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RECHTSANWÄLTE

The German Hospital Reform Act

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Hospital Reform Act

- entered into force on January 1, 2016
- objectives:
  - clinical law framework to be adjusted to the demographic and regional changes an medical-technical progress
  - maintain easily accessible and **high quality care and treatment** for the future
  - better **quantity control**

Starting Position

Dual Funding Principle

- federal states bear **investment costs** – subsidies
  → building, infrastructure

- statutory and private health insurances bear **operational costs** – DRG system
  → patient care, personnel

Investment Costs

- earmarked funds
- individual grants
  → new buildings, renovations
- lump-sum grants
  → depending on number of patients and beds and decline in value of fixed assets

Operational Costs

- funded on basis of the DRG system
- 4 steps to the revenue for a treatment:

    1. relative weight
    2. effective weight
    3. base rate
    4. hospital volume

Step 1 - Relative Weight – G-DRG

- inpatient billing and remuneration based on G-DRG assigned to
  - diagnosis (ICD 10 GM),
  - procedures,
  - surgical operations
  - patients gender and age

→ **relative weight**

Step 2 - Effective Weight

relative weight + surcharges – deductions

=

effective weight

Step 3 - Baserate

baserate is a state wide base rate negotiated between state-level associations of providers and public health insurance funds

effective weight * baserate = revenue in EUR

But…

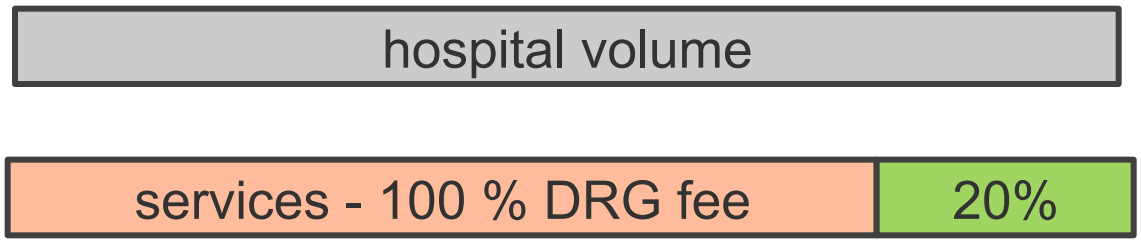
Step 4 – Hospital Volume

hospital volumes (in EUR) negotiated between hospital and public health insurances

- price-reduction of 65 percent if volume is overrun - ("Mehrerlösausgleich").

Step 4 – Hospital Volume

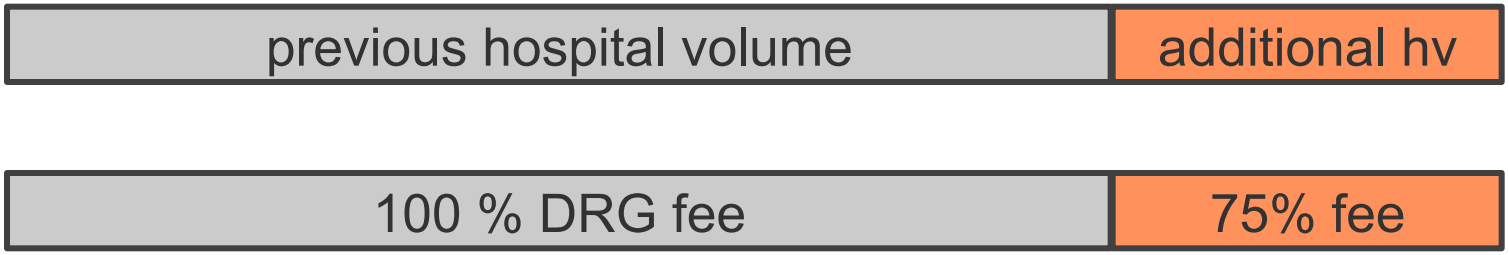
- health insurance funds will still pay 20 percent of the prospectively agreed hospital volume, if a hospital provides services below the volume ("Mindererlösausgleich").



