UNIVERSITI TEKNOLOGI MARA

EXPLORING THE ETHICAL CONCERNS OF DIAGNOSIS RELATED GROUP SYSTEM IN HEALTHCARE

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ABSTRACT

The Diagnosis-Related Group (DRG) system is widely used in healthcare financing to help standardize hospital reimbursement and control cost. However, its implementation gives rise to ethical concerns which includes undertreatment of patients, financial driven medical decision making and disparities of healthcare access. This study examines the ethical concerns associated with DRG system by comparing its application in Australia, Germany, the USA and Malaysia. Through a comparative analysis, the research identifies the key ethical concerns and evaluates how each countries adapted their DRG models to mitigate to these concerns. Findings indicate while Australia and Germany have incorporated quality-based incentives in order to reduce ethical risks, the USA faces ongoing criticism for cost-containment strategies that compromises patient care. Malaysia, a developing adopter of DRG struggles with implementation consistency and resource limitations. Based on these insights, the study proposes recommendations to enhance the ethical integrity of this DRG system, consisting of the integration of patient-centred care incentives, improved transparency in reimbursement models and stronger regulatory oversight. Addressing these ethical concerns can help healthcare policymakers to further refine the DRG frameworks to ensure a balance between financial efficiency and equitable, high-quality patient care. This research further contributes to the ongoing discourse on ethical healthcare financing and offers practical strategies for improving DRG implementation in diverse healthcare settings.

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CHAPTER 1
INTRODUCTION

1.1 Research Background

Diagnosis Related group (DRG) system is a cost-effective measuring tool of the hospital output (Fetter, 1991). Its main function is to help allocate healthcare resources and to assess the quality of the healthcare (Kashilska & Petkov, 2019). As a general understanding, this is a system in healthcare for categorization of hospital cases in similar clinical condition with the result of quantifying the resources usage (Fetter, 1991). The data that is being extracted to come to this conclusion is via utilizing the case-mix data which uses a coding system to sort patients accordingly into its classification of morbidity and mortality for statistical reporting purposes together with information retrieval (Fetter et al., 1980). Diagnosis-related group systems retrieve information from case mix, and it assists medical facilities and hospitals in determining the level of care complexity needed and allocating resources appropriately. The data being used is to modify reimbursement rates according to the severity and complexity of a patient's condition in payment systems. DRG are used for precise billing classifications, whereas case mix represents the entire patient population which means DRG uses the collection of data from case mix administrative data for reimbursement purposes (Hornbrook, 1982). This DRG system is significantly important for resource allocation of healthcare. However, due to this cost efficiency and budgeting, it suppresses certain rights of patients in healthcare giving rise to certain ethical concerns such as transparency of documentation and depriving of treatment options to patients. It causes dilemma whether to uphold integrity and