



Mississippi Medicaid DRG Payment Method

Frequently Asked Questions for FY 2018

Version Date: July 1, 2017 (updated May 19, 2017)

Since October 1, 2012, the Mississippi Division of Medicaid has used a DRG payment method to purchase hospital inpatient services. Our goals are to promote access to care, be fair to different hospitals providing similar services, reward efficiency, enable purchasing clarity, and minimize administrative burden for the Division and hospitals. Please note that this FAQ document does not supersede applicable laws, regulations, and policies.

THE DRG PAYMENT METHOD

1. What DRG algorithm and version does the Division use?

The Division uses 3M™ All Patient Refined Diagnosis Related Groups (APR-DRGs) under license from 3M Health Information Systems. Effective dates for each DRG version are shown in Table 1.

Year	Effective Dates	Version
Year 1	10/1/2012 to 9/30/2013	V.29
Year 2	10/1/2013 to 6/30/2014	V.30
Year 3	07/01/2014 to 06/30/2015	V.31
Year 4	07/01/2015 to 06/30/2016	V.32
Year 5	07/01/2016 to 6/30/2017	V.33
Year 6	07/01/2017 to 6/30/2018	V.34

Notes:

1. Claims payment is driven by last date of service.
2. Timeframes changed between years 2 and 3 to align with state fiscal year.

2. What providers and services are affected?

The DRG payment method applies to inpatient care in all acute care hospitals, including general hospitals, freestanding psychiatric hospitals, and freestanding rehabilitation hospitals. The following services provided by acute care hospitals are not affected: outpatient care, Medicare crossover claims, and swing bed services. Psychiatric residential treatment facilities, Indian Health Service hospitals, and nursing facilities are among the providers not affected by DRG payment.

3. How much money is affected?

The Division of Medicaid pays approximately \$650 million per year for hospital inpatient care, not including supplementary payments (e.g., disproportionate share hospital payments) and payments for care received by Medicaid patients for whom Medicare was the primary payer.

4. What are the Division's reasons for using DRG-based payment?

The Division has five reasons:

- **Promote access to care.** Under DRG payment, the Medicaid payment for a particular inpatient stay is closely tied to the acuity, or casemix, of the inpatient stay. Hospitals that take sicker patients receive higher payment, which improves access to care for the sickest patients.
- **Increase fairness to hospitals.** Under DRG payment, all hospitals are paid similarly for treating similar patients.
- **Reward efficiency.** Hospitals receive a flat rate for each stay of a given casemix level. If they improve efficiency, they keep the savings.
- **Improve purchasing clarity.** The DRG payment method allows the Division clearer insight into the services being covered. Each stay is assigned to a single DRG with a single payment. DRGs are organized so that each DRG contains stays that are similar both clinically and in terms of hospital resources used.
- **Reduce administrative burden.** Under DRG payment, a hospital receives final payment for a stay shortly after it submits a claim, without the expense and delay of a cost settlement process. (The Division does reserve the right to review the appropriateness of hospital costs for, e.g., outlier payments.)

5. Was there an independent review before the DRG payment was implemented?

Yes. In 2009, the Performance Evaluation and Expenditure Review (PEER) Committee of the Mississippi Legislature reviewed the proposed new method. Its report said:

“PEER believes that the ACS-recommended APR-DRG payment method better accomplishes the management objectives and goals for a new payment method than the present method or the Medicare DRG method. The APR-DRG payment method would be a sustainable, rational method that better addresses the client service cost care payment requirements for the state Medicaid population while improving client access to hospitals, rewarding hospital efficiency for reducing state costs through more efficient client treatment, increasing fairness to hospitals for payments for client care, improving the purchasing clarity of client hospital services, and reducing the administrative burden for final payments on the hospitals and the DOM.”

