

# Development of a Diagnosis Related Group-System Based Global Budget Payment Mechanism

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Cooperating Agency: Philippine Council for Health Research and Development &  
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## ABSTRACT

PhilHealth's current ACR reimbursement system, despite having improved claims management, has several inherent shortcomings. As such, alternative modes of provider payment need to be explored. The overall objective of this research project is to determine the potential health system efficiency gains as well as the policy and governance reforms needed to shift the provider payment for inpatient care from the existing PhilHealth case rates to a Diagnosis Related Group (DRG)-system based Global Budget Payment (GBP). A mixed methods approach was utilized, as a more nuanced and integrative understanding of the practicability of the proposed PPMs was deemed necessary. Thus, literature reviews, PPM modelling, as well as KIIs and FGDs were consecutively undertaken.

Among the PPMs considered, DRGs as well as GBP, whether alone or in combination, provide the most promising alternatives. The DRG is consistent with the existing ACR framework, inasmuch as both rely on the grouping together of related conditions PhilHealth has a GBP policy, though this has remained inactive. The two options are therefore not entirely novel for PhilHealth. Migration to either of the two PPMs will not necessarily be easy, however. Actual implementation of these, from the experiences of other countries, is often arduous and requires long periods of adjustment. While models were provided in this study, these were designed to present the component accounting inputs figuratively and were not based on current and accurate costing data. Nonetheless, the models were sufficient to at least provide a working framework as well as rough estimates of the financing consequences of the new PPMs.

A high-level commitment will need to be reached regarding the adoption and actual financing extent of the proposed PPMs. Among the key policy decisions that need to be made will be: whether a single payer (an upgraded PhilHealth) will be established or not; if the new PPMs will be implemented for all HCIs or only government facilities; should the introduction be rapid or gradually phased in, and others.

Concomitant with the enhanced financing system as may be enabled by the new PPMs, therefore, is the adoption of better hospital governance mechanisms, which will have to be largely subsumed by the DOH. Thus, if PhilHealth is to make the new PPM work well, then DOH will have to ensure that hospitals really work well.