Georgia Department of Community Health

Georgia Medicaid Inpatient Prospective Payment System: Proposed Methodology Changes

Presentation to: Hospital Advisory Inpatient Payment Subcommittee

Presented by: DCH Finance Division and Myers & Stauffer LC

Date: October 26, 2015

Georgia Department of Community Health

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.

Overview of Proposed Changes to the Georgia Medicaid Inpatient Prospective Payment System (IPPS)

Proposed Changes to IPPS - Background

In April 2015, DCH proposed a 3 phase approach to changing and updating its Medicaid IPPS methodology.*

DCH proposed to update the IPPS Reimbursement because:

- The IPPS model components had been unchanged since the late 1990s. Grouper and cost updates were infrequent.
- To be effective, the methodology should be updated at least every 2 to 3 years to keep pace with industry changes and costs. Certain components must be updated annually. This is necessary to control overall costs to the state.
- DCH heard numerous concerns regarding the payment methodology from hospitals and internal/external subject matter experts.
- DCH developed policy objectives and guidelines associated with Medicaid and PeachCare inpatient hospital payments. DCH determined its IPPS methodology did not address these policy objectives and guidelines.

**Refer to the "DCH IPPS Presentation to the HAC IP Subcommittee April 14, 2014" at http://dch.georgia.gov/hospital-providers*

IPPS Methodology: Guidelines and Policy Objectives

DCH proposed to change the Medicaid IPPS Methodology based on the following agency guidelines and policy objectives:

Guidelines:

1. Changes must be **budget neutral.**
2. Methodology must support **regular updates on a predictable schedule.**

Policy Objectives:

1. **Promote efficiency** in the delivery of services by:
   - Creating appropriate incentives to **reduce/control costs**; and
   - Better **match reimbursement with the services provided**.
2. Promote and support Governor's policy objective to **enhance the physician workforce through graduate medical education programs**.
3. **Focus payment methodology on service delivery for Medicaid members.**

Implementation Timeline

Phase 1 – Effective Date July 1, 2015 (DCH received *CMS approval on October 22, 2015*)

- Eliminate Capital and GME Add-on Payments.
- Update Hospital Cost to Charge Ratio (CCRs) – this will be an ongoing annual update.
- Establish GME Payment Pool. *GME will no longer be paid as an add-on to the IPPS claim. Quarterly payments will be made to Teaching Hospitals.**
- Incorporate new IME and Medicaid Utilization Factor into the base rate calculation.
- Apply a Stop Loss/Gain through June 30, 2016.

Phase 2 – Effective Date January 1, 2016

- Update the Tricare DRG Version from 30 to 33 in order to mitigate ICD 10 fiscal impact.

Phase 3 – Effective July 1, 2016

- Annual Update to Hospital Cost to Charge Ratio (CCRs).
- Update/Rebase Cost Data.
- Change Outlier Formula.
- Pay Outliers on an Automated Basis.
- Consider a Stop Loss/Gain.
- Revised GME Payment Allocation

DCH is developing a new GME payment allocation model based on teaching hospitals' FTE counts. This model will be discussed at a later date and be implemented in FY 2017.

Status of Phase 1 IPPS

CMS approved the IPPS Phase 1 State Plan Amendment on October 22, 2015.

- Phase 1 is effective July 1, 2015 and will be implemented retroactive to this date.
- CMOs were notified, via email, of CMS approval on October 22, 2015.
- DCH will be issuing a schedule for the mass adjustment of fee-for-service inpatient claims back to July 1, 2015.

Phase 2 Proposed Changes to the Georgia Medicaid Inpatient Prospective Payment System (IPPS)

Phase 2 Proposal: Tricare Grouper Update

DCH will update from Tricare DRG Version 30 to Version 33 in order to mitigate ICD-10 fiscal impacts to the state budget. Effective date is January 1, 2016.