COMPONENTS OF THE NEW PAYMENT METHOD

6. Overall, how does the DRG payment method work?

The operation of the APR-DRG payment method is very similar to DRG-based payment methods currently in use by Medicare and three-quarters of the nation's other Medicaid programs. Every inpatient stay is assigned to a single DRG that reflects the typical resource use of that case. For example, a patient with uncomplicated pneumonia is assigned to APR-DRG 139-1 and a pneumonia patient with multiple comorbidities is assigned to APR-DRG 139-4. For each stay, the DRG base payment equals:

$$\text{RELATIVE WEIGHT FOR THAT DRG} \times \text{BASE PRICE} = \text{DRG BASE PAYMENT}$$

For example, DRG 139-1 has a relative weight of 0.44177 and DRG 139-4 has a relative weight of 1.71690.

The base price as of July 1, 2017, is \$6,415. The base payments for these DRGs are:

DRG 139-1: $0.44177 \times \$6,415 = \$2,833.95$

DRG 139-4: $1.71690 \times \$6,415 = \$11,013.91$

Hospitals, therefore, are paid more for more difficult cases and less for less difficult cases. At the same time, payment does not depend on the hospital's charges or costs, so the hospital has an incentive to improve efficiency.

7. Where do the DRG relative weights come from?

The Division of Medicaid uses APR-DRG relative weights calculated from the Nationwide Inpatient Sample. An analysis found very close correlation between the national weights and a set of weights calculated specifically from Mississippi Medicaid fee-for-service data. The national weights are updated annually by 3M Health Information Systems.

8. Where can I find a list of weights and rates?

The list of relative weights and payment rates is available on the Division of Medicaid's website at <https://medicaid.ms.gov/providers/finance/finance-archive/>. There are weights and rates for 1,272 DRGs. In addition, there are two error DRGs, for a total of 1,274 DRGs.

9. How are hospitals protected against the cost of exceptionally expensive cases?

About 6.7% of payments are expected to be made as "outlier" payments in FY 18. There are two types of outlier payments.

- For mental health cases, where exceptionally expensive cases tend to be associated with long lengths of stay, hospitals are paid \$450 for each day that exceeds the DRG Long Stay Threshold, which is 19 days. This per-diem amount is called the DRG day outlier amount.
- For all other cases, hospitals receive "DRG cost outlier payments" for stays where the estimated loss, or the difference between the hospital's estimated cost (charges for that stay times the hospital-specific inpatient cost-to-charge ratio) and the DRG base payment, exceeds \$50,000, the DRG Outlier Threshold. The hospital's DRG cost outlier payment equals the hospital's estimated loss minus the DRG Outlier Threshold, times the marginal cost percentage. The cost outlier payment policy is patterned after Medicare's cost outlier policy.

10. What changes were made to disproportionate-share hospital (DSH) payments, Mississippi Hospital Access Program (MHAP) payments, medical education payments and payments for capital?

The DRG-based payment method is a separate topic from DSH and MHAP payment policy.

Payments for medical education are made on the claim, as a flat amount per stay.

Under DRG-based payment, there is no separate payment for capital. Previous payments for capital are rolled into the DRG payment.

11. What other factors affect payments for individual cases?

As is common in DRG payment methods, there are special calculations for patients who are transferred to other acute care settings and for situations in which the patient has Medicaid coverage for only part of the stay (e.g., loss of eligibility).

The Division pays the same rates to all hospitals without labor-market adjustments, which Medicare uses. This decision promotes access to hospital care in rural areas, since the typical effect of labor-market adjustments is to reduce payments in rural areas.

12. What is Medicaid's transfer policy?

DRG payers typically reduce payment if a transfer to an acute care setting means that the length of stay at the transferring hospital is unusually low. The typical approach is to follow the Medicare model; that is to

calculate the DRG base payment, then check if the discharge status qualifies as a transfer to another acute care setting, and, if so, calculate a transfer-adjusted base payment. The actual DRG base payment is then the DRG base payment or the transfer-adjusted amount, whichever is lower. The formula for the transfer-adjusted base payment is:

$$\text{TRANSFER-ADJUSTED BASE PAYMENT} = (\text{DRG BASE PAYMENT} / \text{NATIONAL AVERAGE LOS}) \times (\text{ACTUAL LOS} + 1)$$

Although Medicare also has a post-acute transfer policy, Medicaid does not have a post-acute transfer policy. The difference in approaches reflects the difference in patient populations.

