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### The Introduction of Drugs in Croatia

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In Croatia, hospitals are funded by monthly payments from the state healthcare budget, controlled by the state health insurance fund (Croatian Institute for Health Insurance, HZZO). Funds have to be accounted for through the issue of bills for medical services. These bills are a combination of fee-for-service (FFS) payments for outpatient services and charges levied under a Diagnosis Related Groups (DRG) system referred to as the DTS (in Croatian "Dijagnosticko terapijske skupine") for inpatient services.

Furthermore, hospitals have hard budgets. If a hospital exceeds its annual budget, it will not receive additional funding for any bills levied for further services provided. Conversely if hospitals do not provide enough services to account for all of their budgets in a given year, then, in accordance with their contracts with the HZZO, in the subsequent fiscal year their budgets should be reduced by an amount equal to these unspent funds.

The hospital payment reform was initiated in 2002 with the introduction of case based payments that used broad case groupings referred to as the PPTP (in Croatian "Placanje po terapijskom postupku") for certain diagnoses. Interventions for these diagnoses were either costly or numerous and the prospective payment system was intended to provide hospitals with incentives to increase the technical efficiency of service provision. By 2006, the number of services reimbursed via the PPTP system had grown to 118 selected diagnoses, with the remainder being paid for by the historic point-based FFS schedule. Both the use of broad-based case groupings in the PPTP system, as opposed to more detailed DRGs, as well as the prices set for particular PPTPs, have made them quite unpopular with providers. This system has on occasion been accused of underestimating the intensity of resource use for more complicated medical cases.

Nonetheless, encouraged by reports of efficiency gains arising from the implementation of the PPTP schedule, including reductions in length of stay, the government has decided to gradually move towards a comprehensive prospective case-adjusted payment system based on DRGs.

As in some other European countries, such as Ireland, Romania, Germany and Slovenia, Croatia has decided not to develop its own DRG system from scratch, but rather to import and modify the Australian Refined-DRG (AR-DRG) system (specifically, version 5.2), as mentioned already known locally as Dijagnosticko terapijske skupine (DTS). Croatia has developed its own DTS Grouper software, which has been piloted in four Croatian hospitals since

February 2006.

As of April 2007, the DTS system has been introduced by the HZZO into all Croatian hospitals, initially running in tandem with existing billing systems. Until January 2009, all hospitals continued to account for their budgets according to the old two-tiered FFS and PPTP schedule, but were also obliged to keep track of cases according to the new DTS schedule.

During this period, the HZZO carried out extensive work with hospitals to ensure the appropriateness and quality of coding practice. As of 1st January 2009 all inpatient hospital services in Croatia have to be accounted for by bills issued according to the DTS system.

One of the greatest challenges to the introduction of the Australian DRG system in Croatia was the difference in DRG costing between the two countries. The original ARGDG system unsurprisingly made use of Australian data on resources use, clinical practice and the monitoring of hospital billing. For this reason Croatia implemented a detailed costing study to establish local prices for its DTS groups. Table 1 displays the results of the costing study for DTS O60C

(Vaginal delivery without complicating diagnosis) in three Croatian hospitals. The price for DTS O60C is set at 4.595,86 kn.

The Government expects that the full implementation of the DTS system will have a profound positive effect on the provision of hospital services in Croatia; shortening length of stay, increasing quality and rationalising cost of treatment.

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