

DC Medicaid

Specialty Hospital Project
Per Stay Training

August 20, 2014

Government Healthcare Solutions

Payment Method Development



Agenda

- Introductions
- Background
- APR-DRG overview
- Payment details
- System support
- Questions

Disclaimer

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Background

Background

- Evaluate and recommend a prospective payment method for five specialty hospitals:
 - Psychiatric Institute of Washington (PIW)
 - Hospital for Sick Children (HSC)
 - National Rehabilitation Hospital (NRH)
 - Specialty Hospital of Washington-Capitol
 - Specialty Hospital of Washington-Hadley
- Replace flat-rate per diem models with a prospective payment system
- Allow District to better understand what is being paid for
- Be defensible, transparent and durable
- Change effective October 1, 2014

Specific Issues

- Outpatient services at these hospitals will be included in the Outpatient Hospital Project
- Five hospitals are excluded from the APR-DRG project
- Coding quality

Current payment method

- Specialty hospitals paid on a hospital specific per diem
- Days are paid the same without consideration of the complexity of the patient or care
- For the most part, each hospital's rates are re-stated annually based on cost audit process

New Method

- APR-DRG adjusted per-diem
 - Impacts rehabilitation, specialty psychiatric and pediatric LTCH:
 - National Rehabilitation
 - Psychiatric Institute of Washington
 - Hospital for Sick Children
- APR-DRG adjusted per-stay
 - Impacts adult LTCH
 - Capitol Hill
 - Hadley

APR-DRG Overview

What Are APR-DRGs?

- All Patients Refined Diagnosis Related Groups (APR-DRG) is a classification system that classifies patients with a similar pattern of resource intensity & into clinically meaningful patient groups.
- Focus is expanded from resource consumption to include:
 - Resource Intensity: the relative volume and types of diagnostic, therapeutic and bed services used in the management of a particular disease
 - Severity of Illness: the extent of physiologic decompensation or organ system loss of function
 - Risk of Mortality: the likelihood of dying
- There are a manageable number of DRGs which encompass the range of all patients seen on an inpatient basis
- The patient characteristics used in the definition of the DRGs are limited to information routinely collected

What Are APR-DRGs? (cont.)

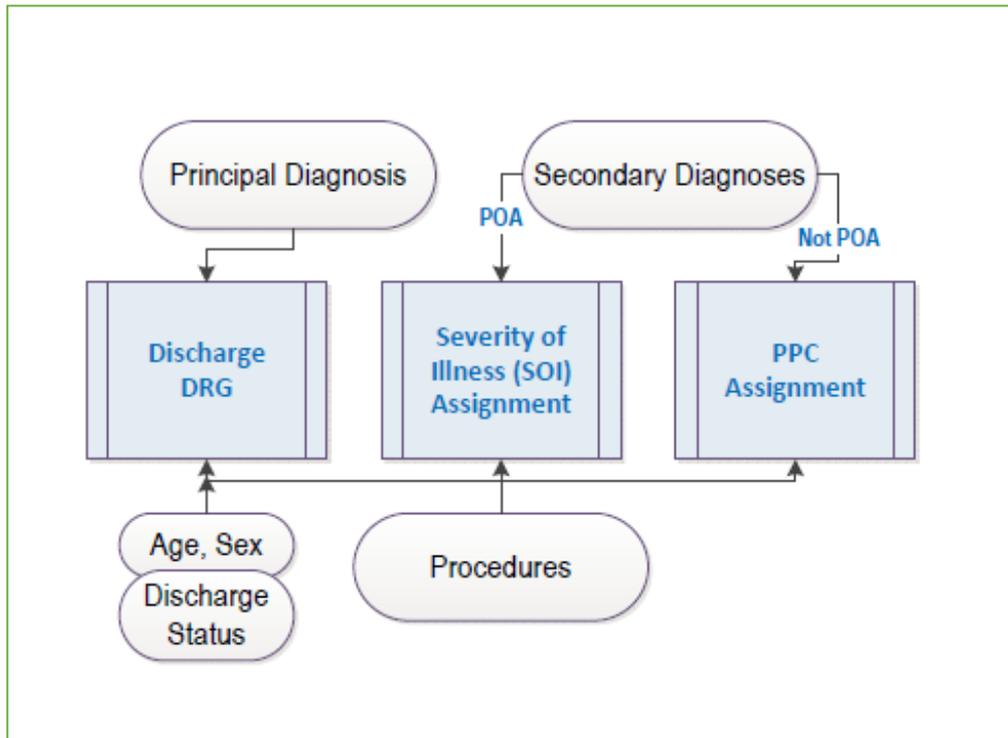
- APR-DRGs are a clinical model that has been extensively refined with historical data
 - Different clinical models are developed for different types of patients
 - Clinical models verified with data
 - Hospitals
 - State Agencies input
 - New literature evaluated
 - New code set
 - Final decisions were always clinical with two-tier peer review
- Transparent criteria

What are APR-DRGs? (cont.)

