District of Columbia Medicaid Outpatient Hospital Payment Method

Information about EAPGs

Version Date: October 1, 2026

OVERVIEW

1. What is the purpose of this informational handout?

This handout provides general information to hospitals and interested parties about the Enhanced Ambulatory Patient Groups (EAPGs) Grouper/Pricer.[1] Effective October 1, 2014, DC Medicaid implemented a new outpatient hospital payment method based on EAPGs for fee-for-service (FFS) claims. Please refer to the separate DC Medicaid Outpatient FAQ for specific payment and billing policy questions.

2. What are EAPGs?

EAPGs are a visit-based classification system intended to reflect the utilization and type of resources of outpatient encounters for patients with similar clinical characteristics. EAPGs are used in outpatient prospective payment systems (OPPS) for a variety of outpatient settings, including hospital emergency rooms, outpatient clinics and same day surgery.

3. Who developed EAPGs?

Solventum Health Information Systems (HIS) initially developed Ambulatory Patient Groups (APGs) prior to 2000. In 2007, Solventum HIS made significant changes to its earlier variant of the grouper to reflect current clinical practice including coding and billing practices and to describe a broader, non-Medicare population. These revisions resulted in the Enhanced APGs or EAPGs.

4. Who uses EAPGs?

Several Medicaid programs currently use EAPGs for payment. Maryland uses EAPGs for reporting and payment adjustment purposes. Additionally, several commercial payers currently use EAPGs.

5. What is the basic approach with EAPGs?

EAPGs group together procedures and medical visits that share similar clinical characteristics, resource utilization patterns and cost so that payment is based on the relative intensity of the entire visit. The EAPG grouping system is designed to recognize clinical and resource variations in severity, which results

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in higher payments for higher intensity services and lower payments for less intensive services. While each claim may receive multiple EAPGs, each procedure is assigned to only one EAPG.

6. How are EAPGs assigned?

The EAPG grouper evaluates Current Procedural Terminology (CPT), Healthcare Common Procedure Coding System (HCPCS) and International Classification of Diseases, Tenth Revision, Clinical Modification (ICD-10) principal diagnosis codes along with other information readily available on a claim to determine EAPG assignments. Procedures that are typically performed in an ambulatory setting are divided into three groups: significant procedures, ancillary services and medical visits. If no significant procedure is performed, that episode of care may be considered a medical visit when other criteria are met such as the presence of an evaluation and management (E/M) CPT code. Visits without a significant procedure or a medical visit indicator (E/M CPT code) are considered "ancillary only" visits.

Table 1
The Three Major Visit Types Defined

Significant procedure	• One that is normally scheduled, constitutes the reason for the visit, and consumes the majority of the visit resources. • Some medical services provided during that visit are assumed to be an integral part of the procedure.
Ancillary services	• May include diagnostic tests like radiology and laboratory services as well as ancillary procedures such as immunizations.
Medical visits	• Assigned based on primary diagnosis code. • Requires an evaluation and management (E/M) CPT code and usually do not have a significant procedure. • Medical visits may group into "ancillary only", if no E/M CPT code is present

Note:
1. Solventum Health Information Systems, *Definitions Manual*, Version 3.18

7. What are the rules for assigning and paying an EAPG at the line-item detail level?

Each claim line in a visit is evaluated for an EAPG; a single visit may have multiple EAPGs. The logic in the grouper will assign each line (CPT/HCPCS code) to the appropriate EAPG at the line level. All CPT/HCPCS codes claimed for a visit (same date of service) should be included on the claim. Diagnosis codes also impact EAPG assignment for some visits.

It is important to note, however, that not every EAPG is used in the computation of the payment. Some EAPGs may consolidate or package and pay zero at the line level and some EAPGs may be discounted.

EAPG PAYMENT

8. How is the assigned EAPG converted into payment?

Each EAPG has an assigned relative weight. This relative weight is adjusted by the various payment mechanisms as applicable such as discounting, packaging and consolidation. The adjusted relative weight is multiplied by a conversion factor or base rate to yield the EAPG payment amount. Please note that the EAPG payment may be further adjusted by policy adjustors as applicable.

Table 2 **EAPG Payment**
EAPG payment = Adjusted EAPG relative weight * conversion factor * policy adjustor (if applicable)
Adjusted EAPG relative weight = EAPG relative weight *multiple significant procedure discount * bilateral procedure discount * terminated procedure discount * repeat ancillary procedure discount * other discounts

9. What are some of the bundling or packaging methods used by the EAPG payment system?

The EAPG system uses three methods for grouping different services provided into a single payment unit: ancillary packaging, significant procedure consolidation and discounting.

- ***Ancillary Packaging.*** Ancillary packaging refers to the inclusion of certain ancillary services into the EAPG payment for a significant procedure or medical visit. In general, ancillary services that are inexpensive or frequently provided and are clinically expected to be a routine part of the specific procedure or medical visit are packaged. For example, a chest x-ray can be packaged into the payment for a pneumonia visit. The EAPG grouper comes with a standard ancillary packaging list; however, it can be modified by the payer. If a significant procedure or medical visit is not present on the visit, items on the standard packaging list are paid separately but may be subject to ancillary discounting.
- ***Consolidation.*** Consolidation refers to the collapsing of significant or other procedures into a single EAPG for payment purposes. When multiple procedures are performed from one of the significant or other procedure types significant procedures, procedures of the same type may require minimal additional time or resources. Significant and other procedure consolidation refers to collapsing multiple-related significant or other procedure EAPGs into a single EAPG for the purpose of determination of payment. A significant and other procedure consolidation list was compiled based on clinical judgement. This list identifies for each significant or other procedure the other EAPGs that are an integral part of the procedure and can be performed with little additional effort and therefore are consolidated. The procedures are ranked based on the relative weight.
- ***Discounting.*** Discounting refers to a reduction in the payment for an EAPG. The procedures are ranked based on the relative weight. Discounting recognizes that the marginal cost of providing a second procedure to a patient during a single visit is less than the cost of providing the procedure by itself. Discounting can occur on repeated ancillary procedures that group to the same EAPG or on an unrelated significant procedure performed multiple times.