Step 4 – Hospital Volume

- **deduction of additional services** ("Mehrleistungsabschlag")

→ when an increase in the volume for the next year is negotiated decreased prices for additional services apply



Hospital Reform Act

Krankenhausstrukturgesetz

Hospital Reform Act

- **high quality care and treatment**
- **quantity control**

High Quality

Quality-Dependent Remuneration

- quality bonuses and deductions in order to reward good quality and sanction bad quality
  → determination of effective weight (DRG system)
- a (continuous) shortfall of quality standards may be sanctioned by losing the care mandate
- federal states and the Federal Joint Committee are designated to specify additional requirements
- to be entered into force by 2018

Provisions on Minimum Quantities

- certain services may only be provided if a certain minimum quantity was achieved in the previous year
- to be specified by Federal Joint Committee
- quantities are supposed to indicate more experience and consequently better quality
- hospitals providing services without reaching minimum quantity will not be remunerated

Quantity Control

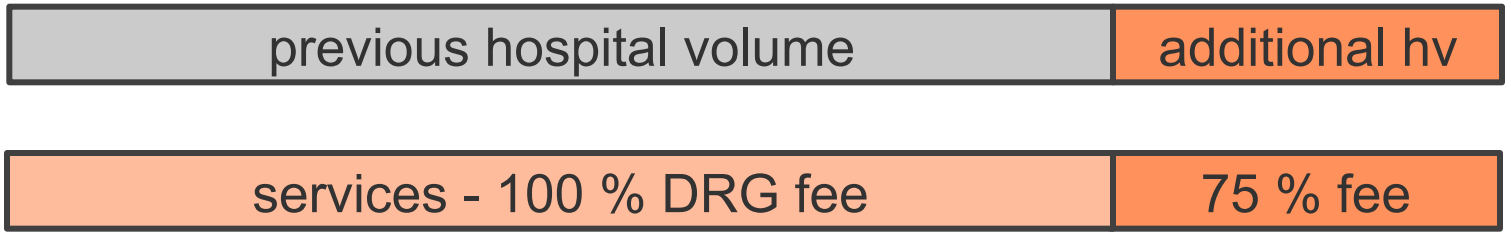
Deduction of Reduction in Fixed Costs

(Fixkostendegressionsabschlag)

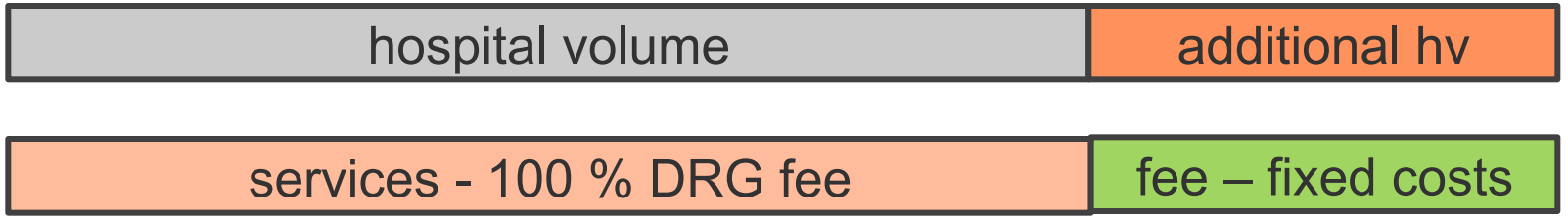
- will replace deduction of additional services (Mehrleistungsabschlag)
- hospitals will have to estimate the average proportion of fixed costs of their DRG fee (MRI scanners etc.)
- This percentage will be deducted from all turnovers for services overrunning the hospital volume

Deduction of Reduction in Fixed Costs

- old: deduction of additional services



- new: deduction of reduction in fixed costs



Deduction of Reduction in Fixed Costs

- deduction of reduction in fixed costs will be agreed upon on the federal state level and apply for 3 years
- extra deductions or longer periods may be agreed upon inter alia for services with an elevated increase of number of services that is economically justified (e.g. knee-TEP, spine surgery)
- starting 2017

Reducing Over-Capacities

- Conversion of hospitals into non-acute inpatient local care institutions
- Promotion of palliative care structures

Second Opinion Procedure

- Second Opinion Procedure for selected quantity-prone surgeries
- already introduced in the middle of the year 2015
- patients must be informed about their right to a second opinion if and insofar a surgery is concerned that shows the risk of indication expansion especially with respect to the numerical development of its performance
- the Federal Joint Committee will have to determine what kinds of operations are affected

Further Changes

- modifications to the provisions for special task bonuses that are not already adequately financed with the hospital fees
- replacement of the care bonus with a nursing bonus
- new provisions regarding the involvement of funding entities in case of increasing costs due to collective agreements
- extension of the hygiene promotion program by three years
- and a lot more…

Is it a reform?

- changes contained in the KHSG cannot be considered a large structural reform

- the legislature maintains the existing structure and revises existing control mechanisms in detail as well as introducing new ones

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