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Mississippi Medicaid SFY 2027 Inpatient Update for July 1, 2026

Agenda

Inpatient Overview

- DRG payment refresher

SFY 2027 Updates

- System value changes

Modeling and Impact

- Modeling process
- Estimated impacts

Next Steps

- Future updates
- Resources

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Inpatient Overview

Diagnosis Related Groups

- Inpatient classification system based on the characteristics of an inpatient stay.
- Inpatient stays are assigned to a DRG based on information such as diagnosis codes, patient age and gender, surgical procedures, and birthweight.
- Cases grouping to the same DRG have similar clinical characteristics and consume similar resources.
- Payment is based on patient acuity rather than the length of stay; each DRG receives a relative weight based on resource utilization relative to other DRGs.
- Promotes fairness, transparency, efficiency, and quality.

Solventum APR-DRGs

- Inpatient stays are assigned to a DRG through a DRG grouper classification system (APR-DRG, Medicare Severity DRG, Tricare grouper).
- Solventum (formerly 3M) APR-DRGs are specifically designed for all patient populations, with more newborn, obstetric, and psychiatric DRGs than other groupers.
- 1,342 Solventum APR-DRGs in version 43 (335 base DRGs with 4 subclasses for severity of illness [SOI] and 2 error DRGs).
- Used by 30 state Medicaid programs.

How DRGs Work

- DRGs are used to calculate payment for inpatient services by multiplying a hospital base rate by the DRG relative weight.
- Policy adjustors determined by the payer can increase or decrease payment based on patient age, type of service, provider type, or other criteria.
- Outlier payments increase payments for extraordinarily expensive cases.
- Transfer adjustments account for cases where a patient is transferred before receiving a full episode of care.

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SFY 2027 Updates

System Value Changes

Current SFY 2026 Value

- APR-DRG grouper/weights: Version 40
- Base price: $5,400
- Cost outlier threshold: $66,000
- Neonate policy adjustor: 1.60

Upcoming SFY 2027 Value

- APR-DRG grouper/weights: Version 43
- Base price: $5,608
- Cost outlier threshold: $88,000
- Neonate policy adjustor: 1.44

Note: APR-DRG relative weights are recentered separately each year for Mississippi Medicaid case mix.

APR-DRG Rebase Overview

Policy Value	SFY 2026	SFY 2027	Change
Base Components			
DRG base price	$5,400	$5,608	*
APR-DRG grouper/weights	V.40	V.43	*
Cost outlier threshold	$66,000	$88,000	*
Marginal cost percentage	45%	45%	
Day outlier threshold	19 days	19 days	
Dat outlier per diem	$450	$450	
Policy Adjustors			
Pediatric MH	1.90	1.90	
Adult MH	1.50	1.50	
Obstetrics	1.50	1.50	
Normal newborn	1.55	1.55	
Neonate	1.60	1.44	*
Rehab	2.10	2.10	
Pediatric transplant	1.50	1.50	
Adult transplant	1.50	1.50	
Other	1.00	1.00	

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Modeling and Impact

Modeling Process and Parameters

Dataset Overview

- Comprises 74,540 stays in CY 2024
- Repriced in Baseline using SFY 2026 policies and values
- Total Baseline allowed of $531.4M
  - This is the budget target

Requirements and Decisions

- Move from APR-DRG V.40 to V.43
- Maintain budget neutrality
- Lower Neonate policy adjustor
  - Offsets relative weight increase
- Increase cost outlier threshold 33%
  - Maintains outlier payments at historical levels

Note: The SFY 2027 model is not a forecast and assumes no changes in case mix or utilization.

