District of Columbia Medicaid
A New Outpatient Hospital Payment Method

Information about EAPGs

Version Date: October 1, 2015

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 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?

3M Health Information Systems (HIS) initially developed Ambulatory Patient Groups (APGs) prior to 2000. In 2007, 3M 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?

Medicaid programs currently using EAPGs include: New York, Virginia, Wisconsin, Illinois and Washington for payment; and Massachusetts for service-mix adjustment. Medicaid programs with planned EAPG implementations for outpatient hospital services are: Colorado and Texas. Commercial payers currently using EAPGs include: Oklahoma BlueCross BlueShield, Minnesota BlueCross BlueShield, and Wellmark in Iowa and South Dakota.

[1] Information is based, in part, on the use of proprietary software created, owned and licensed by the 3M Company.

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 in higher payments for higher intensity services and lower payments for lower intensity 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 both CPT/HCPCS and 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 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:
3M Health Information Systems, *Definitions Manual*, Version 3.8.13.1, January 2013

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
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 procedures into a single EAPG for payment purposes. The procedures are ranked based on the relative weight. There are two types of significant procedure consolidation. The first type is “same significant procedure EAPG consolidation” which occurs when two significant procedure HCPCS codes group to the same EAPG. The second type is “clinically related significant procedure consolidation.”
- ***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	Full Payment	100%
31515	062 - Level I Endoscopy of Upper Airway	Related Procedure	Consolidated	0%
42405	252 - Level I Facial & ENT Procedures	Unrelated Procedure	Discounted	50%
88331	390 - Level I Pathology	Routine Ancillary	Packaged	0%
82435	402 - Basic Chemistry Tests	Routine Ancillary	Packaged	0%
93000	413 - Cardiogram	Routine Ancillary	Packaged	0%
00322	380 - Anesthesia	Routine Ancillary	Packaged	0%
84233	399 - Level II Endocrinology Tests	Non Routine Ancillary	Full Payment	100%
Note: 3M Health Information Systems, *Definitions Manual*, Version 3.8.13.1, January 2013				

10. What other features of EAPGs affect payment?

EAPGs use some payment techniques similar to outpatient prospective payment systems like Medicare. For example, the EAPG grouper uses some modifiers to affect payment as well as a list of procedures that are only paid when provided in an inpatient setting. Other features provide payers with options to define payment policies such as "never pay" procedures.

- ***CPT/HCPCS Modifiers.*** The grouper recognizes over 40 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.
- ***Inpatient-only procedures***. This group of procedures includes those that should only be performed on an inpatient basis. Lines billed with one of these procedures will group to a non-payable EAPG. The EAPG grouper contains a default list of inpatient-only procedure codes which is different and less restrictive than Medicare's list. A payer may add procedures to this list but may not delete them.
- ***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. 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 8 observation units (hours) as an example.

Table 4
EAPG Grouper Observation Logic

EAPG / Description	EAPG Type	National Weights v. 3.8	Grouping Criteria	Action
492 Encounter/referral for observation indicator (OVI)	INCIDENTAL	0.0000	G0379 (direct admit to observation) or observation E/M (99217–99220, 99224-99226, 99234-99236)	• If one of these codes occurs with a significant procedure, the line is packaged • If paired with G0378, then the line groups to either EAPG 500, 501 or 502 • If one of these codes occurs without a significant procedure and without G0378,the line groups to EAPG 999 Unassigned
450 Observation	ANCILLARY	0.8679	G0378 Hospital observation per hour	• Receives full payment if there is also a Medical Visit Indicator (MVI) (EAPG 491, associated with mostly E/M codes) • If G0378 is billed with units less than 8, the line groups to EAPG 999 Unassigned • If G0378 occurs with a significant procedure, then it is packaged • If G0378 occurs with OVI (EAPG 492) then the line will group to either EAPG 500, 501 or 502 • If no MVI, no OVI and no significant procedure occur, then the line will group to EAPG 999 Unassigned

Table 4
EAPG Grouper Observation Logic

EAPG / Description	EAPG Type	National Weights v. 3.8	Grouping Criteria	Action
500 Encounter/referral for observation – obstetrical	MEDICAL VISIT	1.1365	Assigned if one of the observation indicator (OVI) codes (procedure codes that are criteria for EAPG 492) is present AND if G0378 is present AND obstetrical principal diagnosis code	• Receives full payment
501 Encounter/referral for observation - other diagnoses	MEDICAL VISIT	0.7208	Assigned if one of the observation indicator (OVI) codes (procedure codes that are criteria for EAPG 492) is present AND if G0378 is present	• Receives full payment
502 Encounter/referral for observation - behavioral health	MEDICAL VISIT	1.9403	Assigned if one of the observation indicator (OVI) codes (procedure codes that are criteria for EAPG 492) is present AND if G0378 is present AND behavioral health principal diagnosis code	• Receives full payment

Note:

1. Groupings based on 3M Health Information Systems EAPG Grouper Software Version 3.8 (January 2013), using 3M 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?

3M HIS updates the EAPG software on a quarterly basis which may involve diagnosis or procedure code updates and other 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.

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

The EAPG grouper is fully compliant with both ICD-9 and 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 new outpatient hospital payment method. FAQs are periodically updated and distributed to hospitals.
EAPG Information	This document provides general information about EAPGs.
Provider information sessions	Informational sessions are held periodically to keep providers informed of data, decisions and the progress of the project.
Policy 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
Technical questions contact	Connie Courts, Xerox State Healthcare Senior Consultant, Payment Method Development Tel: 859-312-2040 ● Email: Connie.Courts@xerox.com