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Montana Medicaid Inpatient Payment Method Hospital Staff Training

Missoula 8/12/08; Great Falls 8/13/08; Bozeman 8/18/08; Billings 8/19/08

Topics in This Session

- Why a new payment method
- Pricing examples
 1. Straight DRG—Physical health
 2. Straight DRG—Mental health
 3. Transfer pricing adjustment
 4. Cost outlier case
 5. Adjustment for partial eligibility
 6. Transfer adjustment, cost outlier case, partial eligibility
 7. Interim claims
- Implications for hospitals

The changes discussed in this presentation do not apply to critical access hospitals

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Why A New Payment Method?

- MS-DRGs clearly inappropriate for Medicaid population
- Re-establish prospective payment incentives
- Reduce reliance on Medicare cost reports
- Simplify where possible
- APR-DRGs most appropriate grouping algorithm
 - Most applicable to a Medicaid population (e.g., neonates, MH)
 - Best treatment of complications
 - Best statistical performance on MT data
- APR-DRGs attracting increased interest for payment (e.g., Maryland, Pennsylvania, Mississippi, Wellmark)
- Hospitals need not buy APR-DRG software to submit claims

So What's New?

- Change grouper from CMS-DRGs to APR-DRGs
- Use national relative weights rather than MT-specific
- Different APR-DRG base prices
- No more cost-based payment for NICUs, exempt DRGs, some out-of-state hospitals
- No more separate payment for capital and med ed
- Allow interim payment for long stays
- Many more Dx and Px codes accepted
- Require present-on-admission indicator for diagnoses
- Outpatient window changed from 3 days to day of/day before
- PA needed for all out-of-state stays, crossover procedures

Key Payment Values

Category	Description	Value
Groups and Weights	-- APR-DRG Version 25 for implementation, moving to V.26	
	-- Weights reflect all-payer Thomson dataset of over 15 million stays	
	-- Recentered so average MT Medicaid case in FY 2007 = 1.00	
	-- Age adjustor for pediatric (<18) mental health	1.51
DRG Base Prices	-- Statewide	\$ 4,129
	-- Rehab/LTAC	\$ 9,092
	-- Speciality out-of-state	\$ 6,890
Cost Outlier Calculations	-- Statewide cost-to-charge ratio	52%
	-- Thresholds as multiple of Gross DRG Amount -- default	4.02
	-- Thresholds as multiple of Gross DRG Amount -- neonate	2.11
	-- Marginal cost percentage	60%
Interim Claims	-- Threshold length of stay for interim payment -- more than or =	30
	-- Interim per diem payment	\$400

1. Straight DRG—Physical Health

Example: 6-month-old infant with bronchiolitis

APR-DRG	Severity	DRG Base Price	MT Rel Wt	Gross DRG Amt
138-1	Minor	\$ 4,129	0.4135	\$ 1,707.34
138-2	Moderate	\$ 4,129	0.5598	\$ 2,311.41
138-3	Major	\$ 4,129	1.0473	\$ 4,324.30
138-4	Severe	\$ 4,129	2.8309	\$ 11,688.79

See pricing example No. 1

2. Straight DRG—Mental Health

Example: Bipolar disorders

APR-DRG	Age	DRG Base Price	MT Rel Wt	Gross DRG Amt	Gross DRG Amt w Age Adjustor
753-1	Adult	\$ 4,129	0.6126	\$ 2,529.43	\$ 2,529.43
753-1	Pediatric	\$ 4,129	0.6126	\$ 2,529.43	\$ 3,819.44
753-2	Adult	\$ 4,129	0.8670	\$ 3,579.84	\$ 3,579.84
753-2	Pediatric	\$ 4,129	0.8670	\$ 3,579.84	\$ 5,405.56

See pricing example No. 2

- Same rates for general and speciality hospitals and units
- 11 mental health base DRGs x 4 severity levels = 44 DRGs
- Age adjustor boosts payment for pediatric (< 18)
- All mental health stays require prior authorization

3. Cost Outlier Case

Example: Neonate with major complication (APR-DRG 588-4)