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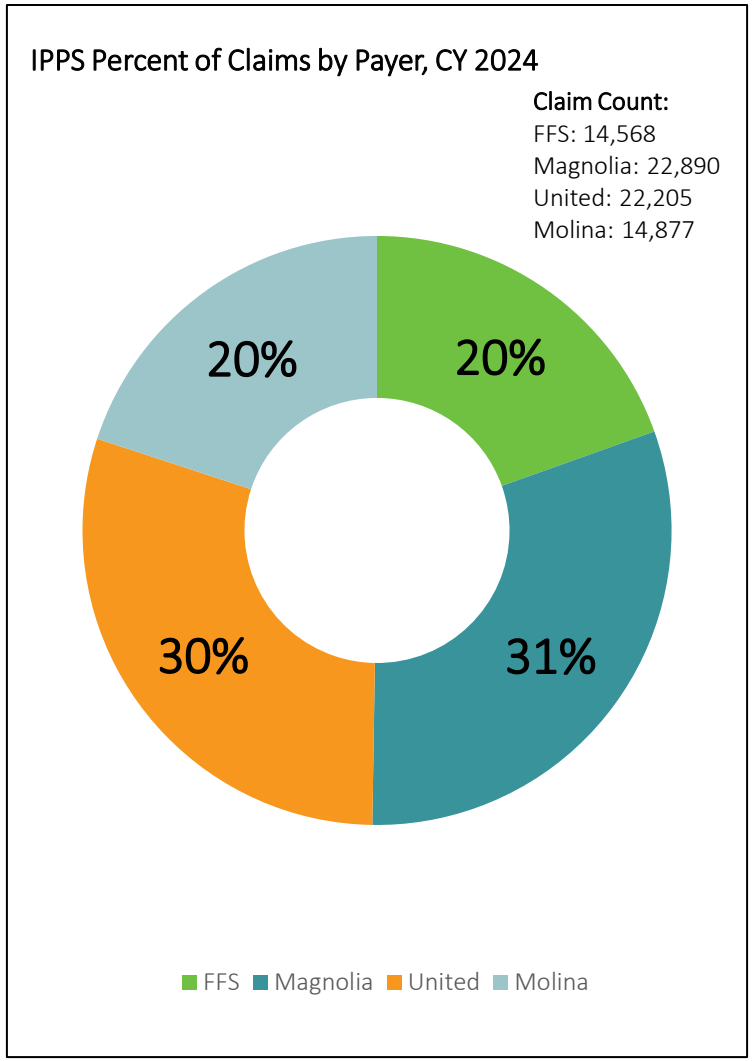
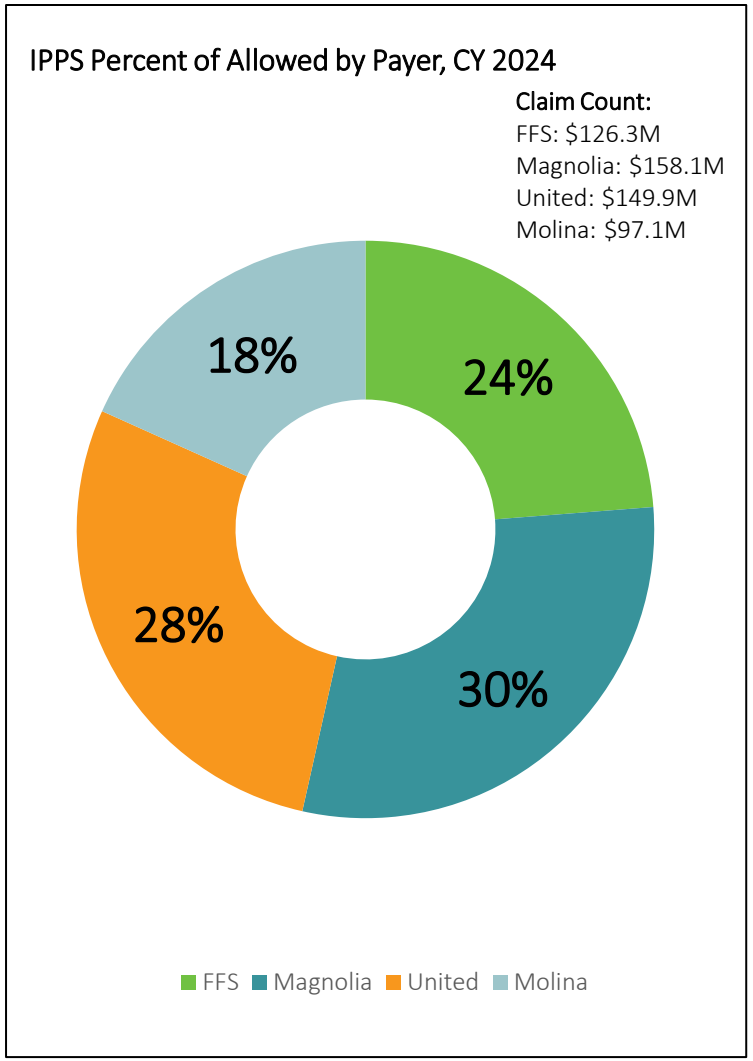
Fee-for-Service and CCO Utilization

- Fee-for-service (FFS): 14,568 stays
- Coordinated Care Organization (CCO): 59,972 stays
- FFS represents 20% of stays and 24% of allowed





