

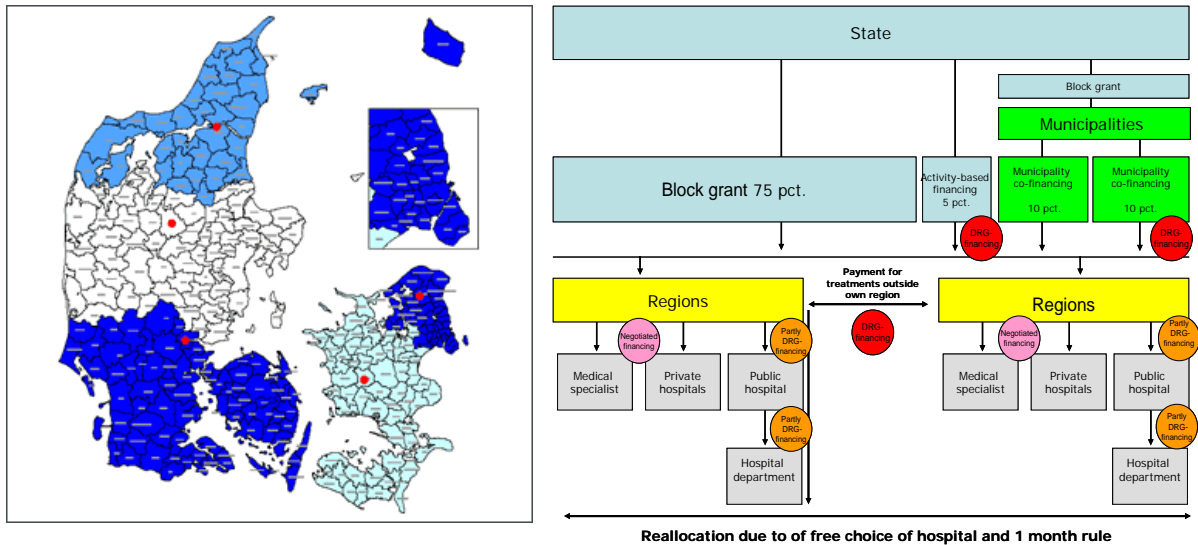
## Basic Characteristics of the Danish Healthcare System

- Free treatment for all citizens (5,5 million inhabitants).
- Healthcare treatment is financed through taxes.
- Guarantee of treatment within one month.
- Free choice of hospitals.
- Three political-administrative levels: State, 5 regions and 98 municipalities.
- The running and managing of hospitals is the responsibility of the regions, but with no right to levy taxes.
- The overall economic conditions and expected service level in the hospital sector are set in yearly negotiations between the government and the regions.
- Municipalities are responsible for rehabilitation, preventive health measures and treatment of alcohol abuse.

## The DRG History in Denmark

- 1995-1999** The DRG-system based on the Nordic Casemix system is introduced in Denmark as an information system.
- 1996-** An analysis of the productivity in Danish hospitals using the DRG method is published
- 2000-** DRG is used for payments between the regions
- 2002-** Government pool for activity above baseline (activity above an ordinary level)
- Guarantee of treatment within 2 months
- 2004-** 20 per cent of the activity in the regions should be financed based on activity according to an agreement between government and regions.
- 2006-** Increased use of productivity analysis as means of comparing and improving outcome. Monthly productivity data for regions and hospitals on the internet (eSundhed)
- 2007-** Co-financing between municipalities and regions for hospital treatment
- The regions distribute 50 per cent of the funding as activity-based payment
- Guarantee of treatment within 1 months

## Financing in the Danish Healthcare System



## DRG in Denmark

- The casemix system or the DRG-system (Diagnose Related Groups) was introduced in Denmark in 1995. Since then the use of the DRG-system has increased and today the system plays a significant role within the funding of the Danish public hospitals.
- The total expenditures within the secondary care sector in Denmark amount to 12 billion euro per year, taking up around 5 per cent of the Danish GDP. The health care expenditures are financed through general taxes and the system provides universal coverage free of charge at the point of delivery.
- Denmark is divided into five regions and a total of 98 municipalities. The regions and municipalities are responsible for the national health care service. Since the regions are not allowed to levy taxes the health care system is financed by the government (80 per cent) and the municipalities (20 per cent).
- 5 per cent of the payment from the government to the regions is based on activity which basically means that the payment is calculated using the DRG-tariffs. Likewise, 10 pct of the payment from the municipalities is based on activity and therefore based on DRG-tariffs.
- The regions distribute the payment to the hospitals by using a 50 per cent fixed and 50 per cent activity based finance-model. Where the 50 per cent activity based payment is partly financed locally by DRG-tariffs.
- If a patient is treated outside the home-region there will be a cross boarder payment between the home-region and the treatment-region. This payment is 100 per cent based on the DRG-tariffs.
- Areas within healthcare where DRGs are not applied are
  - Specialised treatments at university hospitals
  - Treatment by specialists outside the hospitals
  - Private hospitals (payment is based on negotiated payments).

## Activity-based Governmental Pool

- The activity-based pool amounts to 5 per cent of total public hospital costs.
- The regions are allotted a share of the pool calculated on basis of a demographical key.
- The money from the pool is paid when a real increase in activity above normal level is documented.
- Activity is compared to a baseline production. Baseline is estimated from the production the preceding year and added a 3.5 per cent activity increase including productivity requirement (2 per cent).

## Municipality co-financing

Payments from the municipalities in the region based on the number of inhabitants in each municipality (approx. 10 per cent of total expenditure in the healthcare system). Payments from the municipalities in each region based on the citizens' utilisation of health care, thereby creating an economic incentive for each municipality to promote health (approx. 10 per cent of total expenditure in the healthcare system).

- Inpatient treatment - max. €660 per discharge
- Outpatient treatment - max. €45 per discharge
- Payment for patients at hospital, where treatment has finished
- Rehabilitation
- Psychiatric care
- Treatments outside the hospitals (GP's etc.)