Authors: Natascha Andres (KPMG Germany), Anna Wissel (KPMG Germany)

Title

Reforming the German hospital system: A paradigm shift in patient classification?

Introduction

For more than 20 years, the reimbursement system in Germany has been based on DRGs, hence one of the most essential datapoints for decision-making is case mix related data. Initially, the DRG system was introduced to increase standardization and comparability between different healthcare providers, as well as to reduce an unequal distribution of resources. Besides diagnoses and treatments, effort and cost data have been established and used as patient classification indicators.

Now, the healthcare system, especially in inpatient care, is facing major financial challenges, with the current reimbursement system being one particular point of criticism. In response, the German Minister of Health announced a multi-dimensional hospital reform plan, which includes the discontinuation of the DRG-based remuneration system. In the future, 60% of funds should be allocated by quality-driven medical service groups using defined budgets, while only the remaining 40% of funds should be financed using the existing DRG-based fee.

So far, DRG's are aiming for a certain level of standardization and comparability regarding financial aspects. This financial homogeneity is not necessarily the aim while developing and using medical service groups. Rather, medical service groups aim to cluster services which are homogenous from a quality perspective. Quality criteria for medical service groups could be personal requirements, required infrastructure or the level of complexity of the involved diagnostic and therapeutic components and are therefore not in line with the financially driven patient classification criteria of the currently in use DRG's. With this change in the remuneration system, there will also be a significant shift in patient classification and its methodologies.

Discussion

Implementing different quality-driven medical service groups is likely to lead to a pyramidal hierarchy of service groups. Higher levels in such a pyramid will involve a higher level of complexity and will therefore require specialization in areas such as training and medical equipment. This will be reflected in different service levels for healthcare providers. Using this effect, medical service groups aim to increase the overall quality of service provision. However, this requires an additional level of (patient) classification that does not currently exist. It is currently unclear how this additional level will be established, which means that this hospital reform is leading to unanswered questions for individual hospitals and the German healthcare system in general such as:

1. Which methods that can be used to define quality-related patient classification indicators? In what ways can existing case mix data be used as a patient classification indicator?

2. Are quality-related indicators suitable to replace or enhance case mix data when it comes to managing hospital cost? How can quality-related indicators be used in conjunction with case mix data to improve the management of hospital expenditures?

3. To what extent will quality-based reimbursement influence the overall healthcare expenditure for inpatient services in Germany? Which factors will determine the impact of quality-based reimbursement on healthcare expenditures, and how can these factors be managed to ensure the most effective use of healthcare funds?