13. Are there changes to the DRG payment policy effective July 1, 2017?

Effective July 1, 2017 the Division will implement low-side outlier adjustment and charge cap methodologies.

As do Medicare and other DRG payers, the Division of Medicaid makes additional “outlier” payments on stays that are exceptionally expensive for a hospital. For a small number of low-cost non-psychiatric stays, the Division will implement “low-side” outlier policy that reduces payment. The low-side outlier logic is symmetric to the high-side outlier logic. The high-side outlier policy is that a hospital can lose a maximum of \$50,000 on a particular stay before the Division shares in its loss by increasing payment. The low-side outlier policy is that a hospital can gain a maximum of \$50,000 on a particular stay before the Division shares in its gain by decreasing payment. For details, see the DRG Pricing Calculator for SFY 2018.

“*Charge cap.*” If the allowed amount exceeds charges, payment is reduced to charges.

OVERALL PAYMENT LEVELS

14. How does DRG payment method affect overall funding to hospitals?

The DRG prospective payment method is a payment distribution methodology. See question 4 for the advantages of the DRG payment methodology. Overall funding for inpatient hospital services is determined independently of the DRG methodology. As of July 1, 2017 there has been no increase in the appropriation of funds for inpatient hospital services. Please note that DRG payments are only part of total payments received by hospitals for inpatient care; the Division and Coordinated Care Organizations also make substantial supplementary payments.

15. How is a mental health stay paid?

A mental health stay is one that groups to one of the 72 APR-DRGs for treatment of psychiatric and substance abuse conditions. Both general and freestanding hospitals are paid using the same set of 72 payment rates, with higher payments for more complex stays regardless of setting. The payment rates equal the relative weight for each DRG times a policy adjustor times the DRG base price. The policy adjustor recognizes the importance of Medicaid funding in ensuring continued access to acute mental health care in Mississippi. Policy adjustors are used for pediatric (under 21 years old) and adult stays.

Exceptionally long mental health stays—those that exceed 19 days—are eligible for day outlier payments for each day that exceeds the threshold.

16. How will payments change in the future?

The Division plans to do an annual review of what change, if any, in the DRG base price would be appropriate. The combination of the base price, the number of stays, the average casemix per stay, the impacts of the mental health policy adjustor, rehabilitation policy adjustor, obstetrics policy adjustor, normal newborn policy adjustor, neonate policy adjustor and transplant policy adjustor will determine the overall level of payments. We will also update the APR-DRG grouping algorithm as applicable.

The update for July 1, 2017, is the fifth occurrence of this review and update to the payment method since implementation of the APR-DRG pricing method on October 1, 2012.

17. How does ICD-10 affect the use of APR-DRGs?

At the national level, ICD-10 implementation occurred on October 1, 2015. 3M Health Information Systems released an ICD-10 version of the APR-DRG algorithm. The implementation of ICD-10 into the claims processing system has been a success with minimal interruption to claims payment and processing. The Division anticipates that moving to V.34 of the DRG algorithm also will be seamless with no interruption in claims processing and payment.

ALL PATIENT REFINED DIAGNOSIS RELATED GROUPS

18. Why are APR-DRGs used? Why not Medicare DRGs?

APR-DRGs were chosen because they are suitable for use with a Medicaid population, especially with regard to neonatal, pediatric, and obstetric care, and because they incorporate sophisticated clinical logic to capture the differences in comorbidities and complications that can significantly affect hospital resource use.

MS-DRGs—the algorithm now used by Medicare—were designed for a Medicare population using only Medicare claims. In Medicare, less than 1% of stays are for obstetrics, pediatrics, and newborn care. In the Mississippi Medicaid fee-for-service population, these categories represent almost 70% of all stays.

19. What was done to verify that APR-DRGs are appropriate for the Mississippi Medicaid population?

The Division hired Conduent State Healthcare; ACS State Healthcare at that time; the Division's current fiscal agent, to conduct a thorough assessment of the options. Using the statistical tests that are standard in payment method development, the contractor found that APR-DRGs consistently fit the Mississippi data very well, and better than the alternatives. The results were described in "New Directions in Medicaid Payment for Hospital Care," published in the January/February 2008 issue of *Health Affairs*. For neonatal care, the results were similar to those found in an evaluation of national data described in "Structure and Performance of Different DRG Systems for Neonatal Medicine," published in the January 1999 issue of *Pediatrics*.

