



May 27, 2016

Delivered via E-mail

Dear Hospital Administrators and CFOs,

In preparation for the Division of Medicaid's (DOM) July 1, 2016, APR-DRG updates, DOM will adopt V.33 of the 3M Health Information System Hospital Inpatient APR-DRG Grouper and V.33 of the Health Care Acquired Conditions (HCAC) utility for payment of hospital inpatient claims effective for discharges on or after July 1, 2016. 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.33 for discharges on or after July 1, 2016.

This will be Year 5 of the DRG payment method. Other than the transition from V.32 to V.33 of the 3M APR-DRG grouper and V.33 of the Health Care Acquired Conditions (HCAC) utility, the Division does not intend to make any changes to APR-DRG payment policies effective July 1, 2016. Year 5 is intended to be budget-neutral relative to Years 1, 2, 3 and 4 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, 4 and 5.

Please note that the above changes are subject to CMS approval via the State Plan Amendment process. Please also be aware that according to the current Medicaid Hospital Inpatient State Plan, the following changes will be made effective October 1, 2016:

- Mississippi hospital-specific inpatient cost-to-charge ratios (CCRs) will be updated based on cost reports ending in fiscal year 2015. 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.

Since DOM is not proposing any changes to the APR-DRG parameters effective for discharges on or after July 1, 2016, we will not hold training webinars. However, Year 5 information is attached.

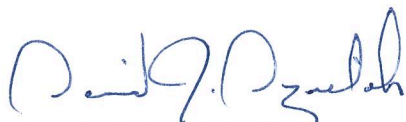
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The Division's DRG webpage is an excellent source of information. At <http://www.medicaid.ms.gov/providers/finance/>, please see in particular the documents below, which will be available by Friday, June 3, 2016:

- 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
- APR-DRG Provider Year 5 Simulation Information

Thank you for your attention regarding this matter.

Sincerely,



David J. Dzielak, Ph.D.
Executive Director

Enclosures