



SEMMELWEIS UNIVERSITY BUDAPEST  
HEALTH SERVICES  
MANAGEMENT  
TRAINING CENTRE

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# **Overview of Cost Assessment & Price Setting in Hungary**

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13 October, 2005  
HealthBasket Workshop  
Milano

# Outline

- Overview of budget setting, financial resource allocation and payment of providers
- Price setting
- Cost assessment for price setting (price updating)



# I.

# Overview of budget setting and payment

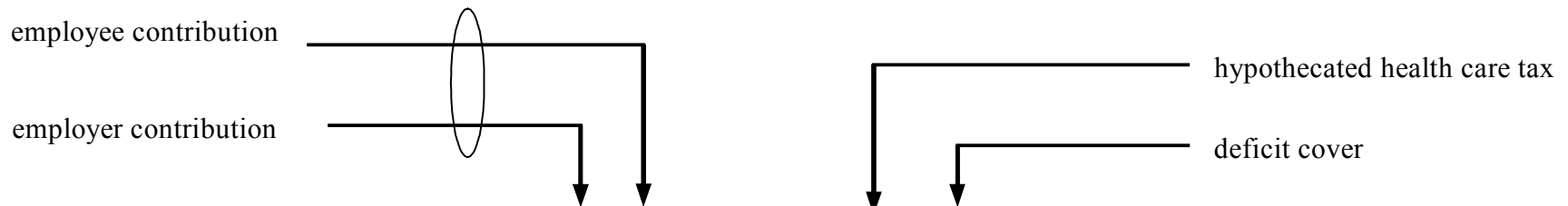
# The Hungarian health care system

- Purchaser-provider split model (since 1990)
- Social health insurance
  - Covers only recurrent costs of services
  - Health Insurance Fund (HIF)
  - National Health Insurance Fund Administration (NHIFA)
- Complemented with general and local taxation
  - Capital costs (responsibility of the owner)
  - Conditional & matching grants
- Local government owned delivery system

# Budget setting & financial resource allocation

- Recurrent costs:
  - ⇒ Centralised decision-making (National Assembly)
  - ⇒ Separate sub-budgets at the national level
  - ⇒ Cost-containment mechanisms
- Capital costs:
  - ⇒ Decision of the owners (mainly local governments)
  - ⇒ Central control via conditional & matching grants

# Budget setting & financial resource allocation



## HEALTH INSURANCE FUND

emergency services	patient transfer	family doctor services	laboratory diagnostic services	Out-of-hours services	School health services	...
acute inpatient care	therapeutic appliances	medicines		home care	CT, MRI	chronic outpatient care: ...
	chronic inpatient care	Chronic outpatient care: oncology		Mother & child health nurse services	...	...
outpatient specialist services		dialysis	Dental care		...	...

# Contracting & payment

- Selective purchasing is not allowed
- Contracting is obligatory with all providers with territorial supply obligation
- Contract determines capacities and volume limits
- Payment methods are decided centrally (National Assembly), apply equally to all providers

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# Payment methods

- Acute inpatient care (OECD 1.1; 1.2; 2.2; 3.2; 4.4):
  - Hungarian version of DRGs (HBCs = Homogeneous Disease Groups)
  - Exceptions:
    - A&E, traumatology, Intensive therapy, Infectious diseases – fixed budget
    - Expensive medical devices – cost basis
    - Exceptionally expensive cases – extra costs per case
    - Rare expensive treatments (e.g. organ transplantation) – cost per case with volume limits

# Payment methods

- Outpatient specialist care (OECD 1.2; 1.3.2; 1.3.3; 1.3.9; 2.3; 4.1; 4.2; 4.4):
  - FFS points
  - ICPM, point values adapted from the German system





## II.

# Overview of price setting

# Main characteristics

- Separation of recurrent and capital costs
- Pay for performance (output)
- Uniform, national prices
- Cost-containment mechanisms
- Methods: fixed, semi-fixed, ‘floating’
- Prices are published as governmental, ministerial decrees, or ministerial announcements