20. Who developed APR-DRGs? Who uses them?

APR-DRGs were developed by 3M Health Information Systems and the Children's Hospital Association (formerly NACHRI). According to 3M, APR-DRGs have been licensed by more than 30 state agencies and payers and approximately 3,200 hospitals across the country. APR-DRGs are currently in use by Medicaid programs in Alabama, Arizona, California, Colorado, Connecticut, Florida, Illinois, Indiana, Massachusetts, Maryland, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Virginia, Washington, and the District of Columbia. APR-DRGs are also commonly used to adjust for casemix in analyzing hospital performance, for example at www.FloridaHealthFinder.gov and www.health.utah.gov.

21. Does my hospital need to buy APR-DRG software to be paid by Medicaid?

No. The Medicaid claims processing system assigns the APR-DRG and calculates payment without any need for the hospital to put the APR-DRG on the claim. More information about APR-DRGs is available at http://solutions.3m.com/wps/portal/3M/en_US/Health-Information-Systems.

22. What version of APR-DRGs is being used?

APR-DRG versions are released each October 1st by 3M Health Information Systems. Effective July 1, 2017, the Division will use APR-DRG Version 34, which was released by 3M on October 1, 2016.

23. For hospitals that are interested in using the APR-DRG grouper, what are some key grouper software settings used by the Envision claims processing system?

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Table 2 shows common APR-DRG V.34 grouper settings used in the DRG payment method. This information is provided specifically for hospitals that have the grouper and HCAC utility software and need the settings used by Envision to generate the APR-DRG assignment. Hospitals do not need this information in order to submit claims.

Table 2		
Selected Grouper Settings for Envision		
Grouper Field	Setting	Comments
APR-DRG Grouper Settings		
Grouper Version	V.34 effective October 1, 2016	Effective with discharge dates on or after July, 1, 2017.
Mapping Version	Mapping will not be required for current day claims	<p>APR-DRG V.34 was released October 1, 2016, reflecting the ICD-10-CM/PCS diagnosis and procedure code set that is effective between October 1, 2016, and September 30, 2017.</p> <p>The mapper functionality will not be needed with V.34 for claims with a last date of service between July 1, 2017, and September 30, 2017. See the grouper settings document on the Division's website for historical grouper setting options.</p>
Birth Weight Option	Option 5 coded weight with default	Envision reads the diagnosis codes (not the value codes) to identify birth weight and/or gestational age if coded using appropriate diagnosis codes on the claim. If the claim does not include a diagnosis code indicating birth weight or gestational age, then the grouper default is to a birth weight that indicates "normal newborn."
Discharge DRG Option	Compute excluding non-POA complication of care	Effective July 1, 2015 the Discharge DRG Option was changed to Option 0 - "Compute excluding non-POA Complication of Care," Prior to this the setting was Option 1 "Compute excluding all Complication of Care."
Health-Care Acquired Condition (HCAC) Utility Settings		
HCAC Version	V.34	HCAC utility version 34 will be implemented on July 1, 2017.
Agency Indicator	MS	<p>Version 34 of the HAC utility has a Mississippi specific agency indicator for HCAC claims. This indicator recognizes a pediatric age threshold as less than 21 which aligns with the Division's policy for recognition of the pediatric demographic.</p> <p>Current HCAC policy requires that payment adjustments not be applied to Medicaid pediatric and obstetric populations within HAC Deep Vein Thrombosis/Pulmonary Embolism (DVT/PE), after certain orthopedic procedures.</p> <p>Using the MS agency code, 3M implemented logic to process MS claims defining pediatrics as less than 21 rather than less than 18.</p>
Suppress HCAC Categories	No HCAC suppression is needed	Currently, the Division recognizes all of the Medicaid HCAC categories. As a result, no category will be suppressed.
POA Indicators		For the present-on-admission (POA) diagnosis fields, no POA value (blank) is acceptable for exempt diagnosis codes. POA values W (clinically undetermined) and U (documentation insufficient) are treated in the claims processing system the same as value N (not present on admission).

