

Medicaid Advisory Hospital Group



Division of Medicaid Services
Bureau of Rate Setting

June 21, 2022

Wisconsin Department of Health Services

Agenda

1. Introduction and Welcome
2. Rate Year 2023 Hospital Payment Updates
3. COVID-19 Considerations
4. Potentially Preventable Readmissions
5. Additional Items
6. Questions





Introductions



Rate Year 2023 Hospital Payment Updates

Rate Year (RY) 2023 Updates

- DHS will conduct annual grouper version updates for RY 2023 to be effective 1/1/2023:
 - Inpatient APR DRG **v39.1** (currently using v38)
 - Outpatient EAPG **v3.17** (currently using v3.16)
- DHS does not plan to make major changes to RY 2023 payment methodologies
- RY 2023 model data to be relied upon:
 - Medicaid FFS claims and HMO encounter data with **Federal Fiscal Year (FFY) 2021** service dates (from 10/1/2020-9/30/2021) extracted from the MMIS in May 2022
 - Most recent available Medicare cost report data from the 3/31/2022 CMS HCRIS release



RX 2023 Model Claims data

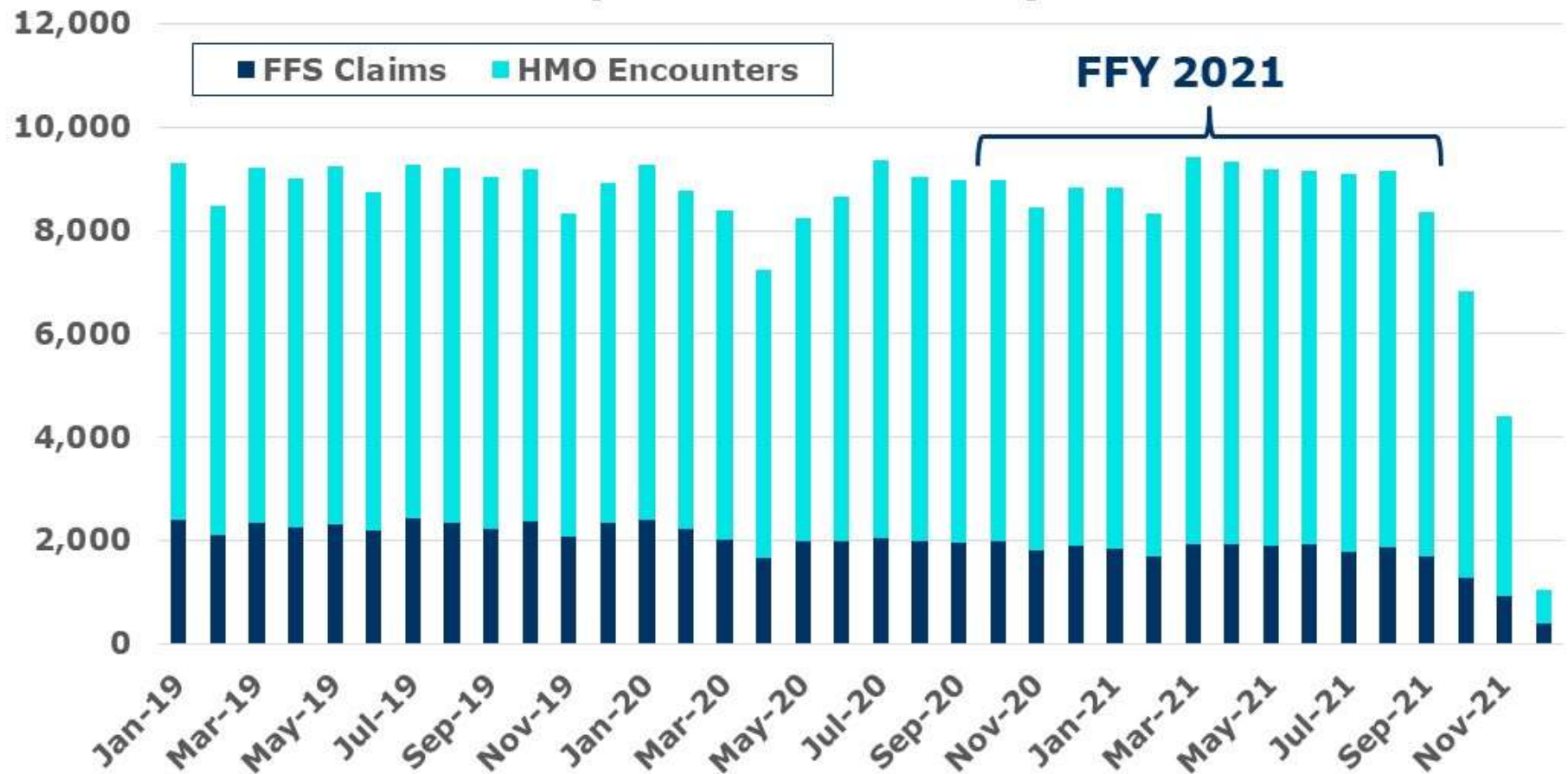
- FFY 2021 model claims represent the most recently available 12-month fiscal year of data with sufficient claim runout
 - Includes COVID-19 diagnosis codes
 - Avoids significant contraction of volume that occurred in April 2020
 - Contains comparable aggregate volume to CY 2019 data used for RX 2022 modeling
 - Returns rate setting process to the traditional FFY model claims data basis, allowing for use of more recent cost report data
- Alternative timeframes would lack claim runout for a 12-month modeling period (ex: calendar year 2021) or would lack COVID-code cases and more recent cost report data (ex: calendar year 2019)



