Linking Hospital Payment and Hospital Financing to Quality

Based on the Swiss healthcare legislation (Art. 49 Abs. 1 KVG) hospital tariffs depend on a DRG reimbursement system encouraging hospitals to deliver the medical treatment efficiently and in the "required quality" based on nationally standardized quality claims". Nonetheless it can be assumed that the dimension of quality is not considered in a degree which would be appropriate. In the two step reimbursement approach (tariff and negotiation) the focus lies in particular on a cost-based valuation of services via the tariff structure. Taking into account the development of the tariff structure itself (DRG logic and valuation of DRGs) it seems to be clear that certain dimensions may not be represented sufficiently which makes it necessary to shift the focus on the negotiation of prices including considerations of quality.

Poor quality as a cost factor or quality as an additional factor for positive financial incentives

Pay-for-performance could increase overall costs by rewarding high performers without actually stimulating quality improvement, unfairly punish providers for quality deficiencies outside their control, or contribute to health disparities by encouraging providers to avoid high-risk patients from poor and minority populations. In the context of regional factors which affect the prices on a hospital level there already exists a model which is able to correct the hospital costs in advance of the benchmarking and negotiation process. As well as these regional factors, patient outcome quality is affecting the costs and respecting prices which can be measured on the hospital level.

Considering quality indicators in price negotiations: A Hospital-Level Approach

Financial incentives are influential motivators for behavior change. For this reason symedric Inc. designed a model which takes into account several quality indicators at the hospital level. These quality indicators derive from the DRG system (rate of complications) as well as validated national programmes, e.g. rehospitalization, wound infection, patient safety, participation in registers and peer reviews (depending on the availability of data). Cost-variations caused by poor quality, adjusted for casemix, age, and additional variables of patient complexity are identified. With the proposed model symedric Inc. is able to identify hospitals which are confronted with higher costs due to inadequate quality and quantify the relevant volume. The application of this model extends the source of information which is used for the negotiation of the prices (baserates). The application of the model leads to two possible actions: First is that the hospitals with higher costs caused by low quality can be "penalized" in the sense that the additional costs for low quality are not reimbursed. Secondly the hospitals with high quality can be rewarded.