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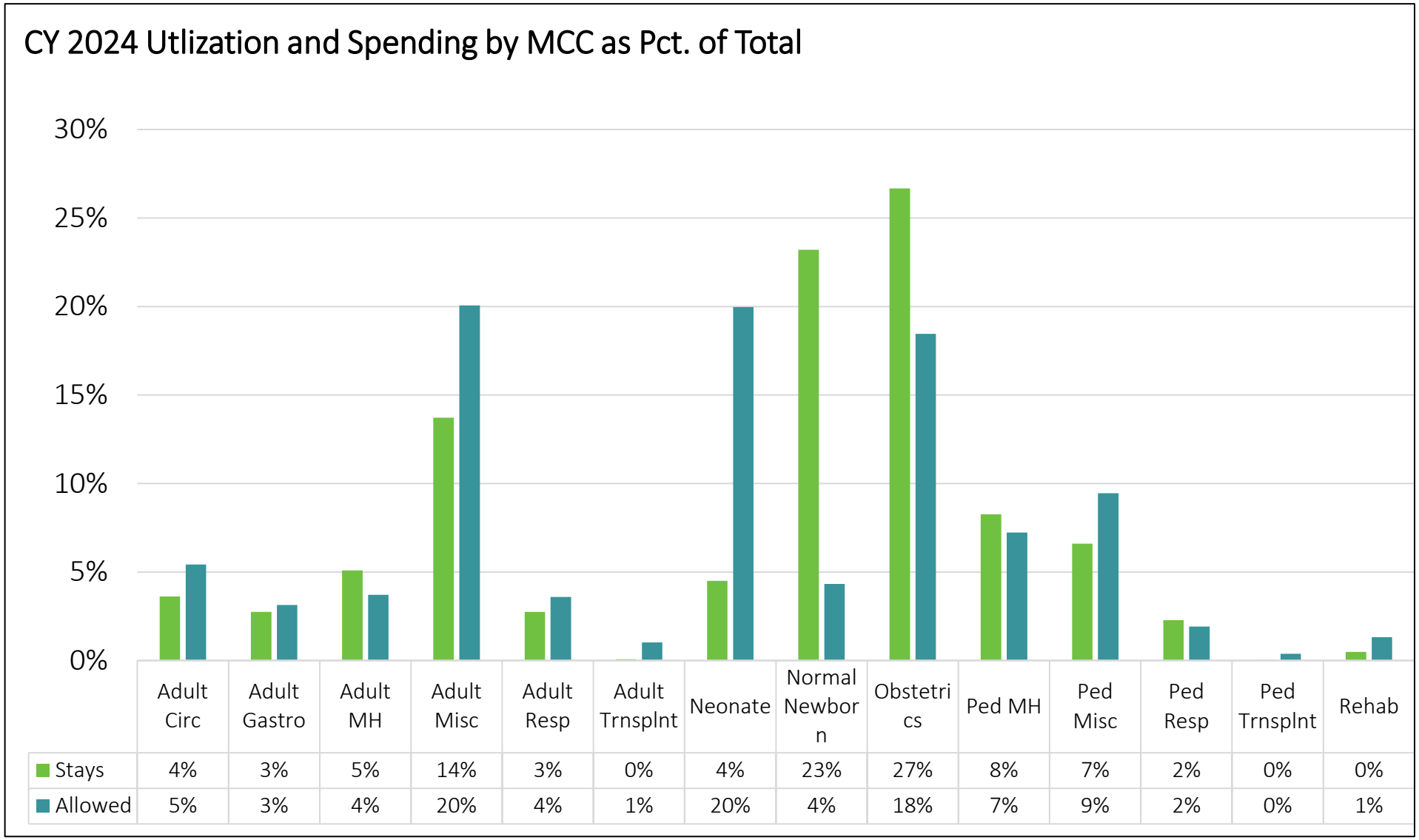
Utilization by Medicaid Care Category

- OB and Normal Newborn comprise 50% of stays but 22% of allowed
- Neonates are 4% of stays and 20% of allowed



	Adult Circ	Adult Gastro	Adult MH	Adult Misc	Adult Resp	Adult Trnsplnt	Neonate	Normal Newborn	Obstetrics	Ped MH	Ped Misc	Ped Resp	Ped Trnsplnt	Rehab
Stays	4%	3%	5%	14%	3%	0%	4%	23%	27%	8%	7%	2%	0%	0%
Allowed	5%	3%	4%	20%	4%	1%	20%	4%	18%	7%	9%	2%	0%	1%

