Fitting the bill!

Georges Chidiac explains how diagnosis Related Groups (DRG) can be the future of medical billing.

In countries that operate private healthcare systems, how healthcare providers bill insurance companies and the magnitude of charges have been a consistently evolving process. Traditionally, healthcare providers in our region have operated within a fee-for-service billing ecosystem. This conventional way of billing is open for interpretation and varies per healthcare provider based on the cost they associate with each service, with additional factors such as time and resources allocated.

This cost-based system is typically impacted annually on one hand by price increases implemented by healthcare providers and on the other hand by the

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frequency and utilisation of services.

Diagnosis Related Groups (DRG) is an alternative reimbursement model that was introduced in the US in the early 1980s that has continued to evolve over the past three decades. It is the future of medical billing.

At the most basic level the DRG system is a multiplication of two factors: the base rate and relative weight. While the first factor represents the overall average hospital charge, the latter is defined by the number of resources that are pulled from a hospital to perform the procedure mainly driven by the complexity of the procedure.

Instead of working through each service individually, which leads to increased costs every year, the DRG packages the cost of care related to a diagnosis. Once the principal diagnosis and procedure is plotted, then a weight is assigned to the DRG and a cost will be assigned to it that will not change. The only exception will be where there is a major complication in the procedure that requires more time spent in the procedure. This is referred to as an 'Outlier'. This enables the hospitals to be paid an extra amount, in addition to the regular IR-DRG payment, for treating patients who incur high costs during their inpatient stay.

The DRG system helps contain costs and tackles waste such as overutilisation, while it also has a practical benefit in giving stakeholders a better understanding of which group to which a diagnosis belongs. It also helps healthcare providers fully understand their portfolio and how many procedures they are providing, both complex and simple.

Figures from the Centers for Medicare and Medicaid Services (CMS) in the US show 740 categories in DRGs. Among the most common groups are natural births, caesarean section, neonate with significant problems, heart failure, angina pectoris, specific cerebrovascular disorders, psychosis, pneumonia, joint replacement, rehabilitation, kidney and urinary tract infections.

The internationally recognised DRG model works in a way that each inpatient is assigned to one DRG category based on age, sex, diagnoses, procedures provided to the patient, and other factors depending on specific care associated to different groups. Each DRG covers the costs of physician care, nursing care, technician services, therapies, radiology, laboratory, pharmaceuticals, room, meals.

The model has developed significantly; however, it is still in its infancy in this region. The Department of Health Abu Dhabi legislated DRG as a reimbursement model for inpatient hospital services in both public and private sectors in 2010. As of now, all healthcare facilities in the UAE capital, fully practice DRG, making Abu Dhabi the only city in the GCC region to adopt this model. Dubai has started a gradual shift towards DRG, with the Dubai Health Authority introducing the model in 2017, with the aim for all healthcare facilities to be fully operational on the DRG system by the mid of this year.

Ultimately, the efficiency and transparency of DRG will help control healthcare spending in the GCC, which is on track to total USD104.6 billion by 2022, according to the *GCC Healthcare Industry Report* by Alpen Capital.

DRG is the way forward for healthcare billing, but before the region is ready to fully adapt to the system, we need to have a sufficient curated data pool to better understand what the ecosystem would look like once the DRG transfer has occurred. With the support of health authorities across the region, data analysis, aligning of medical records and understanding medical history will help standardise healthcare costs.

The DRG system can benefit the industry, which will become apparent through experience. A full and proper understanding of cost and resource allocation, and clean and standardised data, will enable hospitals to assess whether costs attributed through the DRG system will result in losses or still help maintain business continuity. Management of resources, an understanding of market dynamics, flexibility, trust and open communication right across the industry will become increasingly important as we make that transition. P

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