



# AHIMA WORLD CONGRESS

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## **Medical reimbursement in the UAE: What to expect from International Refined DRGs**

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## Abstract, Section 1 of 4

- Many hail the DRG system a success with evidence to suggest it has lowered costs and average length of hospital visits. One study into the impact of DRGs by Europe's Institute for Public Health concluded: 'The advantages of the DRG payment system are reflected in the increased efficiency and transparency and reduced average length of stay.' However, that same study noted that they can also provide an incentive towards earlier patient discharges from hospital which could potentially be at odds with the 'clinical benefit priorities'.

## Abstract, Section 2 of 4

- Either way, such programs can take a long period of time to put in place. These criticisms and others like them are now becoming of great interest to those in the healthcare industry in Dubai, in the United Arab Emirates, following the December 2016 announcement by the Dubai Health Authority (DHA) that the International Refined Diagnosis-Related Group (IR DRG) is set to be implemented in the emirate with the goal to ‘improve transparency and quality of healthcare services’.

## Abstract, Section 3 of 4

- But as we know, DRGs do not eradicate medical fraud entirely. Miscoding is common – whether intentional or not – and widely considered to be harder to spot than straight up over-billing. Then, from the insurer’s point of view, there is the issue of DRG up-coding – coding errors that result in a patient interaction being erroneously placed into a DRG with a higher reimbursement (whether intentionally or not).

## Abstract, Section 4 of 4



- As the coding of DRGs is a manual process whereby a coder converts the patient's medical chart into a series of diagnosis and procedure codes, it becomes open to both human error and intentional manipulation. Perhaps the biggest concern in insurance circles, however, is how unprepared the current infrastructure is for the new system. In many ways, the UAE is in an enviable position – having been able to watch and learn from the issues faced by other countries when introducing DRGs. The big challenge now is to make sure we avoid those pitfalls.

# Objectives



- Define International Refined DRG and how they compare with regular DRGs.
- Describe the implications of introducing IR DRGs on the healthcare industry in the region.
- Describe the impact that DRGs have had on healthcare financing in Abu Dhabi since their introduction there in 2010.
- Assess the likely impacts of IR DRGs on healthcare financing in Dubai during their implementation period from 2017 through 2020.
- Assess potential resulting changes to practice for medical coders and HIM staff.

# Session Outline



- The impact of Diagnosis Related Groups (DRGs) on global healthcare finance
- Various versions of diagnosis related group systems and how they differ and are used
- Criticisms of DRG systems and their implementation
- Overview of the experience of the Emirate of Abu Dhabi with its own version of DRGs since implementation in 2010

## Session Outline, continued

- Reasons why Dubai Emirate is now implementing International Refined DRG system
- Review of structure and organization of IR DRGs and experiences and applications of countries that are using it; Case examples of how IR-DRGs are unique
- What to expect from the implementation of IR-DRGs in the Emirate of Dubai
- How prepared is the Dubai healthcare community for IR-DRGs and what will need to be done to make for a smoother implementation?



# Overview



- The impact of Diagnosis Related Groups (DRGs) has long been debated in many parts of the world. And that debate is now well underway in the United Arab Emirates.
- First used in the 1980s in the US, it was not until a decade later that other countries started to take notice. Today, DRGs are an integral part of many of the world's major healthcare systems. They landed in Abu Dhabi in 2010, with a roll-out planned for Dubai starting this year.

# Overview



- DRGs come in many forms, but they are essentially payment categories used to classify patients, and then reimburse hospitals according to a fixed fee, regardless of the actual costs.
- So DRGs effectively bundle inpatient hospital services into a single group for each inpatient stay.
- Treatment providers are then paid a set amount for the treatment of the patient – based largely on the average cost of treating patients with the same or similar ailments – rather than claiming for the actual cost of treatment for each individual case.

# Overview



- The brainchild of Yale University economists, the primary intention of DRGs was to reign in medical costs and to incentivize hospitals to only treat – and subsequently claim for – medically-necessary care.
- Many hail the system a success with evidence to suggest it has lowered costs and average length of hospital visits.
- One study into the impact of DRGs by the Institute for Public Health (in Serbia) concluded: ‘The advantages of the DRG payment system are reflected in the increased efficiency and transparency and reduced average length of stay.’

# Overview



- However, as with any major development in the medical world, DRGs are not without critics.
- That same study noted that they can also provide an incentive towards earlier patient discharges from hospital which could potentially be at odds with the 'clinical benefit priorities'.
- Either way, such programs can take a long period of time to put in place.

# Overview



- These criticisms and others like them are now becoming of great interest to those in the healthcare industry in Dubai following the December 2016 announcement by the Dubai Health Authority (DHA) that the International Refined Diagnosis-Related Group (IR DRG) is set to be implemented in the emirate with the goal to ‘improve transparency and quality of healthcare services’.
- So what exactly is an IR DRG? And what does this mean for the healthcare industry in the Gulf region?