Step	Explanation	Amount
Gross DRG amount	\$4,129 x 41.6349	\$ 171,910.50
Billed charges	From claim	\$ 849,858.00
Estimated cost	Charges x CCR (52%)	\$ 441,926.16
Outlier threshold	DRG-specific	\$ 362,730.78
Outlier check amount	Cost minus threshold	\$ 79,195.38
Outlier payment	Check amt x 60%	\$ 47,517.23
DRG payment	Gross DRG Amt + Outlier	\$ 219,427.73

See pricing example No. 3

- Cost outlier payments for exceptional cases
- Calculation model differs from Medicare
- Intended to make about 5% of payments as outliers



4. Transfer Case

Example: 64-year-old female with heart failure (APR-DRG 194-4)

Step	Explanation	Amount
Gross DRG amount	\$4,129 x 3.5858	\$ 14,805.77
Transfer case?	Discharge status = 02	Yes
LOS for this stay		3.00
National ALOS		10.66
Tsf adjustment	$(\$14,805.77/10.66) \times (3+1)$	\$ 5,555.64
Less than gross DRG?		Yes
Final gross DRG amt		\$ 5,555.64

See pricing example No. 4

- Transfer = discharge status 02,05,43,62,63,65,66
- Payment adjustment follows Medicare model
- Unlike Medicare, no adjustment for tsf to SNF, HHA

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5. Payment in Case of Partial Eligibility

Example: 47-year-old male with heart attack (APR-DRG 190-2)

Step	Explanation	Amount
Gross DRG amount	\$4,129 x 1.1325	\$ 4,676.09
LOS for this stay		3.00
Covered days	From MMIS eligibility file	2.00
National ALOS		3.56
Partial elig adjustment	$(\$4,676.09/3.56) \times 2$	\$ 2,627.02
Less than gross DRG?		Yes
Final gross DRG amt		\$ 2,627.02

See pricing example No. 5

- Occurs when patient has some days ineligible for Medicaid
- Hospitals must submit claim for entire stay

6. Transfer Adj., Cost Outlier, Partial Eligibility

Example: Neonate with major complication (APR-DRG 588-4)

Step	Explanation	Amount
Gross DRG amount	\$4,129 x 41.6349	\$ 171,910.50
Transfer case?	Discharge status = 05	Yes
LOS for this stay		90.00
National ALOS		99.23
Tsf adjustment	$(\$171,910.50/99.23) \times (90+1)$	\$ 157,652.04
Less than gross DRG?		Yes
Billed charges	From claim	\$ 849,858.00
Estimated cost	Charges x CCR (52%)	\$ 441,926.16
Outlier threshold	DRG-specific	\$ 362,730.78
Outlier check amount	Cost minus threshold	\$ 79,195.38
Outlier payment	Check amt x 60%	\$ 47,517.23
DRG payment	Gross DRG Amt + Outlier	\$ 205,169.27
Covered days	From MMIS eligibility file	80.00
Partial elig adjustment	$(\$205,169.27/99.23) \times 80$	\$ 165,408.80
Less than DRG payment?		Yes
<i>See pricing example No. 6</i>		

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7. Interim Claims

Example: Neonate with birthweight = 1100 grams (APR-DRG 602-4)

Claim	Bill Type	Discharge Status	Days	Interim Per Diem	Payment
1st interim claim	112	30 (Still pt)	31	\$ 400	\$ 12,400.00
2nd interim claim	113	30 (Still pt)	35	\$ 400	\$ 14,000.00
Credit 1st interim claim	Ind Adj Req		-31	\$ 400	\$ (12,400.00)
Credit 2nd interim claim	Ind Adj Req		-35	\$ 400	\$ (14,000.00)
Admit-thru-discharge	111	1 (Home)			\$ 91,536.21

See pricing example No. 7

Note: Individual Adjustment Request forms available at www.mtmedicaid.org

- Entirely at option of hospital
- Interim payment possible if stay \geq 30 days
- PA required for interim payment is to be made
- Interim claims should be credited, then final claim submitted



