PUBLIC NOTICE

Under the provisions of Section 447.205, Title 42, Code of Federal Regulations, public notice is hereby given to the submission of a Medicaid State Plan Amendment (SPA). Effective July 1, 2015, the Mississippi Division of Medicaid, in the Office of the Governor, will update the All Patient Refined Diagnosis Related Groups (APR-DRG) hospital inpatient payment methodology to comply with SPA 2012-008, our Transmittal # 15-008.

1. This proposed SPA to the APR-DRG hospital inpatient payment methodology contains the following updates effective July 1, 2015:

    a. Transition from V.31 to V.32 of the 3M Health Information System Hospital Inpatient APR-DRG Grouper;

    b. Decrease the DRG Marginal Cost Percentage from 60% to 50%;

    c. Increase the DRG Cost Outlier Threshold from $35,175 to $50,000;

    d. The DRG adult mental health policy adjustor will be changed from 1.75 to 1.60;

    e. The DRG obstetrics and newborn policy adjustor will be changed from 1.40 to 1.50;

    f. The DRG neonate policy adjustor will be changed from 1.40 to 1.45.

2. The estimated annual aggregate expenditures of the Division of Medicaid are expected to be budget-neutral relative to APR-DRG Years 1, 2 and 3 overall.

3. SPA 2012-008 APR-DRG requires the Division of Medicaid to submit a SPA for changes to the APR-DRG hospital inpatient payment methodology.

4. A copy of the proposed SPA will be available in each county health department office and in the Department of Human Services office in Issaquena County for review.

5. Written comments will be received by the Division of Medicaid, Office of the Governor, Office of Policy, Walter Sillers Building, Suite 1000, 550 High Street, Jackson, Mississippi 39201, or Margaret.Wilson@medicaid.ms.gov for thirty (30) days from the date of publication of this notice. Comments will be available for public review at the above address and on the Division of Medicaid's website at www.medicaid.ms.gov.

6. A public hearing on this SPA will be held Thursday, June 18, 2015, at 10:00 a.m. at the Mississippi War Memorial, 120 South State Street, Jackson, MS 39201.

David J. Dzielak, Ph.D.
Executive Director
Division of Medicaid
Office of the Governor

May 29, 2015

on the inpatient Medicaid claim: diagnosis, procedures performed, patient age, patient sex, and discharge status. The APR-DRG determines the reimbursement when the APR-DRG hospital-specific relative value (HSRV) relative weight is multiplied by the APR-DRG base price. (The term "relative weight" used throughout this document refers to the HSRV relative weight.)

D. DRG Relative Weights

Each version of the APR-DRG relative weights has a set of DRG-specific relative weights assigned to it. The APR-DRG relative weights are calculated by 3M Health Information Systems from the Nationwide Inpatient Sample (NIS) created by the Agency for Healthcare Research and Quality. Each APR-DRG relative weight reflects the typical resources consumed per case. According to 3M Health Information Systems, V.~~31~~32 relative weights under the hospital-specific relative value (HSRV) methodology were calculated as follows:

1. A two-year dataset of NIS records was compiled, representing 15 million stays.
2. All stays were grouped using APR-DRG V.~~31~~32.
3. Hospital charges are used as the basis for establishing consistent relative resource use across differentiated case types. To mitigate distortion caused by differences from hospital to hospital in marking up charges over cost, claims charges that contribute to relative weights are normalized to a standard value such that each hospital has a similar charge level for a similar case mix.
4. A single hospital is omitted from the standardized value for each DRG so that each hospital's charges are standardized to the charges of the omitted hospital.
5. The standardized average cost of each DRG is normalized by multiplying through the number of cases in each DRG and computing a scaling factor to match the total weight of the total number of cases, which is applied uniformly to each weight such that average weight across the set of DRG weights is 1.0. The result is a set of relative weights that reflect differences in estimated hospital cost per APR-DRG.

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An evaluation performed by the Division of Medicaid determined that the national relative weights calculated by 3M Health Information Systems corresponded closely

payment. Under the previous payment method, the same per diem amount was paid for relatively inexpensive services such as mental health as for relatively expensive services such as cardiac surgery. As a result, the pay-to-cost ratio for mental health was relatively high.

4. Rehabilitation – This adjustor was set so that payment for rehabilitation would be approximately 100% of cost. This level of cost was estimated by reference to average cost per stay at the in-state facility that performs only rehabilitation.

5. Transplant – This adjustor was set so that payment for transplants would be approximately budget-neutral compared with the previous payment method. Because of the very small volume of stays, the calculation was done using two years of paid claims data rather than six months.

A state plan amendment will be submitted any time policy adjustors are added or adjusted.

