

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Department of Health Care Finance**



Office of the Director

**Transmittal No. 14-27**

TO: All Medicaid Fee-For-Service Hospitals

FROM: Claudia Schlosberg  
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Department of Health Care Finance

DATE: September 22, 2014

SUBJECT: Advice Regarding Implementation of Hospital Payment Methodologies – Update  
on Retroactive Implementation

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The District of Columbia Department of Health Care Finance (DHCF) is submitting State Plan Amendments (SPAs) for three new hospital payment methods that will be effective October 1, 2014. However, until the District obtains approval of the SPAs, we do not have authority to implement the changes. Accordingly, while the changes will be effective October 1, 2014, we will implement the changes retroactively upon approval by the Centers for Medicare and Medicaid Services (CMS). DHCF will continue to pay hospital claims using current payment methodologies and current rates. Once the SPA has been approved and the new methods are activated in the Medicaid Management Information System (MMIS), all claims with discharge dates or dates of service on or after October 1, 2014 will be reprocessed with payment adjustments as necessary under the new payment methods.

**Key Instructions**

As always, hospitals should continue to assign ICD-9 and CPT/HCPCS codes according to national coding guidelines.

With the exception of items 1, 2, and 3 below, hospitals should implement any billing changes related to the three new payment methods for claims with dates of service or discharge dates on or after October 1. These policies will be retroactively enforced after CMS SPA approval. Some of the significant payment policy changes that will be effective on October 1, 2014 include:

- Three-day window – hospitals should comply with this policy on claims with dates of service or discharge dates on or after October 1, 2014. It is expected and acceptable that dates of service on an inpatient claim may be prior to the admission date. Please see both the APR-DRG and outpatient hospital FAQ documents for more detailed instruction about compliance with this policy.

- Observation services – the new payment policy for observation services will be retroactively applied on claims with dates of service on or after October 1, 2014. Please see the outpatient hospital FAQ for more details.

There are three notable **exceptions** to this instruction:

1. In addition to implementing billing changes related to EAPGs, providers should also continue to employ all billing practices related to the current outpatient payment method.
  - a. Visit codes must still be used for billing outpatient visits
  - b. Bill Types 0831-0838 must still be used for outpatient surgery, chemotherapy and other services as currently applicable

All current outpatient billing practices should be continued until the new payment method is activated in the DC claims processing system.

2. The separate payment for multiple visits on a single claim is a mechanism that is built into the EAPG grouper software. Under the current payment method, multiple dates of service on a single claim are not recognized for payment. Since DHCF will continue to process claims using the current payment method, hospitals may choose not to implement span billing practices in order to be paid separately for each visit. After EAPGs are activated, each date of service on a claim will be paid as a separate visit.
3. For Specialty Hospitals of Washington (Capitol Hill and Hadley) **only**:  
Under the new payment method the final interim bill type 0114 will no longer be allowed for these two hospitals and claims submitted will be denied. However, these codes are allowed under the current payment method. To address the potential payment denials this may cause, the District will apply the following process during the retroactive payment period.
  - Prior to the new payment method activation, the District will evaluate the volume of claims paid since October 1, 2014 using type of bill 0114.
  - The District will notify Capitol Hill and Hadley about these claims so that they can be prepared to immediately resubmit them after denial during the mass adjustment process.
  - When the new payment method is activated, claims with type of bill 0114 will be reprocessed and denied.
  - The two hospitals should submit replacement claims for these admissions using the new billing instructions, which is to submit full admit-to-discharge claims. If there were any other interim claims associated with the discharge, (type of bill 0112 or 0113), those will be denied in the mass adjustment as well. This will avoid the “duplicate” billing edit when the DRG claim is submitted.

DHCF will continue to communicate information about the new payment methods on <https://www.dc-medicaid.com/dcwebportal/home>. For questions, please contact Donald Shearer at (202) 698-2007 or [donald.shearer@dc.gov](mailto:donald.shearer@dc.gov)