IMPACTS ON CODING, BILLING AND OTHER HOSPITAL OPERATIONS

24. How does the DRG payment method affect medical coding requirements?

Assignment of the APR-DRG and calculation of payment use the standard information already on the hospital claim. APR-DRG assignment depends chiefly on the ICD-10-CM/PCS codes, age, gender, and other claim specific information. Hospitals are advised to ensure that claims are coded completely, accurately and defensibly.

As do other DRG payers, the Division reviews claims from hospitals whose claims shows anomalies in average casemix.

25. Does Medicaid use an “outpatient window” similar to Medicare?

Yes. In 2012, Medicaid changed its definition of the “outpatient window” with the intention of mirroring Medicare. This window refers to outpatient services immediately preceding the admission that are considered to be part of the inpatient stay. Hospitals are already very familiar with the Medicare window, which is described at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Three_Day_Payment_Window.html. As is true in Medicare, hospitals can indicate that outpatient services are unrelated to the inpatient stay through the appropriate use of condition code 51 on the outpatient claim.

Claims for outpatient services within the three days prior to the admission date that are considered to be part of the inpatient stay should be billed using the statement from date (date the beneficiary entered the hospital outpatient setting) and through date (ending with the hospital inpatient discharge date) in the UB-04 box 6. The admission date in box 12 should match the admission date as ordered by the physician and may or may not agree with the beginning treatment authorization (TAN) date if the beneficiary is admitted prior to Medicaid eligibility. Box 41 should include only the covered inpatient days using value code 80. Outpatient days included in stay should not be billed in box 41 using value code 81.

Please take care not to bill Medicaid managed care plans for outpatient services that are defined to be within the window.

Although Medicaid’s intention was to mirror the Medicare three-day window definition, please note that if there are any differences then the Medicaid approach will prevail.

26. What is the policy for interim claims?

Hospitals are not required to submit interim claims under any circumstances.

However, the Division (unlike many DRG payers) will make interim payments if a hospital chooses to submit an interim claim during an exceptionally long stay. This policy is intended to encourage access for patients who may need weeks or months of acute care.

If a stay exceeds 30 days then the hospital can submit an interim claim and will be paid an interim per diem amount multiplied by the number of days. The interim payment rate for FY 2018 is \$850. After the patient is discharged, the interim claims should be voided or adjusted and a single payment will be made to cover the entire stay. If the hospital has submitted one interim claim, it should adjust that claim. If the hospital has submitted more than one interim claim, it should adjust one of the interim claims and void the others. The procedures for submitting adjustments and voids to Mississippi Medicaid have not changed.

Bill types 114 (interim claim—final bill) and 115 (late charges) will be denied. Instead, hospitals should submit a single claim (either bill type 111 or an adjustment) covering all services provided during the stay.

27. How are hospitals paid for newborns?

Hospitals bill each newborn on their individual claim. As do other DRG payers, the Division makes separate payments for the mother and the baby depending on the DRG that is assigned to each patient's stay.

28. What if the patient is not Medicaid-eligible during the entire length of stay?

For various reasons, a patient may not be eligible for Medicaid for the entire length of stay. Under the DRG payment method, if a patient is not eligible for the entire length of stay, the claims processing system prices the entire stay using DRG-based logic (including outlier provisions as appropriate) and then prorates the payment. The prorated payment is the DRG payment divided by the nationwide average length of stay for that DRG times the Medicaid covered days, with double payment for the first day to reflect increased hospital costs on the first day.

For hospitals, the first step is to verify that the patient was, in fact, not eligible for the entire stay. In many cases, patients can obtain Medicaid eligibility retroactive to the date of admission.

If it is a partial eligibility situation, the entire stay should be billed on one claim using the header statement from date (date the beneficiary entered the hospital inpatient or outpatient setting if within 72 hours of inpatient admission) and through date (ending with the hospital inpatient discharge date) in the UB-04 box 6. Hospitals should bill non-covered hospital inpatient days due to Medicaid ineligibility in UB-04 box 41 using value code 81 and covered hospital inpatient days using value code 80. The sum of the covered and non-covered days should agree with the total number of days beginning with the "admit" date through the "through" date.

