

# **Reimbursing highly specialised hospital services: the experience of activity-based funding in eight countries**

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## **Executive summary**

This report reviews activity-based funding<sup>1</sup> of hospitals in eight countries with a view to understanding how countries pay hospitals for the provision of highly specialised and complex services (including single specialty hospitals). Key findings are as follows:

- All countries in this review use activity-based funding to pay for services provided in hospital. However, the scope of activity-based funding varies considerably. At present, all countries complement activity-based funding by other forms of payment, in particular budget components or block grants.
- Countries that seek to cover total hospital costs through activity-based funding (France, Germany and the Netherlands) have opted for an extended period of implementation and closely monitor any impact on hospital performance. This gives them leeway to adjust the activity-based funding system as necessary.
- Most countries do not adjust activity-based funding according to type of facility (except for Lombardy, Italy). In Germany, however, hospitals or hospital departments that meet certain criteria may apply to be excluded from activity-based funding.
- Adjustments to the activity-based funding system in place more often take the form of surcharges directly attached to specific diagnosis-related groups (DRGs). Surcharges typically account for variations in casemix complexity and focus on services that may be insufficiently reimbursed through DRGs, such as teaching and training, research and emergency preparedness.
- All countries have retained an element of negotiation in hospital funding although the context for and scope of negotiations varies. Thus, while in Germany the federal states generally set the prices per DRG, a limited number of DRGs may be

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<sup>1</sup> We here use the term 'activity-based funding' so as to account for the variation in the use of national diagnosis-related groups and application of the notion of 'prospective payment' system.

negotiated between payers and individual hospitals. The scope of negotiations depends on the nature of the issue being negotiated.

- Deficits in the hospital sector have increased in recent years in many countries. However, it is not clear whether these have been caused by activity-based funding. More work needs to be done to establish the nature of the relationship between financial performance and activity-based funding.