RY 2023 Model Inpatient Cases

- Preliminary summary based on January 2022 MMIS extract; will be updated for data received June 1st

Medicaid Inpatient Claims by Month



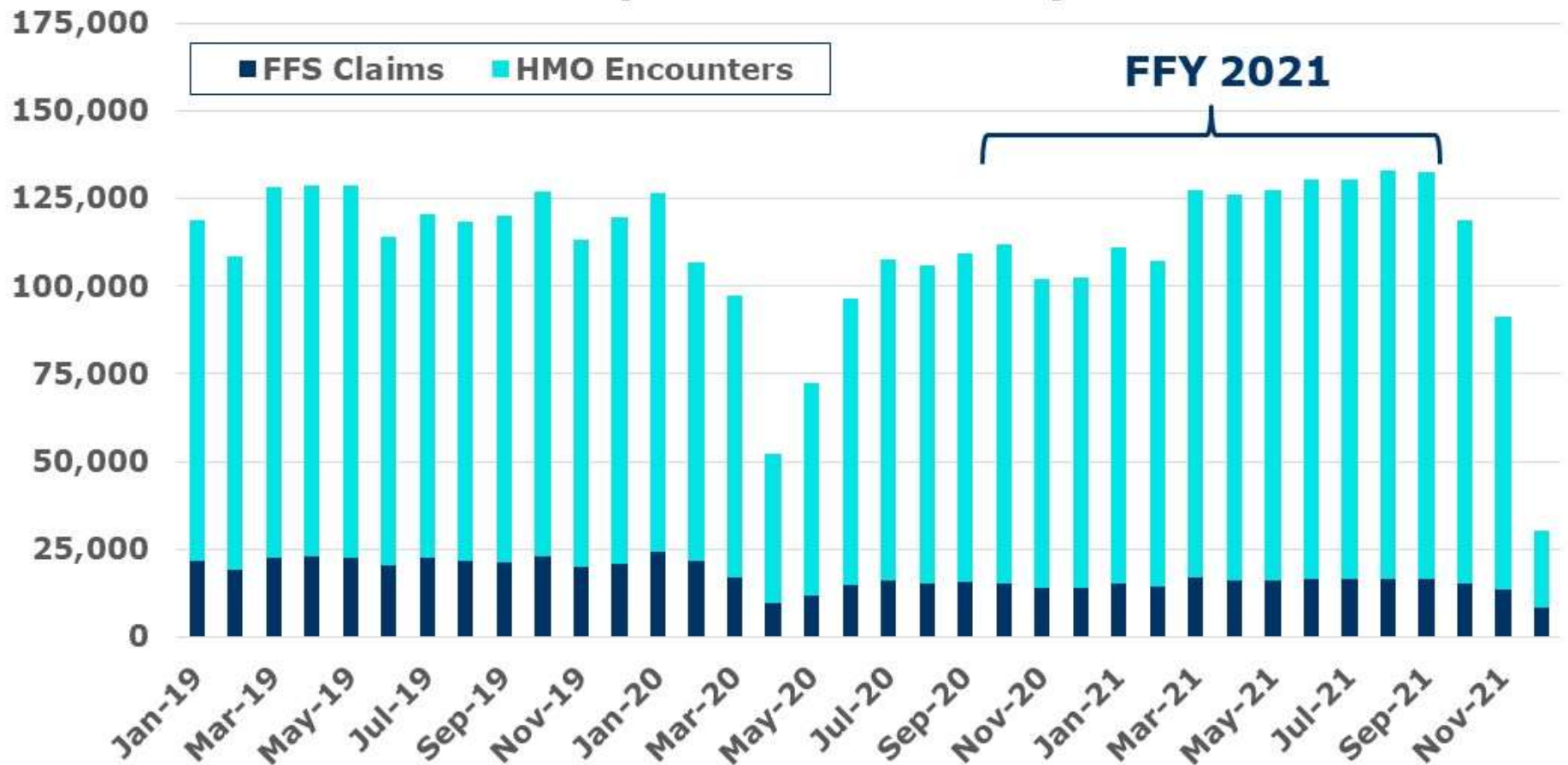
Note: totals exclude dual eligibles



RY 2023 Model Outpatient Claims

- Preliminary summary based on January 2022 MMIS extract; will be updated for data received June 1st

Medicaid Outpatient Claims by Month



Note: totals exclude dual eligibles



RY 2023 Inflation Adjustments

- ❑ Similar to prior years, DHS plans to apply an annual inflation updates to the acute hospital APR DRG and EAPG standardized amounts, subject to evaluation of budget availability and expenditure impacts
- ❑ Preliminarily modeled RY 2023 acute hospital standardized amount inflation adjustment factor is **3.0%**
 - Based on changes from RY 2022 to RY 2023 in CMS' Hospital Market Basket price index levels published April 2022; **will update based on CMS' next quarterly release in July**
 - Inflation increase will not result in a 3.0% aggregate payment increases due to impact of outlier payments, net medical education add-ons, and new wage index factors
- ❑ Basis for cost-based rates will be based on more recent data, with inflation applied to RY 2023



Rate Year 2022 APR DRG v38

- APR DRG v39.1 changes from v38 (Handout 1)

APR DRG	APR DRG Description
No New or Deleted DRGs Under v39.1	
Revised DRG Descriptions Under v39.1	
182	"Other peripheral vascular and related Procedures" (changed bolded)
226	"Anal and perineal procedures" (changed bolded)
310	"Intervertebral disc excision and decompression" changed to " Vertebral and intervertebral spinal procedures including disc procedures " (changed bolded)
321	"Cervical spinal fusion and other back or neck procedures except disc excision or decompression" changed to " Spinal fusion and other back and neck procedures except for disc procedures " (changed bolded)
444	"Renal dialysis access device procedures and vessel repair" changed to "Renal dialysis access device procedures"



APR DRG v39.1 National Weights

- ❑ DHS proposes to continue to use 3M “standard” national weights for its RY 2023 APR DRG v39.1 relative weights