The admission date in box 12 should match the admission date as ordered by the physician. The claims processing system will compare the service dates with both the eligibility file and with the treatment authorization file, to see if the admission date equals the first date of the TAN. If the patient had Medicaid eligibility on admission and lost eligibility during the stay, then the admission date should equal the first date of the TAN. If the patient did not have Medicaid eligibility on the admission date, then the first date of the TAN will not equal the admission date.

The Medicaid payment is considered payment in full for only those days that were covered by Medicaid. For non-covered days, hospitals may seek payment from other payers or patients as they do now.

29. Is the present-on-admission (POA) indicator to be used?

Yes. Hospitals should submit valid values for the POA indicator.

30. How are hospitals inpatient payments affected if a health-care acquired condition (HCAC) is present on the claim?

Federal law prohibits payment for HCACs; prior to July 1, 2014, claims with HCACs were identified through post-payment review and payment reductions were made as appropriate.

On July 1, 2014, the Mississippi Division of Medicaid implemented the 3M HCAC utility effective for claims with last date of service on or after this date. The 3M utility identifies HCAC conditions on a claim and regroups the claim without the HCAC condition. If a different DRG is assigned, the claim is repriced with the new DRG and an adjustment to the payment amount results. Claims with HCAC conditions for last date of service on or after July 1, 2017, will be repriced using V.34 of the HCAC utility. (See Question 23 for HCAC utility settings.)

31. Does Mississippi Medicaid still have annual service limits?

No. In 2012, House Bill 421 allowed the Division to remove service limits previously in place. An adjustment was made to the overall DRG base price so that there was no net impact on Medicaid spending. This change improved fairness to hospitals and patients who were previously affected by the 30-day limit.

32. How are claims paid when a dually eligible Medicare/Medicaid beneficiary exhausts his or her Medicare days?

If Medicare days are exhausted prior to the admission previously being billed, the entire stay should be billed to Medicaid with the Medicare exhausted days reflected as an occurrence code and date. If Medicare days are exhausted during the stay, then two claims should be submitted to Medicaid. For the days where Medicare is the primary payer, Medicaid pays the coinsurance and deductible. For the days where Medicaid is the primary payer, Medicaid prices the claim by DRG like any other inpatient hospital claim. On the second claim, the fact that Medicare days have been exhausted must be shown as an occurrence code and date.

33. How many diagnosis and procedure codes does Medicaid use in assigning the APR-DRG?

The Envision claims processing system and the APR-DRG grouper accepts as many as 24 secondary diagnosis codes and 24 secondary procedure codes in addition to the principal diagnosis and principal procedure. The UB-04 paper claim form enables the hospital to show a principal diagnosis, 17 secondary diagnoses, the principal procedure, and five secondary procedures.

34. What date of admission should be used if the patient has been in observation or other outpatient status prior to admission?

The date of the inpatient admission will be the date the patient enters inpatient status as indicated by the physician’s order. This is a change from the policy in place before October 1, 2012; we believe the change reduces administrative burden on hospitals.

35. Are there other changes being considered by the Division?

Yes. Effective June 25, 2017 the MMIS will be updated to calculate the age of the beneficiary using the admission date from the claim and the beneficiary’s date of birth as stored on the recipient file within the MMIS. This change will impact inpatient and Medicare crossover claims.

Effective 1/1/2018, the Division will begin to send the principal procedure code date and the other procedure code dates into the 3M Mainframe grouper. These dates, if present on the claim input record, will be used in the assignment of the APR-DRG. Research has shown that these dates, found in form locator 74 and 74(a-e) of the UB-04 form can impact the severity of illness (SOI) assignment. The SOI is the last digit of the APR-DRG code. This change impacts less than one percent of the annual claims volume.

Effective July 1, 2017, policy adjustors will be assigned based on the APR-DRG, the age of the beneficiary, and Medicaid Care Category assignment. Historically, policy adjustors were assigned based on the principal diagnosis, beneficiary age and Medicaid Care Category assignment. For a list of policy adjusted APR-DRGS, please see the table below.

