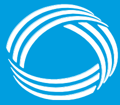


GEORGIA DEPARTMENT OF COMMUNITY HEALTH

Georgia Medicaid Inpatient Prospective Payment System: Phase 3 Proposed Methodology Changes

Presentation to: Hospital Advisory Inpatient Payment Subcommittee

Presented by: Department of Community Health

January 25, 2018

Background to Proposed IPPS Changes

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

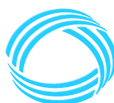
DCH proposed to update the IPPS Reimbursement because:

- 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.

**Phases 1 and 2 of the IPPS update were completed on July 1, 2015 and January 1, 2016.

Current IPPS Methodology

- Hospitals are divided into 3 Peer Groups, each with different base rates: Statewide, Pediatric, & Specialty.
- Tricare Version 33 to group claims into diagnostic related groups (DRGs). (Phase 2 update)
- Base rates are adjusted for Medicaid Utilization and Indirect Medical Education with a stop loss stop gain. (Phase 1 update)
- Outlier claims are paid based on the difference between the cost of the claim and the inlier payment amount.
- Direct GME is paid out of a supplemental pool, separate from the IPPS claim. (Phase 1 update)



Previous Phase 3 Proposal

Effective July 1, 2017, DCH proposed to:

1. Update financial data to a more recent year in order to rebase rates and model components.

2. Change Outlier Formula to base payment on the difference between the cost of the claim and the outlier threshold.

3. Apply a Stop Loss and Stop Gain to mitigate the financial impact to individual hospitals.

4. Allocate funds from the Direct GME Pool based on a per resident amount.

5. Pay Indirect Medical Education (IME) as a flat grant amount quarterly.

New Phase 3 Proposal

Effective July 1, 2018, DCH proposes to:

1. Update financial data to a more recent year in order to rebase rates and model components.
2. Change Outlier Formula to base payment on the difference between the cost of the claim and the outlier threshold.
    - To address hospital concerns with this aspect of the previous Phase 3 Proposal, the outlier thresholds will be lowered as part of the update.
3. Apply a Stop Loss and Stop Gain to mitigate the financial impact to individual hospitals.
4. Allocate funds from the Direct GME Pool based on a per resident amount.
5. Payment of Indirect Medical Education (IME) funds will remain part of the base rates.
6. Update Grouper to Tricare Version 35.
7. Long Term Acute Care (LTAC) and Rehabilitation hospitals' rates will not be updated as part of the Phase 3 Update.

Phase 3 Proposal: Update Financial Data

Financial Data Component	Current Data Sources (Implemented 7/1/2015)	Phase 3 Proposal Data Sources
Base Data for Model	➢ Claims Data for FY 2012	➢ Claims Data for CY 2016
Cost to Charge Ratio	➢ FY 2015 DSH Survey Data ➢ Cost Reports for Hospital Fiscal Year Ending in 2013 when DSH data not available	➢ FY 2018 DSH Survey Data ➢ Cost Reports for Hospital Fiscal Year Ending in 2016 when DSH data not available
Medicaid Inpatient Utilization Rate (MIUR)	➢ FY 2015 DSH Survey Data ➢ Cost Reports for Hospital Fiscal Year Ending in 2013 when DSH data not available	➢ FY 2018 DSH Survey Data ➢ Cost Reports for Hospital Fiscal Year Ending in 2016 when DSH data not available
Indirect Medical Education (IME)	<u>Number of Residents:</u> ➢ Cost Reports for Hospital Fiscal Year Ending in 2011 <u>Number of Beds:</u> ➢ Cost Reports for Hospital Fiscal Year Ending in 2011	<u>Number of Residents:</u> ➢ Existing Programs: CY 2016 GME FTE Counts ➢ Programs in the Governor's Initiative: Projected FY 2019 FTE Counts from the Medical College of Georgia at Augusta University <u>Number of Beds:</u> ➢ Cost Reports for Hospital Fiscal Year Ending in 2016

Phase 3 Proposal: Change Outlier Formula

	CY 2015			CY 2016		
	Number of Hospitals	Number of Payments	Total Payments	Number of Hospitals	Number of Payments	Total Payments
Outliers	50	684	$77,758,251	52	645	$70,810,223
Total	144	100,860	$1,009,798,636	142	96,922	$972,772,489
Percent Outliers	34.72%	0.68%	7.70%	36.62%	0.67%	7.28%

- DCH makes outlier payments to mitigate hospitals' risk for unusually high cost cases.
- Outlier payments should account for approximately 5% of all payments.
- The current outlier payment methodology of paying the difference between the cost of the claim and inlier amount results in duplicate payment for a portion of the claim.
- Impact of Budget Neutrality: Higher Outlier Payments = Lower Base Rates

Lower base rates impacts all hospitals statewide.