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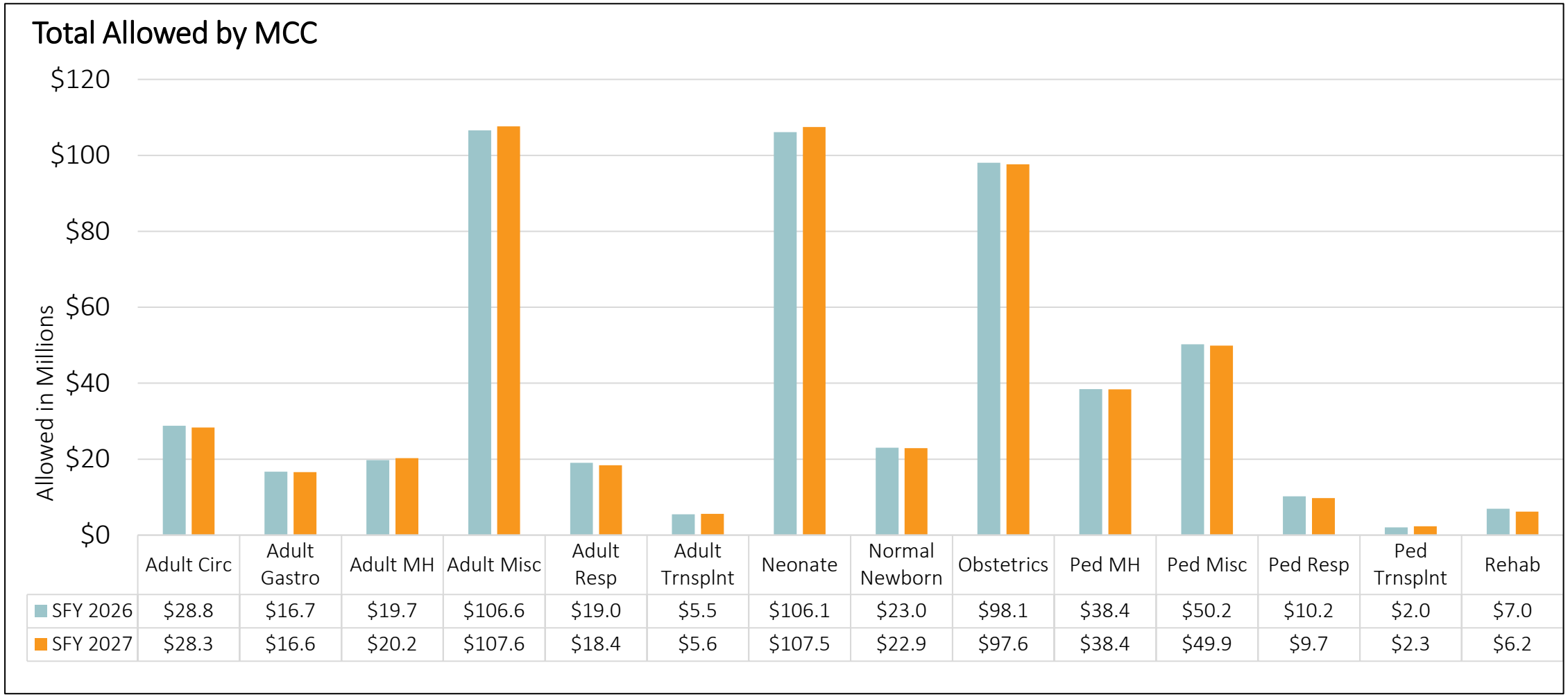
Impact by MCC (Total Allowed)



	Adult Circ	Adult Gastro	Adult MH	Adult Misc	Adult Resp	Adult Trnsplnt	Neonate	Normal Newborn	Obstetrics	Ped MH	Ped Misc	Ped Resp	Ped Trnsplnt	Rehab
SFY 2026	$28.8	$16.7	$19.7	$106.6	$19.0	$5.5	$106.1	$23.0	$98.1	$38.4	$50.2	$10.2	$2.0	$7.0
SFY 2027	$28.3	$16.6	$20.2	$107.6	$18.4	$5.6	$107.5	$22.9	$97.6	$38.4	$49.9	$9.7	$2.3	$6.2

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Average Allowed by MCC

	Adult Circ	Adult Gastro	Adult MH	Adult Misc	Adult Resp	Neonate	Normal Newborn	Obstetrics	Ped MH	Ped Misc	Ped Resp	Rehab	Total
SFY 2026	$10,666	$8,156	$5,203	$10,426	$9,324	$31,661	$1,330	$4,932	$6,244	$10,218	$6,004	$19,373	$7,128
SFY 2027	$10,223	$8,324	$8,748	$9,102	$8,834	$11,784	$2,628	$6,754	$9,277	$9,575	$8,704	$17,223	$7,128

