OUTPATIENT HOSPITAL PROVIDER NOTICE

To: All acute care hospitals, including general hospitals, freestanding rehabilitation hospitals and long-term care hospitals

Date: August 31, 2012

Re: Change to outpatient payment method

Mississippi Medicaid will implement a new reimbursement methodology, which will be based on Medicare's Outpatient Prospective Payment System (OPPS). This payment method will utilize Medicare's Ambulatory Payment Classifications (APC), Medicare fees, and Mississippi Medicaid fees. Implementation will take place in two phases. Phase 1, a fee schedule based on CPT and HCPCS codes will be effective for claims with dates of service on or after September 1, 2012. Phase 2, will include multiple procedure reductions of significant procedures (status indicator "T") effective for claims with dates of service on or after December 10, 2012. The new method will apply to outpatient care in all acute care hospitals, including general hospitals, freestanding rehabilitation hospitals and long-term care hospitals. The following services are not affected: Medicare crossover claims and Indian Health Services (IHS).

The hierarchy of payment will be as follow:

- If there is a Medicare APC assigned to the code, the fee will be the Mississippi Medicaid conversion factor times the national APC weight times 90% times units (when applicable).
- If there is not an APC and a Medicare fee is available, the fee will be 90% of the Medicare fee times the units (when applicable).
- If there is not an APC nor a Medicare fee, the fee will be the Mississippi Medicaid fee times the units (when applicable). If a technical component or site-of-service differential are appropriate that fee will apply, otherwise the general Mississippi Medicaid fee will apply.

The Division of Medicaid, as required by State law, reduces the rate of reimbursement to providers for any service by five percent (5%) of the allowed amount for that service.

Emergency department services provided by hospitals, except for Indian Health Services, will be reimbursed using the outpatient prospective payment methodology. The Division of Medicaid covers all medically necessary services for EPSDT eligible beneficiaries without regard to service limitations. Division of Medicaid uses the two (2) lowest emergency department evaluation and management code descriptions to determine non-emergent emergency department visits

The importance of coding for OPPS

As with Medicare, all revenue codes, except certain codes within the range of 0250-0259, 0270-0279, 0370-0379 and 0710-0719 will now require appropriate CPT or HCPCS codes. The covered revenue code list for outpatient is located on the website at http://www.medicaid.ms.gov/FeeScheduleLists.aspx. Lines without valid CPT or HCPCS codes will be denied. In addition, injectable administered drugs, known as "Drugs Requiring Specific Information", must be billed with revenue code 636, require NDC, and are only reimbursed if the drug is subject to rebates. Lines with revenue codes that are inappropriate for outpatient claims will be denied.

Why change to a new outpatient payment method?

The Division has five reasons.

- ***Reward efficiency.*** Under the current method, hospitals that become more efficient and decrease their cost are penalized with lower payments. Under the new method, hospitals will receive a flat rate for each service. If they improve efficiency, they will keep the savings. (The new method, however, will continue to pay hospitals more when they increase the volume of services for a given condition.)

- ***Reduce administrative burden.*** Under the current method, delays and adjustments to cost reports and payment rates negatively impact financial planning for both the hospitals and the Division. Financial managers have to wait several years before outpatient payments are finalized. Under the new method, a hospital will receive final payment for a visit shortly after it submits a claim.

- ***Reduce reliance on Medicare cost reports.*** Under the current method, lengthy cost report settlement process is burdensome for everyone. The current method depends on the Division receiving settled hospital cost reports from Medicare contractors. Federal contractors audit only 15% of reports, focusing on those areas that are important to Medicare payment. These areas may or may not include the cost centers that are important for Medicaid payments.

- ***Improve purchasing clarity.*** The new method will allow the Division clearer insight into the services being purchased. Because payment will be based on procedure codes, the Division will be better able to ensure that payment is being made for appropriate and covered services.

- ***Increase fairness to hospitals.*** Under the current method, two hospitals are often paid very different amounts for very similar care. Under the new method, all hospitals will be paid similarly for similar care.

Additional documents detailing the change to outpatient payment methods will be posted at http://www.medicaid.ms.gov prior to implementation.

Outpatient hospital provider WebEx trainings are planned for:

Critical Access Hospitals, Children's Hospitals, and Cancer Centers

Session:	Session Time:
August 22, 2012	2:00 p.m. – 5:00 p.m.

All Hospital Provider Type

Sessions:	Session Times:
September 6, 2012	10:00 a.m. and 2:00 p.m.
September 7, 2012	10:00 a.m. and 2:00 p.m.
December 6, 2012	10:00 a.m. and 2:00 p.m.
December 7, 2012	10:00 a.m. and 2:00 p.m.

OPPS training registration form can be found at http://www.medicaid.ms.gov/HospitalOutpatient.aspx

For questions, please contact Zeddie Parker, Division of Medicaid, (601) 359-6021 or Zeddie.Parker@Medicaid.ms.gov.