- 3M APR-DRGs are designed to describe the complete cross-section of patients seen in acute care hospitals
- 3M APR-DRGs form a clinically coherent set of severity of illness and risk of mortality adjusted patient groups
- Developed in early 1990s by 3M and National Association of Children's Hospitals (formerly NACHRI)
- Intended to be suitable for all patients, especially obstetrics, newborns, NICU babies, general pediatrics, and medically complex children
- Widely used for research, analysis and payment
 - Understand the patients being treated, costs incurred, expected services and outcomes
 - Identify areas for improvement in efficiency, documentation, and potential quality problems

Structure of APR-DRGs

DRG 002-4 Base DRG - SOI



APR-DRG	APR-DRG Description	Relative Weight
002-1	Heart &/Or Lung Transplant	9.5322
002-2	Heart &/Or Lung Transplant	11.3558
002-3	Heart &/Or Lung Transplant	16.027
002-4	Heart &/Or Lung Transplant	24.7273
141-1	Asthma	0.3506
141-2	Asthma	0.4946
141-3	Asthma	0.7464
141-4	Asthma	1.4218
560-1	Vaginal Delivery	0.307
560-2	Vaginal Delivery	0.3477
560-3	Vaginal Delivery	0.5057
560-4	Vaginal Delivery	1.3646

High severity of illness and risk of mortality are characterized by multiple serious diseases and the interaction of those diseases.

General Steps in Calculating the Allowed Amount

- Group each stay to APR-DRG and use relative weight
- Hospital's base rate (per diem or for the stay)
- Incorporate specific payment adjustments
 - Outlier payments, transfers, etc.

Payment details

Per stay method

Per stay payment method

- Each hospital stay is assigned an APR-DRG
- Each APR-DRG has a relative weight
- The allowed amount is calculated by:

Hospital base rate
X
APR-DRG relative weight
+
Adjustments (e.g. outlier payments, transfer payments)

Interim Payments

Interim payments

- Now follow DC DRG payment rules. Interim claims are allowed for:
 - Stays that exceed a threshold of 30 days, and/or
 - Stays that have \$500,000 in charges or more
- How will interim payments be applied
 - Hospital submits interim claim (type of bill 0112 or 0113)
 - Interim claim will be paid an interim per diem rate of \$500 times the number of days
 - Upon discharge, the hospital will void the previous interim claims and submit one claim, admit through discharge showing all charges, diagnoses and procedures
 - Interim claims 0114 (final interim claim) and 0115 will be denied if submitted

Outlier payments

High cost outlier payment

- Additional payments available for high cost cases based on these rules:
 - Did a loss occur?
 - If there was a loss, did it exceed the high cost outlier threshold?
 - Calculate the loss minus the threshold times the marginal cost factor
 - Add the payment to the DRG allowed amount

Adjustments made for low-cost outliers

- Adjustments made for low cost stays.
 - Was there a gain on the stay?
 - Did the gain exceed the low cost threshold?
 - If a gain exists, process payment using the transfer policy rule.

Transfer Payments

- Transfer adjustments are made when a patient is transferred to another acute setting.
- The hospital will be paid the lesser of:

The DRG base payment, or

A per diem amount times the actual length of stay plus one day.

- Per diem amount calculated by taking the base DRG payment divided by the DRG specific average length of stay

System support

Where to find Information

DC Medicaid Webportal

- <http://www.dc-medicaid.com>
 - Select Provider Type Specific Information from the left task panel
 - Select Hospital Link
 - Select Billing Manual Link

Specialty Hospital FAQ is also available from the Webportal

This FAQ document which provides DC Medicaid policy, payment and billing information about the new outpatient hospital payment method. FAQs are periodically updated and distributed to hospitals.

- <http://www.dc-medicaid.com>
 - From the “What’s Hot” section on the home page, select “DC Medicaid Specialty Hospital Project” when presented.

Questions

For Further Information

For more information on Medicaid payment methods, please go to www.xerox.com/Medicaid

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