APR-DRG Range	Medicaid Care Category	Severity of Illness	Policy Adjustor	Age Range
580-625 630-639 863	Neonate	1- 4	1.40	Less than 365 days
626 and 640 540-566	Normal Newborn Obstetric	1-4 1-4	1.50	Less than 365 days No restriction
001-003, 006,440 001-003, 006,440	Pediatric Transplant Adult Transplant	1-4 1-4	1.50	Less than 21 years of age Greater than or equal to 21 years of age
740 - 776 740 - 776	Pediatric Mental Health Adult Mental Health	1-4 1-4	2.00 1.60	Less than 21 years of age Greater than or equal to 21 years of age
860	Rehab	1-4	2.00	No restriction

AUTHORIZATION OF SERVICES

36. How did the treatment authorization requirements change with implementation of payment by DRG October 1, 2012?

Requirements for treatment authorization on the admission did not change. Requirements for continued stay review (i.e., the length of stay) were significantly simplified. Only stays that exceed 19 days now require continued stay review. This change reflects the fact that for almost all stays, payment is per stay based on the patient's diagnoses and procedures, regardless of the length of stay. The exceptions are that mental health stays that exceed 19 days receive day outlier payments and that physical health stays that qualify as cost outlier stays receive cost outlier payments. Cost outlier status does not depend on length of stay as such, but in practice cost outlier stays tend to be long stays—hence the requirement for concurrent review on stays that exceed 19 days.

37. How is length of stay calculated?

The length of stay equals the last day of service minus the first day of service, with two exceptions. First, if the patient is admitted and discharged on the same day, then the length of stay is one day. Second, if the patient is still a patient (discharge status 30) on the last day of service, then the last day also counts in the length of stay. For example:

Monday → Wednesday with discharge status 30 = 3 days

Monday → Wednesday with any other discharge status = 2 days

Monday → Tuesday = 1 day

Monday → Monday = 1 day

38. In some cases, a hospital moves a patient from a medical/surgical unit to a rehabilitation unit or psychiatric unit within the same hospital. Does this count as one stay or two for purposes of calculating DRG payment?

If both stays are authorized as having met the criteria for medical necessity of the admission, then the hospital can discharge the patient from the medical/surgical unit and admit him or her to the rehabilitation or psychiatric unit. Two claims are submitted, each with its individual treatment authorization number (TAN), and two DRG payments are made.

39. Is Medicaid authorization required for dually eligible beneficiaries when Medicare is the primary payer?

No.

OTHER QUESTIONS

40. Do hospitals still have to submit cost reports?

Yes. Cost reports are used in calculating the cost-to-charge ratios used to make in DRG outlier payments and in calculating supplemental payments. The Division also uses cost reports as a data source in the annual review of the DRG base price.

41. Are payments subject to adjustment after cost reports have been submitted?

No, excluding some limited circumstances. Payments based on DRG are generally final. A major benefit of the new payment method is that payments are not subject to adjustment two to three years after the date of service. Cost outlier payments may be subject to adjustment in cases of suspected fraud and/or abuse.

42. What does Medicaid do to educate hospitals about the new payment method?

Training materials are available on both the Conduent Mississippi Envision website at <https://www.ms-medicaid.com/msenvision/index.do> on the link under the heading “Visit – Division of Medicaid” –Providers-Finance and the Division of Medicaid website at <https://www.medicaid.ms.gov/providers/finance/>. These materials include this FAQ document, and an interactive DRG pricing calculator in spreadsheet form, provider training presentations, and a quick tips sheet.

43. Who can I contact for more information?

- *Conduent Provider and Beneficiary Services* at 1-800-884-3222.
- *Technical questions about APR-DRGs, outliers, etc.* Darrell Bullocks, Senior Consultant, Payment Method Development, Conduent State Healthcare LLC, darrell.bullocks@Conduent.com, 601-434-1735.
- *Questions about Division policy.* Karen Thomas, Accounting Director, Hospital Program, karen.thomas@medicaid.ms.gov, 601-359-5186.