



# Georgia Medicaid Inpatient Prospective Payment System Update



Presentation to: IPPS Update Hospital Advisory Subcommittee

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# Mission

## The Georgia Department of Community Health

We will provide Georgians with access to affordable, quality health care through effective planning, purchasing and oversight.

*We are dedicated to A Healthy Georgia.*

# Context for Medicaid Inpatient Prospective Payment System (IPPS) Update

## ICD 10 Implementation

- In order to successfully implement the federally mandated ICD 10 requirement (effective 10/1/14)
  - DCH needs to update the IPPS methodology by 4/1/14 and again as soon as feasible after 10/1/14.
  - There will be no ICD 10 mapper software available to map the current Tricare DRG Version 24 (based on ICD 9) to ICD 10.
  - Update to Version 30 (includes ICD 10 mapper) is necessary to pay Medicaid inpatient claims with dates of service beginning 10/1/14.
  - HP must begin MMIS testing related to the ICD 10 conversion and inpatient claims by 4/1/14.
  - Update is critical for mitigating the fiscal impact of ICD 10.
    - DCH will update to the official ICD 10 compliant software Tricare Version 32 after 10/1/14 to minimize fiscal impact and more accurately classify claims.

## IPPS update is necessary to reflect more recent hospital financial information and DRGs

- Last update was January 1, 2008 using 2004/2005 financial data and a diagnosis/procedure grouper (Tricare DRG Version 24) that was effective for 10/1/06 – 9/30/07.

# Current Georgia Medicaid IPPS System

## Inpatient Hospital claims are currently paid based on:

- Tricare Version 24 to group all inpatient hospital claims into DRGs
- All DRGs have weights and outlier thresholds assigned
- Hospitals are divided into one of three peer groups:
  - *Statewide, Pediatric and Specialty*
- Base Rates are assigned to each Peer Group
  - *Specialty Hospitals have unique Base Rates*
- Most claims are paid by multiplying the DRG weight by the Hospital's base rate
- Special pricing exists for certain short-stay and transfer claims
- High cost claims may qualify for an Outlier Settlement Payment
- Each claim receives a hospital specific per case add-on for Capital and Graduate Medical Education (GME)

# IPPS Update Parameters

**There is no major change in methodology – update to the DRG and costs/claims data only:**

- Update to Tricare Version 30
- Data includes FFS and CMO claims for weight setting purposes and for budget neutrality calculation
- No changes to Peer Groups (statewide, pediatric and specialty)
- No changes to Short-Stay and Transfer logic
- No changes to Outlier Settlement calculations
- No changes to the Per Case Add-on methodology
- Use of cost and claims data from 2011 and 2012 (previously 2004 and 2005)
- The update will be budget neutral for the hospital industry as a whole

*For additional detail refer to the Inpatient DRG Parameters Handout*

# The IPPS Update Process

## DCH approach is comprised of the following steps:

- Determine the base year for the claims
- Determine the base year for the cost reports
- Create the rate setting claims database
- Calculate the cost of the claims
- Identify and remove outliers
- Perform stability analysis
- Calculate relative weights
- Calculate the case-mix of each hospital
- Calculate the peer group base rates
- Calculate the capital and GME add-ons



# IPPS Update Financial Data

DCH used the following financial data:

Financial Data Component	Source
Base Year for Claims	Claims Data for FY 2012 (7/1/2011 – 7/1/2012)
Cost to Charge Ratio Calculations	<ul style="list-style-type: none"><li>• CY 2011 DSH Survey Data and</li><li>• Cost Reports for Hospital Fiscal Year Ending in 2011 when DSH data not available</li></ul>
Capital and GME	<ul style="list-style-type: none"><li>• CY 2011 DSH Survey Data</li><li>• Cost Reports for Hospital Fiscal Year Ending in 2011 when DSH data not available</li><li>• 2013 Capital Survey</li></ul>

# IPPS Update Recalculations

## Five IPPS Elements Have Been Recalculated

- DRG Relative Weights
- DRG Outlier Thresholds
- Provider Base Rates
- Provider Operating Cost-to-Charge Ratios
- Provider Per Case Capital and Graduate Medical Education (GME) Add-ons

## Use of Five Elements Above in Payment Calculations

- DRG Weight Based Calculations
- Cost to Charge Payment Calculations
- Outlier Settlement Calculations





# IPPS Update Impacts

1. Move to Tricare DRG Version 30 from Version 24 adds about 250 new DRGs.
  - Additional DRGs reflect changes in healthcare delivery and advances in medicine.
2. Rebasing of DRG weights results in shifts in reimbursement.
  - A larger percentage of payments paid as inlier claims (increase in base rates).
  - There is a shift in DRG reimbursement towards NICU care (neonatal care).
3. Update to Cost to Charge Ratios (CCRs) and outlier thresholds also reduces the number of outliers and shifts outlier payments to inlier claims (decrease in outlier payments).
4. Capital and GME add-on amounts updated to reflect latest cost and survey data. There is no change in the methodology.



