

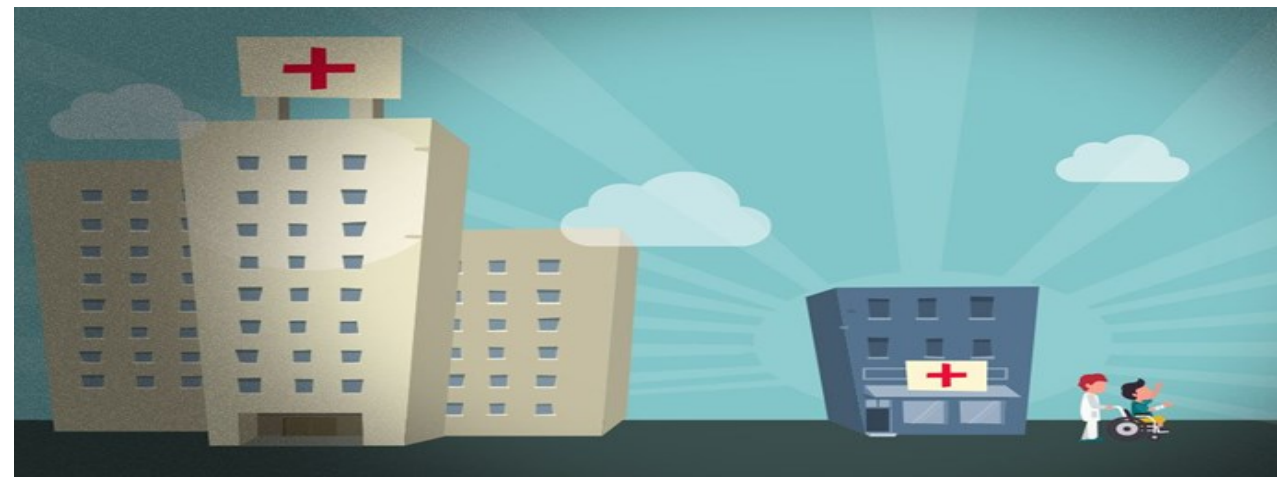
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A Study on the Readiness of  
Health Care Institutions (HCIs) in  
Selected Cities in the National  
Capital Region (NCR), Philippines,  
to adopt the Diagnosis Related  
Groups (DRG) Payment System

Complete copy of the research study may be  
downloaded at  
[https://www.philhealth.gov.ph/downloads/  
DRG study](https://www.philhealth.gov.ph/downloads/DRG%20study)



## **ADOPTING DRG AS THE NEW PROVIDER PAYMENT MECHANISM AT THE PROVIDER LEVEL**

Case-Based Group (CBG) Provider Payment Mechanism is nothing new in the Philippines. In 2011, the Philippine Health Insurance Corporation (PhilHealth) thru PhilJHealth Circular 011-2011 departed from the Fee-For-Service (FFS) Provider Payment Mechanism and introduced the 23 Case Rates for the top 11 medical condition and 12 procedures in the country. It was later expanded to all medical conditions and procedures, labelled as the All Case Rates (ACR) payment mechanism in 2014.

While the ACR was able to achieve faster Claims Processing Turn-Around-Time (TAT), more predictable PhilHealth reimbursement and facilitated the implementation of the No Balance Billing Policy for indigent members, it is not free from criticisms. Two major criticisms include its failure to consider the complexities and heterogeneity of medical conditions in the benefit package rates, and its inability to control the out of pocket expenses of patients.

With the passing of Republic Act No. 11223 of the Universal Health Care (UHC) Act in 2019, PhilHealth is mandated to shift to a prospective payment mechanism based on Diagnosis Related Grouping (DRG). DRG offers a challenge, and at the same time, an opportunity for PhilHealth to come up with more responsive and appropriate health care benefits to all Filipinos.

## VOICES FROM THE PARTNERS

“ We have been waiting for the promise of PhilHealth that they will review and update benefit packages”

“COVID-19 pandemic is an outlier, where will PhilHealth get the basis for the Global budget computation?”

“If DRG tariff rate will be higher in tertiary hospitals, doctors in small hospitals may transfer to bigger hospitals”

“ With issues surrounding PhilHealth, can you still do it?”

“ Give us your timeline. Our fear is that PhilHealth will simply issue a circular effective 15 days from publication”

### A Study on the Readiness of Hospitals Manila and Pasig City, National Capital Region (NCR), Philippines, to adopt the Diagnosis Related Groups (DRG) Payment System

In partnership with University of Santo Tomas (UST) University, Philippine Council for Health Council for Health Research and Development (PCHRD), PhilHealth embarked on a study to determine the existing capacity of selected accredited hospitals to adopt DRG:

- ⇒ Gather the existing personnel complement and proficiency of the HCI in implementing the Diagnosis -Related Group payment system;
- ⇒ Assess the readiness of the HCI to institute adjustments in their data collection and information management system vis-a-vie the DRG requirements;
- ⇒ Assess the existing financial management structures, procedures and systems in relation to the

### Where are they now?

DRG Implementation was received positively by all respondents in relation to their financial management. It is a welcome change and in fact, long overdue as health care providers have been clamouring for review and subsequent increase in existing PhilHealth Benefit Packages/ Case Rates.:

- \* Departure from the current flat rate case rate of PhilHealth
- \* Consideration of modifiers, adjustable factors and cost weight such that complex and high resource medical conditions will be reimbursed by PhilHealth appropriately
- \* Prospective Payment that they can use flexibly
- \* Long Claims Processing Turn Around Time (TAT) will no longer be an issue as HCIs are paid in advance.

### Major Concerns:

1. On Prospective Payment - The Risk of Setting a Budget Limit , and the Basis for Global Budget computation

2. The Aftermath of the Interim Reimbursement Mechanism (IRM) Fund Controversy—Is prospective payment legal?
2. Fixing Copayment/Coinsurance— Can we regulate professional fees?
3. Gathering Cost of Health Care - A tedious and challenging task
4. Differing DRG Tariff Rate— Risk of Doctors going to hospital category with higher reimbursement
5. IT enhancement—When is the target DRG implementation?
6. Information Management and Human Resource Management— What are the requirements of DRG system and PhilHealth support?

*Chapter IV, Section 18b of RA 11223 or the Universal Health Care Act states that:*

*“PhilHealth shall endeavor to shift to paying providers using performance-driven, close-end, prospective payments based on disease or diagnosis related groupings and validated costing*