6th Nordic Casemix Conference

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Introductory remarks

Tanel Ross, CEO of Estonian Health Insurance Fund

Ladies and gentlemen, dear colleagues,

On behalf of Estonia's Health Insurance Fund, I am honored and pleased to welcome you in Tallinn on the occasion of the Sixth Nordic Casemix Conference.

This biennial event has firmly established itself as an important meeting of the leading experts and professionals of health care organization, policy design and quality management. The conference provides invaluable opportunities to continuously strengthen our professional network to develop professional excellence in our Nordic region and beyond.

We in Estonia have two special reasons to be particularly proud of having an opportunity to host this year's conference.

Firstly, the very tradition of Nordic Casemix conferences started 10 years ago in 2004 in Oslo, so ten years have passed since the first meeting. And secondly – and for us, very importantly - Estonia introduced NordDRG system for the purpose of purchasing health care services also 10 years ago. So we are actually celebrating today two important ten year anniversaries, on regional and national level.

Secondly, transparent and efficient financing mechanisms are instrumental for improving quality and ensuring sustainability of health care. In turn, well-functioning health care systems are the essential part of a modern society. And today, we have no more important task than to develop and improve inclusive societies and to work for wellbeing of people. For in the years to come, Europe and Nordics will continue to be the clearest possible alternative to and bulwark against those forces and structures that are alien to everything that is valued by Europe, by Western Civilizations and, indeed by humanism in general. This is an important task for our countries, however inherently weak and destined to vanish these evil forces are. So our common work will eventually have a much broader impact than we may consider in our daily proceedings.

Ladies and gentlemen, let me now provide a few introductory remarks on the importance of the diagnoses-related groups approach for health care systems, on possible future horizons and, finally, give a few insights about the implementation of DRG in Estonia.

The rationale for DRG is to ensure and improve both transparency and efficiency of provision and purchasing of health care services. From one side, DRG-based approach could be a powerful tool to contain cost inflation that is inherent in, e.g., fee-for service based service delivery, thereby ensuring the efficiency of the system. Looking from the other side of spectrum, DRGs are ensuring a broadly equal approach to financing of similar cases of treatment. Therefore, they are also an important element of transparency in mechanisms that

are inclined to use approaches that are more inclined to global budgeting or catchment areas. These two overarching tasks will remain cornerstones for DRG-based approach in the years to come.

Moreover, it should be emphasized that DRG systems can be and are being used beyond the efficiency and transparency of financing. They provide platform and methods to compare practices of various health care service providers and to develop respective performance and quality indicators. Indeed, using DRGs in other areas than financing and budgeting will re-introduce and reinforce their very initial goals, notably comparing, measuring and assessing hospital production and performance.

In this broader context, NordDRG is an excellent example of the use of system by a group of broadly similar countries, yet with somewhat differing health care systems. Indeed, NordDRG is unique as it provides a common framework that can yet be used flexibly for grouping the cases in each country concerned, taking into account particular features on country level. Thus, the use of NordDRG is providing considerable efficiency enhancement of domestic system designs and can be used to compare our national systems as well. And vice versa – cooperation between the countries is probably the essential driving force behind the sustainability and vitality of the system.

Looking forward, one of the promising further challenges is to consider broadening of the use of DRGs. From its inception and until today, the underlying logic of DRF mechanisms is firmly anchored on acute in-patient care. However, it is well understood that future years will witness fundamental and irreversible rise of importance and relative share of other types of care, for instance psychiatry and rehabilitation. More and more services are now provided in out-patient and nursing care setting, replacing traditional acute care. We need to consider whether and how to use DRG in these other settings and what would be ensuing requirements for grouping principles and data availability.

However, while considering the possibilities of even wider use of DRG system beyond its traditional realm, we need to bear in mind broader issues pertinent to development of modern health care systems. The DRG is designed to measure, to cost and to analyze a case of treatment applied to a group of patients with broadly similar clinical conditions and costs. From the prospective of purchaser the DRG system is always related to case-based purchasing. The issue at hand is whether this case-based system of funding should develop over time, as health care becomes ever more patient centered or - if you will - personalized, and as costs of data collection and analyses will continue to fall exponentially. Against this backdrop, it seems quite probable that we will gradually move towards a system that would put more emphasis on integrated high-quality treatment of an individual patient, to complement case-based funding. This would no doubt also have an impact on the future of DRG as well.

Finally, let me add a few remarks on application of DRG system in Estonia.

As I already pointed out, this year marks a tenth anniversary of using NordDRG based system in Estonia. And while various important stakeholders in Estonian health care system have had and will have somewhat differing views on details, we all agree that the use of DRGs has been instrumental to ensure efficient, sustainable and transparent delivery and costing of in-patient services. This, in turn, has provided the Estonian society with good value-for-money public health insurance and has gradually freed resources for innovation. Over the next few

years, we intend to make more use of DRGs for more detailed budgeting and planning, in particular in day surgery setting.

Unique features of using DRGs in Estonia are our universal central price list and ability to combine DRG and fee for service based purchasing. Every in-patient treatment is priced by a combination of DRG price – with a 70 per cent of respective DRG price – and fee-for service price - with a 30 per cent of the fee-for-service price of particular case. All services performed to patient during hospital stay are listed in DRG invoice that is issued by hospital to HIF. This detailed individualized information is available in health insurance fund's data warehouse for over 10 years.

This combined approach has three valuable features. First, health insurance fund as purchaser is able to monitor and to analyze the service content of single DRGs in general and also services provided to individual patient. Second, it will ensure that DRG prices will be adjusted as prices of underlying services are changing. And third, while DRG and FFS prices per case of treatment are uniform for every hospital, the combined approach results in appropriate differentiation of the actual price per case as higher level hospitals with more complex treatments provide more services per case.

Let me conclude by underlining that while some features in a small country could make the implementation of the DRG system easier, the smallness have also its drawbacks. Running an independent DRG system is obviously resource demanding. Moreover, smaller patient base may render the application of the DRG base financing more vulnerable to resistance from vested interests, as costs of relatively rare treatments once they occur may have stronger relative impact on finances of a service provider.

Therefore, the essential and indispensable basis for the successful maintenance of DRG system in Estonia is our cooperation agreement with Nordic Casemix Center that was concluded already back in 2003. Using the NordDRG in Estonia is just one half of the story, the other and as important half is the ability to rely on assistance and expertise of the Nordic Casemix Center to develop the grouping logic to take into account our domestic aspects. Let me tell you once again how much we value this cooperation. Let me extend you Estonia's sincerest appreciation.

With these words, l would like to once again to welcome you in Tallinn. I wish you both enjoyable and fruitful conference.