# DRG Parameter Impacts Under Budget Neutral Update

## 1. Case Mix Index

- Update to DRG weights causes changes in hospital case mix index.

## 2. Cost to Charge Ratios

- Update to more current CCRs puts outlier payments more in line with levels at the time of last rebase.
- Payments were \$88 million higher in 2013 than they would have been if CCRs had been updated annually.

## 3. Capital Rates

- Update of capital expenditures recognizes capital improvements since last update.

## 4. GME Rates

- Update reflects changes in graduate medical education programs since last update.



# Outlier Calculations for Budget Neutrality

- Projected, rather than reported outlier payments, are used in the determination of overall budget neutrality. Outlier payments are incomplete due to runout.
- A reasonable payment percentage, based on historical payment levels, was determined to be 82.13%.
- The budget neutrality model includes modeled outlier payments for claims under both Tricare Version 24 and Version 30 systems.
- For individual hospitals the modeled payments may not match the reported payments due to the variability of payment timelines and outlier submissions.



# Change in Total Payments by Peer Groups

Peer Group	# Hospitals	# Claims	Current Payments	Projected Payments	Increase/ (Decrease)	% Change
Statewide	144	228,867	\$1,238,645,231	\$1,219,195,409	(\$19,449,822)	-1.6%

- *There were 79 hospitals that received an increase in payments and 65 hospitals that had a decrease.*
- *The overall decrease across Statewide Peer Group is driven primarily by one hospital due to a large change in their CCR. Without this hospital the change in payments is +0.4% for this peer group.*

Pediatric	3	12,998	\$211,851,695	\$232,007,419	\$20,155,723	9.5%
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- *83% of increase driven by Capital and GME add-on payments.*

Specialty**	5	508	\$17,202,969	\$16,497,500	(\$705,464)	-4.1%
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*\*\*Payment impact shown for Specialty Peer Group as a whole; however, because IPPS payment is unique to each specialty hospital, actual payment impact is unique as well.*

# IPPS Update Timeline

## IPPS Update is a two phase approach:

### Phase 1

In order to pay claims on and after the ICD conversion on 10/1/2014, DCH must convert to Tricare Grouper Version 30 and must incorporate the DRG update into the ICD-10 conversion/testing process.

### Phase 2

To minimize claims payment issues with ICD-10 and the fiscal impact to the State, DCH will move to Tricare Grouper Version 32 as soon as feasible in FY14.

## DCH has established the following deadlines for the IPPS update:

- Submit State Plan Amendment to CMS by 12/31/13.
- MMIS to reflect IPPS update (weights, base rates, add-ons and outlier thresholds) by 4/1/2014 so that HP can begin MMIS ICD 10 inpatient claims testing.
- Use Tricare Version 31 as a proxy for Version 32 and begin rebasing analysis in Spring 2014.  
*(V.31 DRGs and weights are expected to be identical to V.32, so V.31 will serve as a proxy for V.32)*
  - IPPS Subcommittee will be convened for update discussion.
- MMIS updates to reflect Version 32 as soon as possible after ICD 10 conversion.

# Hospital Specific Information

DCH will be sending each hospital their specific base rate, add-on and fiscal impact information via email or FTP early in the week of November 4<sup>th</sup>.

# Questions and Comments

**DCH will address questions and comments during the current meeting. Hospitals may also send questions and comments in writing to DCH at:**

- [mwyatt@dch.ga.gov](mailto:mwyatt@dch.ga.gov)
- Questions and comments must be received by close of business Friday, November 8, 2013.

**DCH will address questions and comments at the next scheduled IPPS Subcommittee Meeting to be held:**

- Location and meeting date pending – either November 18<sup>th</sup> or November 19<sup>th</sup> at 1:30 PM
- DCH will arrange webcast
- DCH will notify Hospitals of the exact meeting date and location by Friday, November 1<sup>st</sup>.

**Today's presentation as well as detail on DRGs will be posted on the DCH website.**