Table 3 EAPG Claim Example				
CPT Code	**EAPG Assigned**	**Payment Element**	**Payment Action**	**Applied EAPG Discount**
31545	063 - Level II Endoscopy of Upper Airway	Significant Procedure	Discounted	50%
31515	062 - Level I Endoscopy of Upper Airway	Significant Procedure	Consolidated	0%
42405	368 - Level II oral surgery procs	Significant Procedure	Full Payment	100%
88331	158 - Pathology consultation & interpretation	Ancillary	Packaged	0%
82435	402 - Basic Chemistry Tests	Ancillary	Packaged	0%
93000	413 - Cardiogram	Ancillary	Packaged	0%
00322	380 - Anesthesia	Ancillary	Packaged	0%
84233	399 - Level II Endocrinology Tests	Ancillary	Packaged	0%

Note:
1. Solventum Health Information Systems, Core Grouping Software Output Report, Version 3.18

10. What other features of EAPGs affect payment?

Other features used by DC that affect payment include the recognition of certain modifiers as well as the ability for payers to define payment policies such as “never pay” procedures.

- ***CPT/HCPCS Modifiers.*** The grouper recognizes over 45 CPT/HCPCS modifiers that may impact pricing. For example, there are modifiers that allow payment for multiple medical visits on the same day as well as modifiers that may reduce payment for multiple therapy procedures on the same day. The modifiers used with EAPGs vary depending on the payer’s choice.
- ***Never Use/Never Pay list***. This grouper functionality may be used by payers to enforce services not covered or other payment policies. For example, cosmetic surgery or services paid outside the EAPG payment system. The list included in the grouper is blank by default.

11. How does the observation room logic work under EAPGs? How does it affect payment?

Observation room logic was added to the EAPG grouper as a new feature in January 2013 and was further modified in January 2017. It provides the payer with a selection for identifying the minimum observation hours (reported as units) criteria required to assign the Ancillary Observation EAPG 450 to HCPCS code

G0378. Table 4 describes the EAPG grouper observation logic, using eight observation units (hours) as an example.

Table 4
EAPG Grouper Observation Logic

EAPG / Description	EAPG Type	National Weights v. 3.18	Grouping Criteria	Action
491 Medical Visit Indicator (MVI)	INCIDENTAL	0.0000	G0379 (direct admit to observation) or observation E/M	• If one of these codes occurs with a significant procedure, the line is packaged • If paired with G0378, then the line groups to the medical EAPG based on the principal diagnosis code • If one of these codes occurs without a significant procedure and without G0378, the line groups to the medical EAPG based on the principal diagnosis code
450 Observation	ANCILLARY	1.3642	G0378 Hospital observation per hour	• If G0378 is billed with units of 8 or more and there is a MVI, the line groups to EAPG 450 and is not packaged • If G0378 is billed with units less than 8 and there is a MVI, the line groups to EAPG 450 and is packaged • If G0378 occurs with a significant procedure, the line groups to 450 and is packaged • If no MVI and no significant procedure occur, then the line will group to EAPG 999 Unassigned

Note:

1. Groupings based on Solventum Health Information Systems EAPG Grouper Software Version 3.18 using Solvenum national relative weights

EAPG GROUPER/PRICER SOFTWARE

12. Does my hospital have to collect additional data for EAPGs?

No. The data elements needed for EAPGs use the information hospitals submit on the standard institutional claim forms UB-04 and X12-837I. For example, primary and secondary diagnosis codes, revenue codes, CPT/HCPCS procedure codes and modifiers, charges, line item dates of service, age and gender.

13. What are the components of the EAPG software?

The EAPG Grouper/Pricer is one integrated software tool. The Grouper component assigns CPT/HCPCS codes to EAPGs; and the Pricer component applies the appropriate weights and conversion factors to the EAPGs to calculate payment. The EAPG software is customized for the payer to perform either the grouping or the pricing or both.

14. How often is the EAPG Grouper/Pricer updated?

Solventum HIS updates the EAPG software on a quarterly basis which may involve diagnosis or procedure code updates and other changes. The DC Medicaid Management Information System (MMIS) is also updated with those quarterly changes. In addition, new versions of the EAPG Grouper/Pricer are released January of each year. New versions may include, for example, new user options, new EAPGs or changes in EAPG logic. DC Medicaid typically updates to the latest EAPG grouper version every other year; this update will occur for FY27 rates.

15. Does the EAPG Grouper/Pricer software use ICD-10 diagnosis codes?

The grouper uses ICD-10 diagnosis codes to assign EAPGs for medical visits. The EAPG grouper is fully compliant with ICD-10 coding.

16. Where can I get more information about the new payment method?

FAQ	A separate FAQ document provides DC Medicaid policy, payment and billing information about the EAPG payment method. FAQs are periodically updated and distributed to hospitals and are also published on the DC Medicaid website: https://dhcf.dc.gov/page/rates-and-reimbursements.
EAPG Information	This document provides general information about EAPGs.
For questions contact	Sharon Augenbaum, Reimbursement Analyst Office of Rates, Reimbursement and Financial Analysis Department of Health Care Finance Tel: 202-442-6082 ● Email: sharon.augenbaum@dc.gov