



June 11, 2018

Delivered via E-mail

Dear Hospital Administrators and CFOs,

July 1, 2018, will mark the beginning of APR-DRG rate year 7. The Mississippi Division of Medicaid (DOM) reviews APR-DRG policy and payment factors annually with the goal of strategically aligning the inpatient hospital methodology for long-term sustainability. This year's annual review has resulted in the updates listed below. These updates are subject to CMS approval through the State Plan Amendment process and will take effect July 1, 2018.

Policy Update

- Charge Cap Policy to be implemented.
 - If the sum of the APR-DRG base payment, including effects of policy adjustors, APR-DRG cost outlier payment, APR-DRG day outlier payment, and transfer and/or prorated adjustments, if applicable, is more than the total billed charges on the claim, the total APR-DRG allowed amount, net of medical education payments, will be limited to the total billed charges.

Payment Method Updates

- V.35 of the 3M Health Information Systems Hospital Inpatient APR-DRG Grouper and Hospital-Specific Relative Value (HSRV) weights will go into effect.
 - Hospitals are not required to purchase 3M software to be reimbursed for inpatient hospital services. However, any hospital opting to use the 3M software should ensure internal systems are updated to reflect the change to the V.35 algorithm for discharges on or after July 1, 2018.
- The existing methodology used to assign pediatric and adult policy adjustors will change. The current methodology assigns a policy adjustor to an inpatient stay using the principal diagnosis code on the claim and the age of the beneficiary. The new methodology will use the APR-DRG assigned to the stay and the age of the beneficiary to assign a pediatric or adult Medicaid Care Category (as established by DOM). The Medicaid Care Category will be used to assign the final policy adjustor to the inpatient stay.
- The statewide DRG base price will increase by 3% to \$6,585. The SFY 2018 DRG base price is \$6,415.
- The neonate policy adjustor will change from 1.45 to 1.40. Due to the increase in the HSRV weights for neonatal DRGs, overall payments for neonate stays are expected to be budget neutral relative to APR-DRG Year 6 (SFY 2018).
- The DRG cost outlier threshold will change from \$50,000 to \$45,000.
- The DRG cost outlier marginal cost percentage will change from 50% to 60%.

Effective October 1, 2018, per the current Medicaid Hospital Inpatient State Plan, the following changes are forthcoming:

- Mississippi hospital-specific inpatient cost-to-charge ratios (CCRs) will be updated based on cost reports ending in the calendar year 2017. Out-of-state hospital CCRs will be updated based on the Medicare Inpatient Prospective Payment System (IPPS) Final Rule upon publication. CCRs impact the calculation of outlier payments.
- An adjustment to the medical education add-on payment, reserved for teaching hospitals, is forthcoming. The payment adjustment reflects growth in the U.S. hospital market basket index as published in the Medicare Inpatient Prospective Payment System (IPPS) Final Rule.

DOM is offering three APR-DRG update informational webinars. The sessions will show results from the previous year of the DRG payment method, outline the changes for Year 7, and provide billing and documentation tips. DOM strongly encourages each hospital to participate in one of the sessions.

To register for one of the three webinar training sessions listed below, RSVP to Lisa Nelson at (406) 437-2780 or Lisa.Nelson@conduent.com. (Please limit webinar attendance to one line per hospital.)

- **Thursday, June 14, 2018, 10:00 A.M. – 11:30 A.M.**
The WebEx link will be sent prior to the session.
- **Tuesday, June 19, 2018, 1:00 P.M. – 2:30 P.M.**
The WebEx link will be sent prior to the session.
- **Thursday, June 21, 2018, 1:00 P.M. – 2:30 P.M.**
The WebEx link will be sent prior to the session.

For additional information, please visit DOM's website at <https://medicaid.ms.gov/providers/reimbursement/>. The supplemental documents listed below will be available for download by Thursday, June 14, 2018:

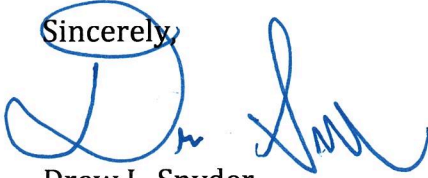
- Updated DRG Pricing Calculator. This document is an Excel spreadsheet that enables the user to calculate expected payment. The file does not determine the APR-DRG assignment. However, it does include the list of APR-DRGs and associated relative weights.
- Updated APR-DRG Billing Quick Tips.
- APR-DRG 3M Grouper Settings.
- June 2018 provider training presentation.

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The Frequently Asked Questions document will be updated to the DOM webpage upon completion of the three training Webinars to include questions submitted by providers during the training sessions.

Thank you for your attention regarding this matter.

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'D' followed by 'L. Snyder'.

Drew L. Snyder
Executive Director