- ❑ 3M APR DRG v39.1 relative weights national weights are based on approximately 13 million inpatient claims from the National Inpatient Sample (NIS) Agency 2017 and 2018 research datasets of ICD-10 coded claims data
 - The NIS is drawn from all States participating in HCUP **including Wisconsin**, covering more than 97 percent of the U.S. population.
 - The NIS approximates a 20-percent stratified sample of discharges from U.S. community hospitals (excluding rehabilitation and long-term acute care hospitals)



APR DRG v39.1 Weight Normalization

- DHS proposes to continue to **normalize** the 3M APR DRG national weights for RY 2023
 - Per 3M: “Payers and other users of 3M relative weights must therefore be careful to scale (up or down) the 3M relative weights to fit the characteristics of each payer’s unique population. In particular, payers should perform a financial simulation to ensure that the combination of APR DRG groups, relative weights, DRG base rates (as set by the payer), and other payment policies align with the payer’s target for total spending.”⁽¹⁾
 - Changes in modeled aggregate case mix between v39.1 and v38 national weights (when using the same model claims dataset) represents **a change in scale, not actual acuity increases**
- Normalizing the weights involves the application of a statewide adjustment factor to the v39.1 national weights so that the aggregate modeled case mix is the same as v38 case mix
- Normalizing the national weights **reduces volatility** in year-over-year changes in DRG base rates



APR DRG v39 Weight Normalization

- Preliminary RY 2023 APR DRG weight normalization factor calculation:

	Preliminary Modeled RY 2022 v38 (Normalized)	Preliminary Modeled RY 2023 v39 (Unnormalized)	Preliminary Modeled RY 2023 v39 (Normalized)
Preliminary Normalization factor	1.1150	N/A	1.1072
Modeled case mix using CY 2019 data	0.9467	0.8550	0.9467

- *Normalization calculation note: Preliminary factors based on FFY 2021 FFS claims and HMO encounters paid under APR DRGs for non-CAH and CAH hospitals, excluding transfer-adjusted payment claims, extracted from the MMIS in January 2022. This analysis will be updated with more recent encounter submissions from the May 2022 extract before finalizing.*