Phase 3 Proposal: Change Outlier Formula

Number of Outlier Payments	CY 2015				CY 2016			
	Number of Hospitals	Total Outlier Payments	% of Total Outlier Payments	Average Outlier Payment	Number of Hospitals	Total Outlier Payments	% of Total Outlier Payments	Average Outlier Payment
0 Outlier Payments	94	$0	0.00%	$0	90	$0	0.00%	$0
1 to 10 Outlier Payments	33	$9,251,441	11.90%	$81,871	34	$8,247,775	11.65%	$77,082
11 to 20 Outlier Payments	9	$14,709,772	18.92%	$108,160	8	$10,766,814	15.21%	$101,574
21 to 30 Outlier Payments	3	$7,295,607	9.38%	$85,831	5	$11,862,437	16.75%	$104,057
31 to 50 Outlier Payments	2	$7,805,325	10.04%	$100,068	2	$6,146,901	8.68%	$91,745
More than 50 Outlier Payments	3	$38,696,105	49.76%	$142,265	3	$33,786,297	47.71%	$134,607

- Over 85% of hospitals receive fewer than 10 outlier payments per year.
- In CY 2015 and CY 2016, 3 hospitals received over 45% of all outlier payments.
- Because the current outlier formula results in duplicate payment for a portion of the claim, hospitals with a high number of outlier payments generally have higher cost coverage than hospitals with a low number of outlier payments.
  - The 3 hospitals with more than 50 outlier payments have cost coverage rates exceeding 88%, whereas the statewide average cost coverage is 76%.
- The proposed change in the outlier formula would improve equity by removing the duplicate outlier payment amount that benefits a small number of hospitals and redirecting those funds into the base rates paid to all hospitals statewide.

Phase 3 Proposal: Direct GME Pool Allocation

- **Base Funding:**

  Hospital's Base Funding = $44,000 per resident x FTE resident count x MAR

  MAR = Medicaid Allocation Ratio, the percent of the hospital's revenue derived from Medicaid.

  - Hospitals that serve more Medicaid patients will receive a higher amount of base funding.

- **Funding Bumps:** Certain GME programs will receive increased funding, based on state needs and priorities. The bumps for FY 2019 will be:
  - Family Medicine: $33,000 / FTE resident
  - OB/GYN: $28,500 / FTE resident
  - General Pediatrics: $28,500 / FTE resident
  - Pediatric Specialty Programs: $13,500 / FTE resident

- **Payments:** Flat grant amounts quarterly

Phase 3 Proposal: Direct GME Pool Allocation

Type of GME Program	Current Data Sources (Implemented 7/1/2015)	Phase 3 Proposal Data Sources
Existing GME Programs	➢ Cost Reports for Hospital Fiscal Year Ending in 2011	Number of Residents: ➢ CY 2016 GME Survey FTE Counts Medicaid Allocation Ratio (MAR): ➢ FY 2018 DSH Survey Data ➢ Cost Reports for Hospital Fiscal Year Ending in 2016 when DSH data not available
New GME Programs Part of the Governor's Initiative	➢ N/A	Number of Residents: ➢ Projected FY 2019 FTE Counts from the Medical College of Georgia at Augusta University Medicaid Allocation Ratio (MAR): ➢ FY 2018 DSH Survey Data ➢ Cost Reports for Hospital Fiscal Year Ending in 2016 when DSH data not available

Next Steps for Phase 3 Update

- **March 2018:** DCH and Myers and Stauffer to Finalize Phase 3 Model
- **April 2018:** IPPS Phase 3 Rate Sheets to be Sent to Hospitals
- **May 2018:** DCH to Issue Initial Public Notice
- **June 2018:** DCH to Issue Final Public Notice

If Final Public Notice is approved by the DCH Board, DCH will then submit a State Plan Amendment to CMS for review and approval.

Future Updates

- In order for the IPPS model to remain up-to-date, it needs to be updated regularly.
  - Annual Updates: CCRs, Direct GME Allocations, IME Add-On Amounts
  - Semi-Annual Updates: Base Rates, Weights, and Grouper
- SFY 2020
  - Any new funding needs for SFY 2020 must be known by May 2018.
    - Due to the anticipated growth in GME programs and funding needs statewide, hospitals with GME programs will receive a request to supply their CY 2017 GME FTE counts in February 2018. These counts will be due to DCH in March 2018 and used in the SFY 2020 IPPS Model.
  - Hospitals can expect to receive Rate Sheets for SFY 2020 in April 2019.

Questions?

Written Comments and Questions may be directed to Margaret Betzel, mbetzel@dch.ga.gov