F. DRG Base Price

The same base price is used for all stays in all hospitals. The base price (effective ~~July 1, 2014~~July 1, 2015) was set at a budget-neutral amount per stay based on the analysis of ~~113,350~~109,968 hospital inpatient stays from the period ~~October 1, 2012~~ July 1, 2013 through ~~September 30, 2013~~June 30, 2014, along with the adjustment of parameters in Appendix A. These stays were originally paid under the APR-DRG payment methodology

using the 3M V.29 and V.30 algorithms. A series of data validation steps were undertaken to ensure that the new analytical dataset

would be as accurate as possible for purposes of calculating the updated APR-DRG base price. All stays from the new dataset were grouped using the APR-DRG V.~~31~~32 algorithm~~;~~ and policy adjustors as described in Paragraph E were changed and applied to achieve budget neutrality. ~~and a 2.0% decrease adjustment was made to the base price to reflect expected improvements in hospital documentation and coding.~~ Within this payment method structure, the APR-DRG base price then determines the overall payment level. By applying the payment method calculations to the ~~113,350~~109,968-stay analytical dataset, the budget-neutral APR-DRG base price of $6,415 was calculated. The Division of Medicaid will not make retroactive payment adjustment.

The base price is reflected in Appendix A.

G. DRG Base Payment

For each stay, the DRG Base Payment equals the DRG Relative Weight multiplied by the DRG Base Price with the application of policy adjustors, as applicable. Additional payments and adjustments are made as described in this section and in Appendix A.

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APPENDIX A

APR-DRG KEY PAYMENT VALUES

The table below reflects key payment values for the APR-DRG payment methodology described in this Plan.

Payment Parameter	Value	Use
APR-DRG version	V.~~31~~32	Groups every claim to a DRG
DRG base price	$6,415	Rel. wt. X DRG base price = DRG base payment
Policy adjustor – obstetrics and normal newborns	~~1.40~~1.50	Increases relative weight and payment rate
Policy adjustor – neonate	1.45	Increases relative weight and payment rate
Policy adjustor – mental health pediatric	2.00	Increases relative weight and payment rate
Policy adjustor – mental health adult	~~1.75~~1.60	Increases relative weight and payment rate
Policy adjustor – Rehabilitation	2.00	Increases relative weight and payment rate
Policy adjustor – Transplant	1.50	Increases relative weight and payment rate
DRG cost outlier threshold	$~~35,175~~50,000	Used in identifying cost outlier stays
DRG marginal cost percentage	~~60~~50%	Used in calculating cost outlier payment
DRG long stay threshold	19	All stays above 19 days require TAN on days
DRG day outlier statewide amount	$450	Per diem payment for mental health stays over 19 days
Transfer status - 02 – transfer to hospital	02	Used to identify transfer stays
Transfer status - 05 –transfer other	05	Used to identify transfer stays
Transfer status – 07 – against medical advice	07	Used to identify transfer stays
Transfer status – 63 – transfer to long-term acute care hospital	63	Used to identify transfer stays
Transfer status – 65 – transfer to psychiatric hospital	65	Used to identify transfer stays
Transfer status – 66 – transfer to critical access hospital	66	Used to identify transfer stays
Transfer status – 82 – transfer to hospital with planned readmission	82	Used to identify transfer stays
Transfer status – 85 – transfer to other with planned readmission	85	Used to identify transfer stays
Transfer status – 91 – transfer to long-term hospital with planned readmission	91	Used to identify transfer stays
Transfer status – 93 – transfer to psychiatric hospital with planned readmission	93	Used to identify transfer stays
Transfer status 94 – transfer to critical access hospital with planned readmission	94	Used to identify transfer stays
DRG interim claim threshold	30	Interim claims not accepted if < 31 days
DRG interim claim per diem amount	$850	Per diem payment for interim claims
~~Documentation and coding adjustment~~	~~0.02~~	~~Applies to all hospitals~~

on the inpatient Medicaid claim: diagnosis, procedures performed, patient age, patient sex, and discharge status. The APR-DRG determines the reimbursement when the APR-DRG hospital-specific relative value (HSRV) relative weight is multiplied by the APR-DRG base price. (The term "relative weight" used throughout this document refers to the HSRV relative weight.)

D. DRG Relative Weights

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4. A single hospital is omitted from the standardized value for each DRG so that each hospital's charges are standardized to the charges of the omitted hospital.
5. The standardized average cost of each DRG is normalized by multiplying through the number of cases in each DRG and computing a scaling factor to match the total weight of the total number of cases, which is applied uniformly to each weight such that average weight across the set of DRG weights is 1.0. The result is a set of relative weights that reflect differences in estimated hospital cost per APR-DRG.

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would be as accurate as possible for purposes of calculating the updated APR-DRG base price. All stays from the new dataset were grouped using the APR-DRG V.32 algorithm and policy adjustors as described in Paragraph E were changed and applied to achieve budget neutrality. Within this payment method structure, the APR-DRG base price then determines the overall payment level. By applying the payment method calculations to the 109,968-stay analytical dataset, the budget-neutral APR-DRG base price of $6,415 was calculated. The Division of Medicaid will not make retroactive payment adjustment.

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