

MMA Raises Potential Pitfalls Of DRG Payment System

By CodeBlue | 2 January 2025

MMA highlights potential pitfalls of the proposed DRG system, saying it should not be rushed. Specialists may avoid taking complex cases without adequate compensation. Developing DRG needs accurate cost data from public and private health care providers.



Malaysian Medical Association president Dr Kalwinder Singh Khaira speaks at the Industry Leadership Summit 2024 in Kuala Lumpur on October 10, 2024, organised by the Galen Centre for Health and Social Policy and supported by PMCare Sdn Bhd. Photo by Saw Siow Feng.

KUALA LUMPUR, Jan 2 — The Malaysian Medical Association (MMA) has joined a chorus of concern from specialist doctors over the proposed diagnosis-related groups (DRG) payment system to manage rising health care costs.

MMA president Dr Kalwinder Singh Khaira noted that the DRG system, originally developed in the United States, has had challenges in other countries, including inadequate compensation models for high-risk cases and the avoidance of complex patients.

“These unintended consequences must be carefully considered in developing a Malaysian-specific DRG to avoid similar pitfalls,” he said in a statement Tuesday.

MMA also noted the wide variety of health care service providers in Malaysia, namely three in the government – the Ministry of Health (MOH), the Ministry of Higher Education (MOHE), and the Ministry of Defence (MOD) – as well as private health care providers.

“A standardised DRG framework must consider these variations to ensure that both public and private sectors are adequately supported without compromising patient outcomes.”

Dr Kalwinder stressed the need for robust data collection and analysis in developing an effective DRG system, including accurate cost data from public and private health care facilities, classification of resources and capabilities, patient demographics, and risk profiles to address case complexities.

“Though more details of the DRG are yet to be released, the MMA has concerns regarding the possible impact of its implementation. For patients, there is a concern that specialists may avoid taking on complex or high-risk cases if the DRG framework does not adequately account for the resources and expertise required. This could lead to a shift of such patients to public health care facilities, straining an already overburdened system.”

MMA further pointed out that the 13th Fee Schedule, which regulates specialist charges in hospitals, has not been revised for over a decade since 2013 and does not take into account many modern procedures introduced in recent years.

“Without adjustments and additions to this schedule, DRG implementation may be a challenge.”

Dr Kalwinder said private health care facilities vary widely in their resources and capabilities. “Hence a one-size-fits-all DRG system may not be the best solution.”

“Additionally, the DRG system must include provisions for managing unexpected complications and the treatment of patients with underlying conditions, which often require additional resources.”

MMA called for comprehensive engagements with health care providers, regulators, and representatives from the public and private health care sectors before implementing the DRG system, cautioning the government not to rush this process.

MMA’s statement followed four articles written by paediatrician Dr Musa Mohd Nordin, along with a few co-authors that included other specialist doctors, that were critical of the proposed DRG system.

The [Association of Specialists in Private Medical Practice Malaysia](#) has warned the government that mandating the DRG system for private hospitals may further reduce specialist fees that have already stagnated for more than 10 years.

[CodeBlue previously reported](#) that the MOH plans to pilot the DRG system in Rakan KKM – the “premium economy” wing of government hospitals that has yet to launch – by June, with private hospital charges to be benchmarked against the reference prices in Rakan KKM.

Under the DRG model, hospital cases are categorised into groups based on diagnoses and procedures. This system establishes standard payment rates by providing a fixed amount for each group, rather than itemising individual charges. Hospitals must operate within this predetermined budget that is negotiated in advance between payers and hospitals.

Currently, private hospitals in Malaysia operate on a fee-for-service model, in which private health care providers are paid based on the amount of services delivered.