# Unit of payment

- Unit of resource use: *e.g. expensive medical prostheses*
- Service item: *FFS point*
- Day/visit
- Case: *DRG point*
- Capitation
- Fixed budget: *A&E, infectious diseases departments, anaesthesiology, traumatology*

# Price setting & negotiation

- Fixed:
  - Set in the ministerial or the governmental decree (e.g. fixed budget for A&E, etc)
- Semi-fixed:
  - Recalculation if performance exceeds budget reserves
- Floating:
  - Unit price is calculated as the monthly budget (sub-budget of the HIF) divided by the monthly performance (outputs produced)

# Price setting & negotiation

- Level: national
- Price variations:
  - Progressivity budget
  - Price setting mechanism (semi-fixed, floating)
  - Performance (output) volume limits (98%; 5% - 60%; 10% - 30%; over 10% - 10%)
  - Cross subsidy within & across service categories
- Actors: formal process (MOH, NHIFA, HMC, etc.) and informal influence by other stakeholders



## III.

Price updating (cost assessment  
for price setting)

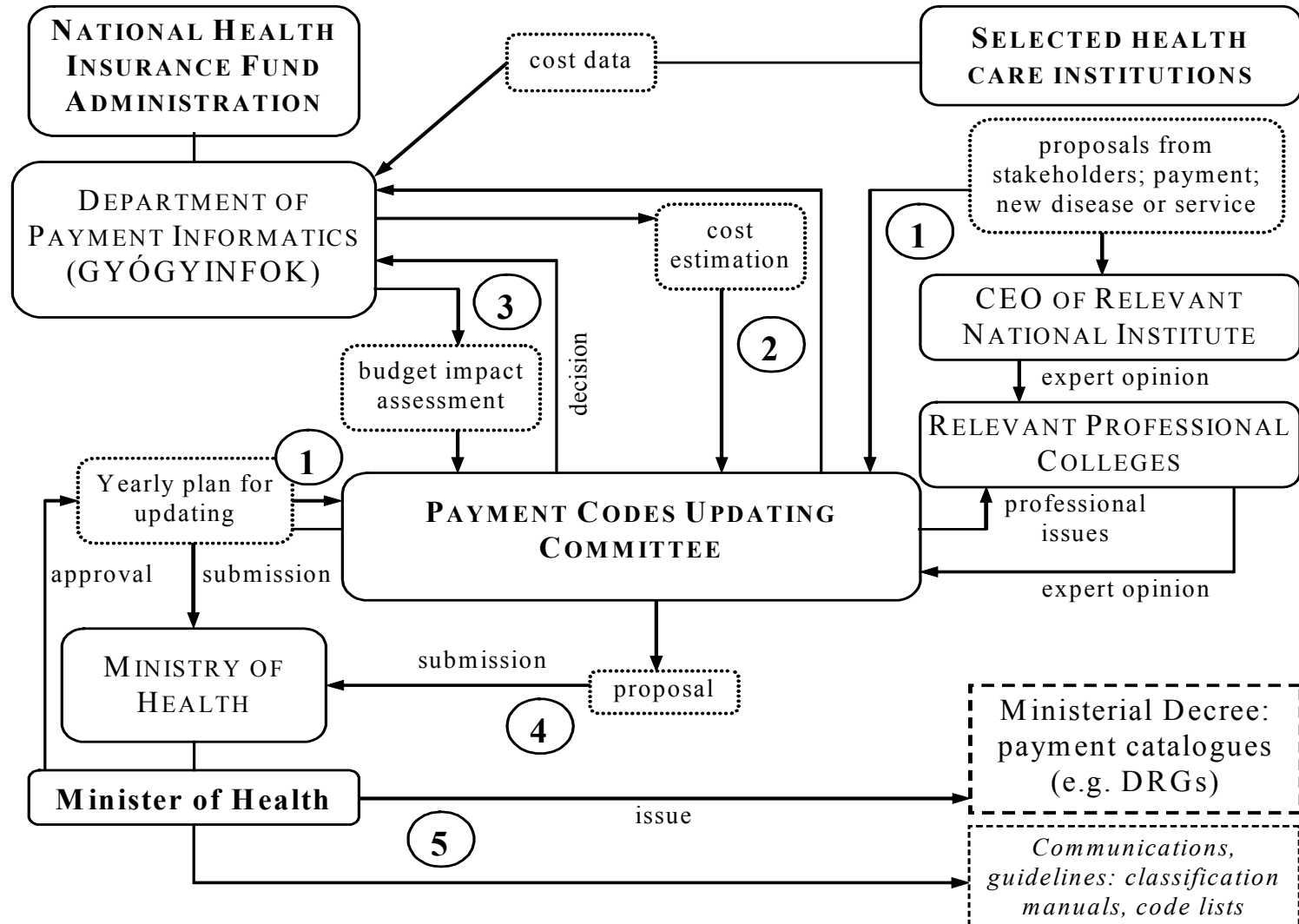
# Key actors

- NHIFA
  - Department of Payment Informatics (formerly Information Centre for Health Care of the MOH GYÓGYINFOK)
- MOH
  - Minister of health (finance minister & government)
  - Payment Codes Updating Committee (PCUC): 15 members (MOH 2; NHIFA 2; GYÓGYINFOK 2; Hungarian Hospital Association 2; Hungarian Medical Chamber 1; 6 medical experts appointed by the minister of health)

# Process of price updating

- Regular updates
  - Monthly meeting of the PCUC, changes are proposed once a year
- Unscheduled updates
  - All relevant stakeholders can initiate

# Process of price updating



# Process of price updating

- PCUC Procedure
- Yearly workplan
- Methodological guideline: how to fill in the forms, what are the frequently occurring mistakes, sampling, user's guide for software packages, etc.

# Methods of cost assessment

- Survey of actual resource consumption and cost data of providers
  - Comprehensive