Other Credits and Debits

➤ Credits

- Allowed amount = DRG Payment + Add-ons
- Only add-on is routine DSH
- Supplementary DSH paid outside the claims system
- No separate payment for capital or medical education

➤ Debits

- Reimbursement = Allowed – TPL – Copayment – Incurment
- No change to policy on TPL, copayment or incurment

Top DRGs by Total Stays

MONTANA MEDICAID DATA SFY 2007							NEW METHOD SIMULATION			
APR-DRG	Description	Stays	Charges	Allowed	Average Pay	ALOS	Natl ALOS	Gross DRG Amt	Average Pay	Change in Avg Pay
640-1	NORMAL NEWBORN	2,609	\$ 3,805,121	\$ 1,919,700	\$ 736	1.8	2.1	\$ 701	\$ 790	7%
560-1	VAGINAL DELIVERY	1,349	\$ 5,938,632	\$ 2,090,793	\$ 1,550	2.7	2.0	\$ 1,605	\$ 1,698	10%
560-2	VAGINAL DELIVERY	837	\$ 4,376,770	\$ 1,425,349	\$ 1,703	3.2	2.2	\$ 1,803	\$ 1,911	12%
540-1	CESAREAN DELIVERY	616	\$ 5,146,172	\$ 1,800,173	\$ 2,922	3.4	3.1	\$ 2,972	\$ 3,064	5%
640-2	NORMAL NEWBORN	318	\$ 829,387	\$ 353,745	\$ 1,112	2.2	2.4	\$ 1,052	\$ 1,164	5%
540-2	CESAREAN DELIVERY	282	\$ 2,967,971	\$ 932,616	\$ 3,307	4.7	3.8	\$ 3,584	\$ 3,800	15%
753-2	BIPOLAR DISORDERS	211	\$ 2,488,685	\$ 796,114	\$ 3,773	9.7	8.1	\$ 3,580	\$ 4,810	27%
751-2	MAJOR DEPRESSION	206	\$ 2,189,254	\$ 682,127	\$ 3,311	8.3	7.0	\$ 3,090	\$ 3,999	21%
566-2	OTHER ANTEPARTUM DIAG	144	\$ 735,276	\$ 238,306	\$ 1,655	2.8	2.7	\$ 1,830	\$ 2,000	21%
139-2	OTHER PNEUMONIA	116	\$ 1,012,061	\$ 319,751	\$ 2,756	3.0	4.1	\$ 3,406	\$ 3,547	29%
753-1	BIPOLAR DISORDERS	113	\$ 1,061,786	\$ 343,526	\$ 3,040	5.9	6.3	\$ 2,529	\$ 3,046	0%
560-3	VAGINAL DELIVERY	107	\$ 821,145	\$ 219,507	\$ 2,051	4.4	3.3	\$ 2,699	\$ 2,859	39%
138-1	BRONCHIOLITIS & RSV PNEUM	104	\$ 542,501	\$ 167,765	\$ 1,613	2.9	2.3	\$ 1,707	\$ 1,897	18%
139-1	OTHER PNEUMONIA	93	\$ 446,565	\$ 167,998	\$ 1,806	2.4	2.8	\$ 2,136	\$ 2,191	21%
566-1	OTHER ANTEPARTUM DIAG	93	\$ 331,389	\$ 138,772	\$ 1,492	2.1	2.0	\$ 1,349	\$ 1,513	1%

- Top 15 DRGs = 51% of all stays
- Gross DRG Amt = Relative Weight x DRG Base Price
- Overall ALOS 4% higher than national average



The Importance of Coding

- APR-DRG severity assignment:
 - No single complications/comorbidities list
 - Depends on interaction of principal diagnosis with multiple secondary diagnoses and procedures
 - Important to code all applicable secondary diagnoses
- Coding should be complete, accurate and defensible
- Montana MMIS expanded to include up to 24 SDx and 24 SPx
- Montana => no documentation and coding adjustment this year but experience will be evaluated during the year

For Further Information

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