
Easter Newsletter 2022



HEALTHCARE HEADS

MARKET ACCESS NAVIGATORS

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Easter Letter

At the moment, we are experiencing very turbulent times. This becomes apparent in the global Corona pandemic and the Ukraine war with their worldwide effects as well as in exceptional situations on the local level such as the flood in the Ahr valley which we witnessed last summer. This situation can be described as VUCA world, standing for its characteristics volatile, uncertain, complex and ambiguous.

We can see these characteristics in the healthcare system and the funding of hospitals, too. It is clear that hospital funding will change. How it will change is the big question now.

With our Easter letter we want to give some orientation on the following topics:

- The DRG Forum 2022
- Structural reform of German hospitals
- Shift to more out-patient treatment
- Hybrid-DRGs
- DRG calculation
- Current market figures
- Other developments.

The DRG-Forum 2022

The "DRG Forum 2022" took place in Berlin at the end of March 2022. Since the introduction of the DRG-system for hospital financing, this event was held once a year. Approximately 1,500 representatives from politics and self-administration arrive to discuss current challenges of hospital financing and how they can be solved with managing directors and medical controllers of hospitals and health insurance companies.

For us at Healthcare Heads, the event has established itself as an important indicator. If all participants agree on certain topics, we believe we can predict with a high degree of certainty that this topic will be implemented in the future. From this we derive our prediction for future changes:

Structural reform of German hospitals:

The structural reform of German hospitals has been called for for some time, and now it seems it will actually be realised. The core issue is that we do not need (about) 1,900 hospitals in Germany to provide high quality care. Maintaining this structure costs too much money. Which hospitals are not needed or which structural features can be used to identify hospitals that are relevant for care is to be determined by a commission that Health Minister Lauterbach will appoint "shortly".

Shift to more out-patient treatment:

The basic concept in Germany is "out-patient before in-patient". This means that services that can be provided on an out-patient basis may not be provided on in in-patient settings. In Germany, out-patient physicians (contract physicians) are not identical to in-patient physicians

(employed physicians) and the reimbursement for out-patient services is lower than that for identical in-patient services.

Because of this incentive system, there are lists of diagnoses and services that determine which services must be performed on in an out-patient setting.

It is to be expected that the number of services that have to be performed as out-patient will increase significantly in the future. Presumably, this is also a topic for the commission to be set up.

Hybrid-DRG:

Hybrid-DRGs are a way of cross-sectoral funding with the aim of financing services similarly in the in- and out-patient sector. They are already being tested and it seems certain that Hybrid DRGs will come, everyone agreed on that. However, there were very different positions on what exactly a hybrid DRG is.

As we understand it, the government commission that will be instated will also make proposals for this, which will be worked out by the InEK (Institute for the Hospital Remuneration System) and implemented by the lokal self-administration partners.

DRG-calculation:

The reimbursement of in-patient services in Germany is regulated by the DRG-system. The reimbursement level of a DRG is calculated by the relative weight (RG) multiplied by the base rate. In the past, the RG was calculated by the InEK on a data-driven basis using the costs of the corresponding services from previous years. The Corona pandemic has led to major changes in services in German hospitals, so that the historical cost data now no longer appear suitable for calculating reimbursements for current services. Already the DRG system 2022 was calculated in 2021 not with data of the year 2020, but with those of the year 2019.

Certain services (endoprosthetics, spinal operations and operations for hernias were mentioned) were more affected by the decline in services than other surgeries. These services are not considered to have the same medical necessity as services that have not changed as much. If the number of services were to return to normal and the DRG calculation methodology remained unchanged, this would lead to unintended financial distortions.

Head of InEK Frank Heimig therefore proposed various solutions, of which he seems to favour the so-called "harmonic damping". We understand this proposal to mean that, from 2023, all services that were performed in hospitals in significantly lower numbers during the Corona pandemic are to be specifically devalued in reimbursement.

Current market figures:

The current market figures on procedures and diagnoses has arrived and has been prepared by us. Thus we can now carry market analyses using the out up-to-date data.

Other developments:

As of now, we do not see any solutions to the problems of investment financing and nursing care financing. If you would like to know more about hospital financing, you can find various white papers in our download area. We will inform you on the topics of digitisation and DiGA separately in due course.

Of course, we are also available to answer questions personally.

We wish you a happy Easter and will be available again from 19.04.2022.

Further information:

We are available for a non-committal meeting to discuss possible next steps. Please do not hesitate to contact us via info@healthcareheads.com or call us directly

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