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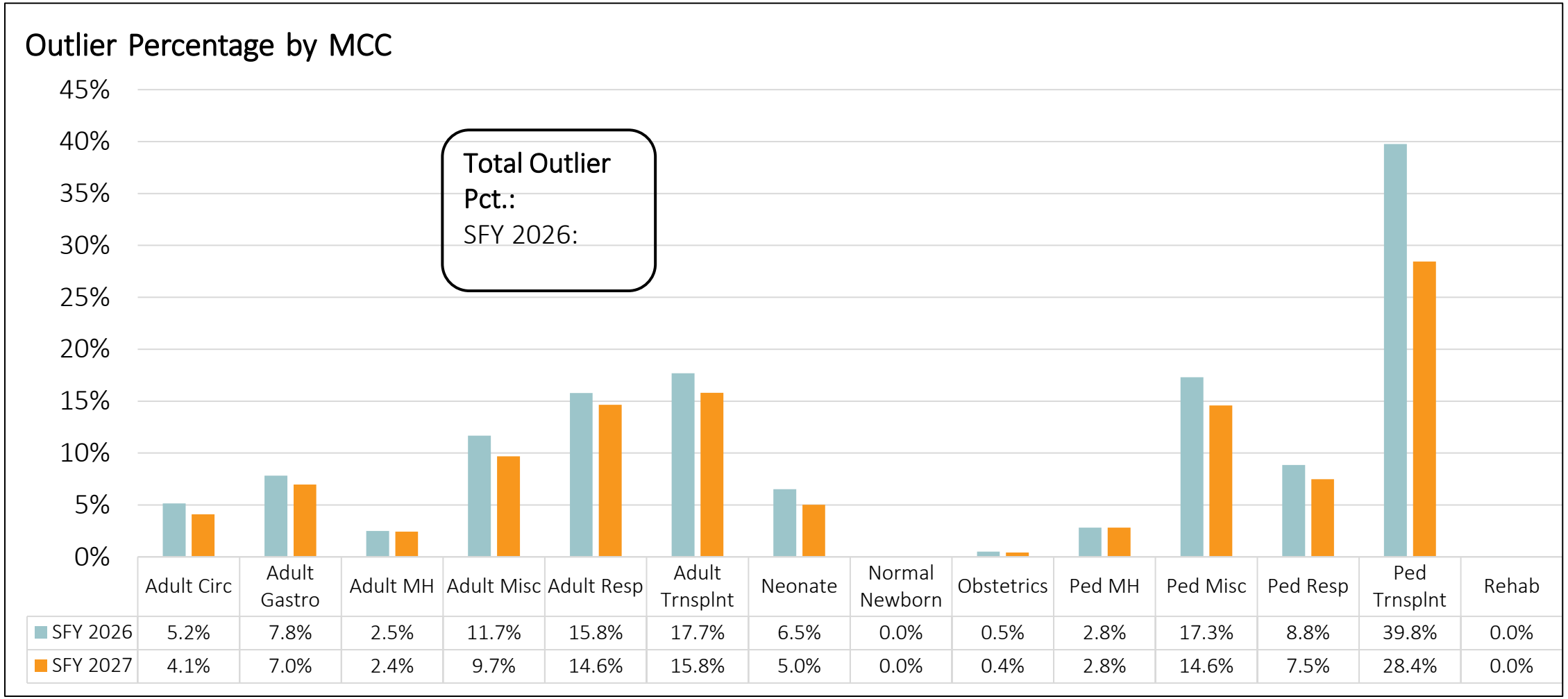
Outlier Percentage by MCC



	Adult Circ	Adult Gastro	Adult MH	Adult Misc	Adult Resp	Adult Trnsplnt	Neonate	Normal Newborn	Obstetrics	Ped MH	Ped Misc	Ped Resp	Ped Trnsplnt	Rehab
SFY 2026	5.2%	7.8%	2.5%	11.7%	15.8%	17.7%	6.5%	0.0%	0.5%	2.8%	17.3%	8.8%	39.8%	0.0%
SFY 2027	4.1%	7.0%	2.4%	9.7%	14.6%	15.8%	5.0%	0.0%	0.4%	2.8%	14.6%	7.5%	28.4%	0.0%

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Next Steps

Continuing Rebase Cycle

1. Post-implementation monitoring and review
2. Monitor state and federal legislation
3. Annual Oct. 1 maintenance:
    a) APR-DRG V.43 mapper and HAC utility
    b) CCR updates
4. Mapper update April 1
5. SFY 2027 rate setting

Additional Resources

- The Division of Medicaid's website is https://Medicaid.ms.gov/providers/reimbursement/
  - DRG calculator
  - FAQ
  - Quick tips
  - Grouper settings document
  - Policy updates presentation

Thank You

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