Other RY 2023 APR DRG Updates

Component	DHS Proposed Approach
DRG base rate inflation	<ul style="list-style-type: none"> ▪ DHS plans to apply an annual inflation update based on changes in CMS input price index levels (subject to budget availability), and will evaluate expenditure impacts
DRG base rate wage index adjustments	<ul style="list-style-type: none"> ▪ Will update based on the FFY 2022 Medicare IPPS correction notice (see handout 3 Milliman report for validation purposes) ▪ Medicare IPPS exempt hospitals' wage index based on the county average (weighted by base payments)
DRG base rate GME add-ons	<ul style="list-style-type: none"> ▪ Will update based on most recently available Medicare cost report data from 3/31/2022 HCRIS extract (see handout 3 Milliman report for validation purposes)
Outlier payment parameters	<ul style="list-style-type: none"> ▪ Will update outlier cost-to-charge ratios (CCRs) based on the March 2022 Medicare IPPS provider-specific file (see handout 3 Milliman report for validation purposes) ▪ Will evaluate the impact of other current factors
DRG policy adjusters	<ul style="list-style-type: none"> ▪ No planned methodology changes – will evaluate the impact of current factors



Rate Year 2023 EAPG v3.17

□ EAPG v3.17 changes from v3.16 (Handout 2)

V3.7 Change	EAPG Description
Deleted EAPGs	□ 6 deleted EAPGs where upon clinical review, 3M decided select EAPGs should be deleted and reassigned to each procedure's anatomical category or to other existing EAPGs
New EAPGs	□ 15 new EAPGs mostly related to additional granularity for existing EAPGs, for example: <ul style="list-style-type: none">▪ Levels I-II Mastectomy and reconstructive breast procedures▪ Class I-III Brachytherapy sources▪ Level I-III Oral surgery procedures▪ Level I-III Complex laboratory, molecular pathology and genetic tests
Revised EAPG Descriptions	□ 21 revised EAPG descriptions, reflecting absorption of deleted EAPGs



EAPG v3.17 National Weights

- ❑ DHS proposes to continue to use 3M EAPG national weights for its RY 2023 update to v3.17
 - 3M's v3.17 EAPG national weights are based on 91 million CY 2020 Medicare OPPS claims
- ❑ DHS proposes to continue to **normalize** the 3M EAPG national weights for RY 2023
 - Per 3M: "Care must therefore be taken to scale (up or down) the relative weights provided within the calculation to fit the average spend of the target population...Those using the national weights...should **make sure that the absolute value of relative weights** match the expected pattern for approved local spending and, if need be, **scale relative weights** so as to match that expectation while keeping relative differences constant."⁽¹⁾
 - Normalizing the weights involves the application of a statewide adjustment factor to the v3.17 national weights so that the aggregate modeled case mix is the same as v3.16 case mix

Note: (1) 3M™ Enhanced Ambulatory Patient Groups (EAPG) Summary of Changes, version 3.17, 1/1/2022.



EAPG v3.17 Weight Normalization

- Preliminary RY 2023 EAPG weight normalization factor calculation:

	Preliminary Modeled RY 2022 v3.16 (Normalized)	Preliminary Modeled RY 2023 v3.17 (Unnormalized)	Preliminary Modeled RY 2023 v3.17 (Normalized)
Normalization factor	$2.0 \times 1.0481 = 2.0962$	N/A	$2.0 \times 1.0565 = 2.1130$
Modeled case mix using CY 2019 data	1.4284	1.3520	1.4284

- *Normalization calculation note: Preliminary factors based on FFY 2021 outpatient FFS claims and HMO encounters paid under EAPGs for non-CAH and CAH hospitals extracted from the MMIS in January 2022, and will be updated with more recent encounter submissions from the May 2022 extract before finalizing*



Other RY 2023 EAPG Updates

Component	DHS Proposed Approach
EAPG base rate inflation	<ul style="list-style-type: none">▪ DHS plans to apply an annual inflation update based on changes in CMS input price index levels, and will evaluate expenditure impacts
EAPG base rate GME additions	<ul style="list-style-type: none">▪ Will update based on most recently available Medicare cost report data from 3/31/2022 HCRIS extract (see handout 3 Milliman report for validation purposes)



RY 2023 Cost Based Rates

- Will update cost-based rates using FFY 2021 FFS claims and HMO encounter data and Medicare cost report data with matching cost reporting periods
 - Psychiatric inpatient per diems
 - Psychiatric outpatient EAPG base rates
 - Rehabilitation inpatient per diems
 - LTAC inpatient per diems
 - CAH DRG base rates
 - CAH EAPG base rates
- No planned cost-based rate methodology changes; DHS will evaluate expenditure impacts





