	-	-	X	-	-	-	-
Diagnoses	X	X	X	X	X	X	X	X	X
Neoplasms / Malignancy	X	X	X	-	-	-	-	-	-
Body Weight (Newborn)	X	X	X	X	-	-	-	-	-
Mental Health Legal Status	-	X	X	-	-	-	-	-	-
<i>Medical and management decision variables</i>									
Admission Type	-	-	-	-	-	X	X	-	-
Procedures	X	X	X	X	X	X	X	X	X
Mechanical Ventilation	-	-	X	X	-	-	-	-	-
Discharge Type	X	X	X	X	X	X	X	-	-
LOS / Same Day Status	-	X	X	X	X	X	X	-	-
<i>Structural characteristics</i>									
Setting (inpatient, outpatient, ICU etc.)	-	-	-	X	-	-	-	-	X
Stay at Specialist Departments	-	-	-	-	-	-	-	X	-
Medical Specialty	-	-	-	-	-	-	-	-	X
Demands for Care	-	-	-	-	-	-	-	-	X
Severity / Complexity Levels	3*	4	unlimited	5**	2	3	3	unlimited	-
Aggregate case complexity measure	-	PCCL	PCCL	x	-	-	-	-	-

PCCL = Patient Clinical Complexity level

Diagnosis-Related Groups – Complex



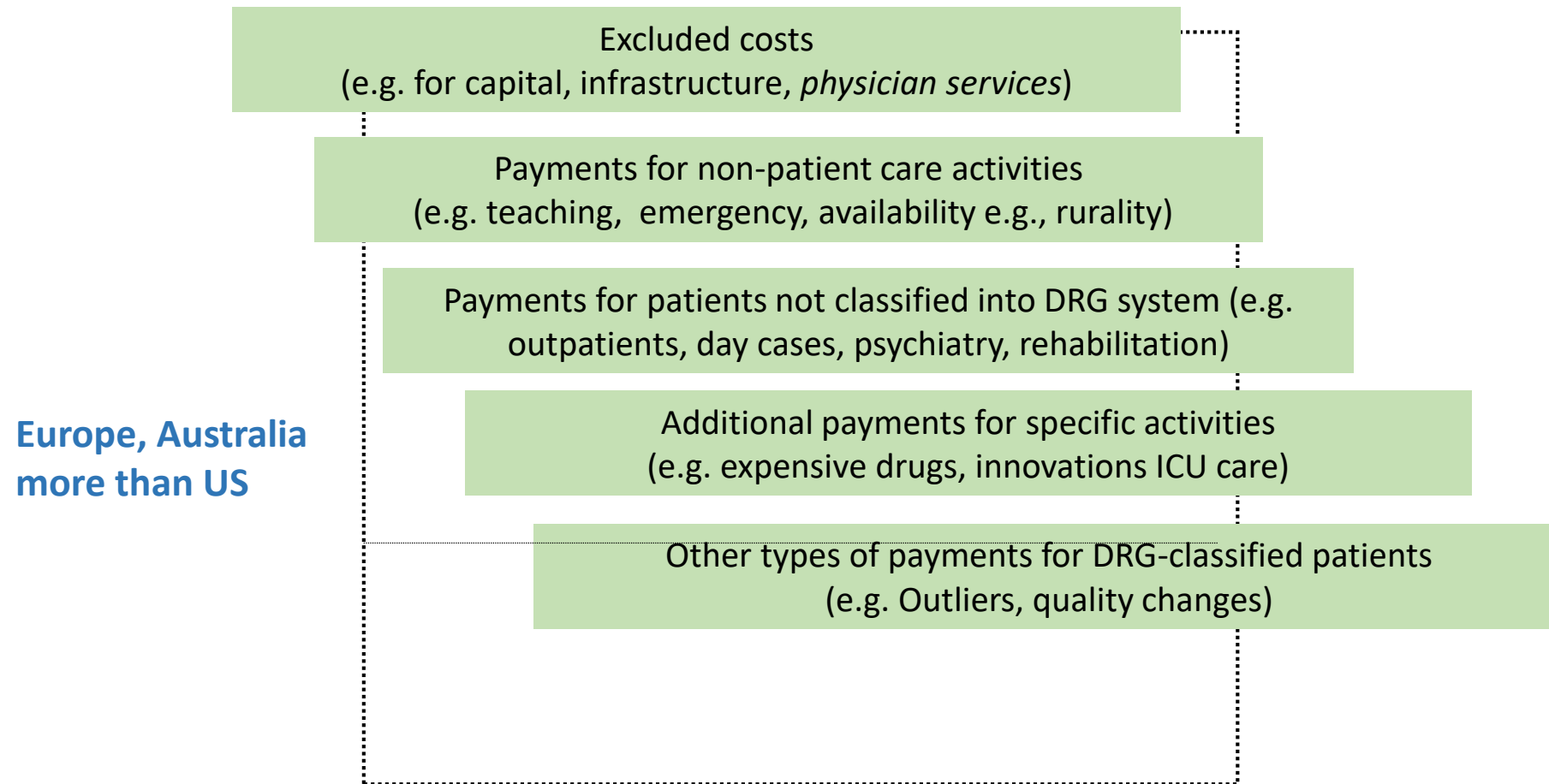
Percentage of Hospitals



How Many Facilities' Cost Data are Needed?

Note: Green = % admissions. Finland surveyed only 5 reference hospitals
Red = Top down costing; others used bottom up costing

Actual Payment: Exclusions, Exceptions, Adjustments



Getting Started, Next Steps

Collection of clinical data/Selection of
Software Grouper

Collection of costing data

Calculation of adjustments to relative weights
and national/state base rates

Development of a Phase-in Strategy

