



May 12, 2015

Delivered via E-mail

Dear Hospital Administrators and CFOs,

In preparation for the Division of Medicaid's (DOM) July 1, 2015 APR-DRG updates, DOM will adopt V.32 of the 3M Health Information System Hospital Inpatient APR-DRG Grouper and V.32 of the Health Care Acquired Conditions (HCAC) utility for payment of hospital inpatient claims effective for discharges on or after July 1, 2015. Hospitals are not required to purchase 3M software in order to be paid. However, all hospitals that have purchased the 3M software should ensure their internal systems are updated to reflect the change to V.32 for discharges on or after July 1, 2015.

This will be Year 4 of the DRG payment method. In addition to the transition from V.31 to V.32 of the 3M APR-DRG grouper and V.32 of the Health Care Acquired Conditions (HCAC) utility, the Division intends to make the following changes to APR-DRG payment policies effective July 1, 2015:

- Year 4 is intended to be budget-neutral relative to Years 1, 2 and 3 overall. The statewide DRG base price will remain \$6,415. On balance, we expect average payment per stay to be unchanged between Years 1, 2, 3 and 4.
- The Cost Outlier Threshold will be increased from \$35,175 to \$50,000, reflecting the growth in average charges on claims submitted to the Division. The increase also is consistent with the goal that DRG cost outlier payments comprise approximately 5% of DRG payments.
- The DRG Marginal Cost Percentage will be changed from 60% to 50%. This change also is consistent with the goal that DRG cost outlier payments comprise approximately 5% of DRG payments.
- The adult mental health policy adjustor will be changed from 1.75 to 1.60.
- The obstetrics & newborn policy adjustor will be changed from 1.40 to 1.50.
- The neonate policy adjustor will be changed from 1.40 to 1.45.

Please note that the above changes are subject to CMS approval via the State Plan Amendment process.

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Please also be aware that according to the current Medicaid Hospital Inpatient State Plan, the following changes will be made effective October 1, 2015:

- Mississippi hospital-specific inpatient cost-to-charge ratios (CCRs) will be updated based on cost reports ending in fiscal year 2014. Out-of-state hospital CCRs will be updated based on the Medicare Inpatient Prospective Payment System (IPPS) Final Rule when it is published. CCRs are used in calculating outlier payments.
- For teaching hospitals that receive the medical education add-on payment, the payment is expected to be adjusted to reflect the growth in the U.S. hospital market basket index as it will be published in the Medicare Inpatient Prospective Payment System (IPPS) Final Rule.

Although the final ICD-10 code set will not officially be published until late July or August, changes from the current version are expected to be minimal. DOM has been informed by 3M that the APR-DRG payment system/grouper will be ICD-10 compliant with the implementation of V.32 at July 1, 2015, along with V.33 mapper at October 1, 2015.

For the information of hospitals, we will have three webinars. The sessions will show results from the previous years of the DRG payment method, outline the changes for Year 4, and provide billing and documentations tips. DOM strongly encourages each hospital to participate in one of the three webinars.

To register for one of the three webinar training sessions listed below, please RSVP Elizabeth Gillette at (404) 840-0566 or email her at Elizabeth.Gillette@xerox.com. (Please limit attendance to one line per hospital.)

- **On the web. Friday, June 12, 2015, 10:00 A.M. – 11:00 A.M.**
The WebEx link will be sent after registration is complete.
- **On the web. Thursday, June 18, 2015, 2:00 P.M. – 3:00 P.M.**
The WebEx link will be sent after registration is complete.
- **On the web. Tuesday, June 23, 2015, 10:00 A.M. – 11:00 A.M.**
The WebEx link will be sent after registration is complete.

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The Division's DRG webpage is also an excellent source of information. At <http://www.medicaid.ms.gov/providers/finance/>, please see in particular the documents below, which will be available by Thursday, June 11, 2015:

- Updated DRG Pricing Calculator. This document is an Excel spreadsheet that enables the user to calculate expected payment. It does not calculate the APR-DRG itself but it does include the list of APR-DRGs and associated relative weights.
- Updated Frequently Asked Questions
- Updated APR-DRG Quick Tips
- June 2015 provider training presentation – to be posted the week of June 8.

Thank you for your attention regarding this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "David J. Dzielak". The signature is fluid and cursive, with a large initial "D" and "J".

David J. Dzielak, Ph.D.
Executive Director