  - Focussed
- Expert opinion using protocols and other expert materials
- Adjustment of cost data of similar interventions

# Regular Updates

- Surveys of sample of health care institutions, service items & cases
  - Regular
  - Not necessarily yearly (updating based on previous resource consumption data, cost weights recalculated on the basis relative price changes of inputs)
- System level controlling system with 3 components:
  - Direct resource consumption data for single service items
  - Inpatient cases on the basis of intermediate outputs
  - Breakdown of yearly total expenditures of the health care provider; departmental or unit level



# Direct resource consumption data

- Direct resource consumption data for single service items
  - Work time
  - Medicines, blood and blood products
  - Consumables and other materials
  - Equipment
- Inpatient cases on the basis of intermediate outputs
  - Medicines (additional)
  - Laboratory tests
  - Diagnostic imaging
  - Other diagnostic and therapeutic interventions
  - catering

# Pricing & allocation of indirect costs

- Pricing of resource consumption:
  - Central price lists maintained by the NHIFA
- Calculation of service and case costs:
  - Standard forms
  - Standard cost drivers (allocation base)
- Calculation of point values & DRG weights
  - Influence of politics (policy-oriented or informal)
  - Price setting committee, 5-member supervisory body of the minister of health

# Process of price updating

## Versions of Homogeneous Disease Groups (HDGs) in Hungary

Version number	Valid from	Collection of actual cost data	Period of data collection	Size of case sample	Participating hospitals
1.0	1 May 1993	comprehensive	1986-1993	500,000	28
2.0	1 August 1994				
		comprehensive (total)	1995		
3.0	1 March 1997	comprehensive	May-June 1996	120,000	34
3.1	12 November 1997	targeted	1996, 1997		
4.0	1 May 1999	comprehensive	1998		
4.1	1 June 2000	comprehensive	1999	100,000	
4.2					
4.3	1 April 2001				
5.0	1 February				