Impact of Version 33 Update Based on M&S Analysis:

1. Version 33 DRG weights based on the same claims set (FY 2012) used to calculate the Version 30 weights using a simulated grouper created using published Version 33 logic.
   - There are approximately 222,000 claims in the set. 860 of the claims (.4%) had DRG assignment impacted by the changes in grouper logic (30 vs. 33).
2. There are 24 total Version 33 DRGs (includes new and discontinued DRGs) out of 830 DRGs (2.9%) with a material weight change (greater than ± 0.5%).
3. Impact is budget neutral overall, but for individual hospitals the impact is minimal:
   - 37 hospitals have a loss, but the greatest loss is -$61,000.
   - 74 hospitals have no change in payments.
   - 31 hospitals have a gain, but the greatest gain is $47,000.

Phase 2 Proposal: Tricare Grouper Update

Phase 2 Implementation Process:

1. DCH will post the Version 33 DRG weights and outlier thresholds on the DCH website following this meeting. The only outlier threshold adjustments are for 24 DRGs impacted by the update (5 DRGs eliminated, 12 new DRGs and 7 DRGs with a threshold amount change).
2. DCH will post initial public notice to the DCH Board at the November 12, 2015 Board Meeting.
3. DCH will take hospital comments/questions on the update in October and November. (*Comments to be presented to the DCH Board should be submitted during the comment period following the November 12th Board Meeting.)*
4. DCH will seek final public notice approval at the December 10, 2015 Board meeting.
5. DCH will formerly submit the proposal to CMS on December 10, 2015, pending Board approval.

Phase 3 Proposed Changes to the Georgia Medicaid Inpatient Prospective Payment System (IPPS)

Phase 3 Proposal: Rebase Cost Data and Change Outlier Reimbursement Approach

Effective July 1, 2016 DCH proposes to:

1. **Update/Rebase Financial Data (including the annual Hospital Cost to Charge Ratio (CCRs) to a more recent year).**
2. **Change Outlier Formula**
   - Base payment on the difference between the estimated cost of the claims and the outlier threshold.
3. **Reimburse Outliers on an Automated Basis**
   - Outliers considered low risk will be automatically reimbursed but subject to a post payment review (based on a sample of claims).
   - Outliers considered high risk will continue to have a prepayment review. However, this process will be automated and faster.
4. **Consider Application of a Stop Loss/Gain.**

***Note: the more focused outlier review will allow DCH to expand the post payment review of inlier* claims.**

Phase 3 Proposal: Rebase Cost Data and Change Outlier Reimbursement Approach

DCH Concerns with Current Outlier Process:

- Manual process is inefficient and results in undue hurdles to reimbursement.
- Current payment formula creates an inappropriate incentive to reach the outlier threshold ($1 in additional cost may trigger a payment exceeding $30,000).
- Results in an overlap in reimbursement coverage between the DRG inlier payment and the outlier payment.
- Percent of Payment at 89.3% is higher compared to inliers.

Phase 3 Proposal: Outlier Automation Concept

Outlier Automation Concept:

1. HP, via MMIS, continues to identify potential outliers using the 4399 edit, but notifies the Medical Review Entity (MRE) of the potential outlier.*
2. The MRE identifies low risk claims, to be reimbursed without prepayment review, and higher risk claims, which are subject to a prepayment review process.
3. The MRE will notify Hospitals to submit supporting documentation for the high risk prepayment review. Documentation will be submitted electronically directly to the MRE, rather than to HP.
4. DCH/MRE will create with a standardized format for itemized charges to help streamline the process.
5. HP will continue to process payments, upon approval from the MRE, via MMIS.

Low risk outlier claims will be reimbursed within 1 to 2 weeks and higher risk outlier claims within 1 to 2 months (*tentative estimate*). Current reimbursement time is 4 to 6 months for outliers.