## DRG coding in the UAE: What can we expect?

- Essentially, an IR DRG differs from other DRGs in a number of ways:
- They are designed to encompass both inpatient and outpatient care, but can be used for inpatient care only;
- They are based mainly on procedure codes rather than on diagnosis codes; and,
- They include three levels of severity of illness using the most severe secondary diagnosis on the claim.

## DRG coding in the UAE: What can we expect?

- IR DRGs, of the type that Dubai is soon set to introduce, are split into three categories:
- Minor – such as uncomplicated diabetes, difficulty breathing and hypertrophy of kidney;
- Moderate – such as diabetes with renal complications, emphysema and chronic renal failure; and,
- Major – including diabetes with ketoacidosis, respiratory failure and acute renal failure.

## DRG coding in the UAE: What can we expect?

- To decide what types of conditions would fit into each category, thousands upon thousands of past claims were analyzed, and once grouped, a dollar amount was assigned to each.
- While many studies into DRGs highlight its impact on efficiency from a treatment point of view, the impact on insurers – those footing the bill – is much less discussed.



## DRG coding in the UAE: What can we expect?

- The DRG system is far from a perfect science. DRG categories are decided upon based on averages – how often the hospital deals with that type of condition, how much it usually costs and so on.
- Back in Dubai that poses a particular problem as medical coding misrepresentation is rife.
- Therefore, the data used by the Dubai Health Authority (DHA) to decide DRGs will not be scientific enough to reach base prices for each procedure, which can have huge financial consequences for insurers.

## DRG coding in the UAE: What can we expect?

- This is just one of the reasons why the roll-out of DRGs in Dubai is considered by many to be rather premature.
- As the DHA says itself – ‘a DRG system crucially depends upon accurate coding of inpatient hospital stays, so hospital coding needs to be first reviewed and upgraded if needed’.
- This is yet to happen.

## DRG coding in the UAE: What can we expect?

- Then there is the cost of new technology to consider.
- Because IR DRG is a 3M product, it requires all providers to install and integrate their systems accordingly – the cost of which falls only on the provider.
- Inflation and revision is another concern for insurers.
- The DHA calculates a 3% annual increase with a revision price based on this.
- However, the vast majority of insurers have contractual periods ranging between one and three years without a default clause for revision.

## DRG coding in the UAE: What can we expect?

- Finally, it hasn't been taken into account that many providers are not yet up to speed with other recent systems such as e-prescription – rolled out two years ago and still not implemented across the board smoothly.
- The addition of another new system this year will only make matters worse.
- However, there is a silver lining.
- IR DRG is a phased process starting in 2017 that will take up to three years, giving providers time to adapt to the changes.
- Whether this will be long enough remains to be seen.

## DRGs: Making it work



- DRGs incentivize hospitals to only treat necessary ailments rather than racking up a litany of chargeable tests and treatments.
- Under a DRG system, hospitals can create excess revenues by treating patients more efficiently and economically, or they can absorb monetary losses by doing otherwise.
- DRGs incentivize hospitals to only treat necessary ailments rather than racking up a litany of chargeable tests and treatments.

# DRGs: Making it work



- But as we know, DRGs do not eradicate medical fraud entirely.
- Miscoding is common – whether intentional or not – and widely considered to be harder to spot than straight up over-billing.
- Then, from the insurer's point of view, there is the issue of DRG up-coding – coding errors that result in a patient interaction being erroneously placed into a DRG with a higher reimbursement (whether intentionally or not).
- As the coding of DRGs is a manual process whereby a coder converts the patient's medical chart into a series of diagnosis and procedure codes, it becomes open to both human error and intentional manipulation.

## DRGs: Making it work



- Perhaps the biggest concern in insurance circles, however, is how unprepared the current infrastructure is for the new system.
- So healthcare providers and insurers must now roll with the punches and ensure they get up to speed fast with the new system to ensure its implementation throughout Dubai runs as smoothly as possible.

## DRGs: Making it work



- A 2016 World Health Organization (WHO) report ends its study with a balanced assessment of the situation: ‘Ultimately, the introduction of a DRG-based system is part of a long path of continuous development and adjustment of provider payments.’
- It might involve combining different provider payment mechanisms to arrive at the optimal mix of incentives, as has been done in many advanced health financing systems.’



## DRGs: Making it work



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# DRGs: Making it work



- In many ways, the UAE is in an enviable position – having been able to watch and learn from the issues faced by other countries when introducing DRGs.
- The big challenge now is to make sure we avoid those pitfalls.
- Thank you!
- *Any questions?*

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**Thank You!**