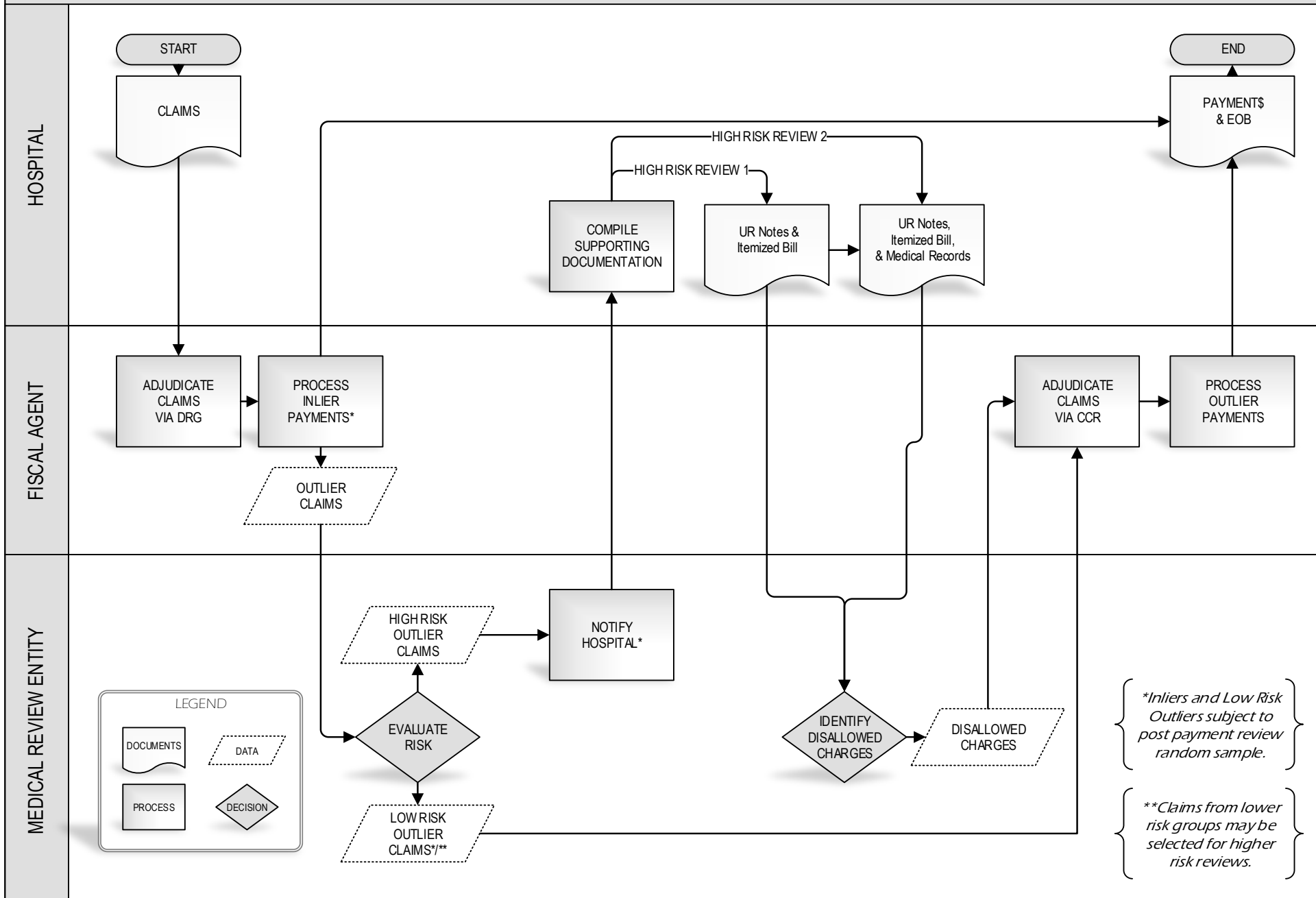
DCH will perform post payment review on a sample of the low risk outlier payments.

In addition, the more focused review of outliers will allow DCH to expand the post payment review of inlier claims.

**Current MRE vendor is Georgia Medical Care Foundation (GMCF).*

DRG OUTLIER REVIEW PROCESS

DRAFT 1.



Phase 3 Proposal: Rebase Cost Data and Change Outlier Reimbursement Approach

Phase 3 Implementation Process:

DCH is planning to present the Phase 3 Proposal and associated impacts to hospitals in late March or early April.

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

(Comments to be presented to the DCH Board should be submitted during the comment period following the November 12th Board Meeting.)

Today's presentation will be posted on the DCH website.