COVID-19 Considerations

COVID-19 Considerations

- New proposed APR DRG and EAPG grouper versions are fully compatible with COVID-19 diagnosis codes
- DHS has selected FFY 2021 model data so that rate calculations would not be impacted by the reduction in hospital utilization in April 2020
- DHS will review COVID-19 impacts when determining Measurement Year (MY) 2022 PPR benchmarking and P4P payment calculations





Potentially Preventable Readmissions (PPR)

MY 2021 Preliminary Readmission Rates

- MY 2021 preliminary readmission results based on PPR grouper output have been calculated for each hospital
 - Provider-specific exhibits have been distributed
 - Results are subject to change based on the next quarterly MMIS extract and do not represent the final PPR analyses and withholding impacts for MY 2021
 - See Milliman 5/11/2022 report “Hospital Measurement Year 2021 Preliminary Readmissions Results”
- Final MY 2021 readmission results to be published in August and final MY 2021 P4P FFS payments to be published in September



Statewide Readmission Rates - FFS

FFS Amount	Final MY 2018	Final MY 2019	Final MY 2020	Preliminary MY 2021
Readmission Rate	7.21%	7.18%	7.73%	8.02%
Full benchmark (100%)	6.98%	7.12%	7.25%	7.68%
Actual to Full Benchmark ratio	1.033	1.008	1.066	1.044
Target benchmark (92.5%)	6.46%	6.59%	6.71%	7.11%
Actual to Target Benchmark ratio	1.117	1.090	1.152	1.128

- Final MY 2021 P4P FFS readmission benchmark to be determined by DHS

Sources:

Final MY 2018-2019 : DHS MAHG 9/25/2020 meeting presentation

Final MY 2020: Milliman 9/8/2021 report "Hospital Measurement Year 2020 Final Readmissions Results"

Preliminary MY 2021: Milliman 5/11/2022 report "Hospital Measurement Year 2021 Preliminary Readmissions Results"



Statewide Readmission Rates - HMO

HMO Amount	Final MY 2018	Final MY 2019	Final MY 2020	Preliminary MY 2021
Badger Care Plus Readmission Rate	4.24%	4.24%	4.32%	4.44%
SSI Readmission Rate	12.42%	13.48%	11.58%	10.91%

Sources:

Final MY 2018-2019 : DHS MAHG 9/25/2020 meeting presentation

Final MY 2020: Milliman 9/8/2021 report "Hospital Measurement Year 2020 Final Readmissions Results"

Preliminary MY 2021: Milliman 5/11/2022 report "Hospital Measurement Year 2021 Preliminary Readmissions Results"



PPR Dashboard

- Milliman's online PPR dashboard using PowerBI is available for review
- Interactive dashboard contains:
 - MY 2019 Final (with 2017 benchmark)
 - MY 2020 Final (with 2018 benchmark)
 - MY 2020 Preliminary (with 2019 benchmark)
 - MY 2022 Q1 (with 2020 benchmark)



PPR Dashboard Access Process

1. Submit request via email to DHS at DHSDMSBRS@wi.gov and provide:
 - Name
 - Organization Name
 - *Hospital only:* Requested hospital name(s)
 - Email Address
 - Phone Number
2. Once approved by DHS, Milliman will provide a temporary password via email (see User Guide)
3. PPR dashboard can be accessed at <https://app.powerbi.com/> (see User Guide)
4. Users must review and accept the user agreement



HMO PPR Overview

- Initiative applies only to BC+
- \$9 million potential reward to HMOs
- HMOs required to share 85% of their incentive with hospital providers
- PPR reduction targets are set using 3M PPR software
- 3M Software calculates:
 - Qualifying Admissions
 - Baseline Readmissions
 - Baseline Year Actual to Benchmark Ratio (ABR)
 - Adjusted for severity of illness level per HMO



HMO PPR Methodology

- DHS Calculates:
 - HMO tier level based on Baseline ABR

Table: PPR Reduction Targets			
Proportion of Potential Incentive Share that is earned by the HMO	Baseline Tier (based on ABR)		
	Tier 1 - High performance HMOs	Tier 2 - Middle performance HMOs	Tier 3 - Low performance HMOs
1.00	5% or more	7% or more	10% or more
0.75	3% to 4.9%	4% to 6.9%	7% to 9.9%
0.50	1% to 2.9%	2% to 3.9%	4% to 6.9%
0.25	0.25% to 0.9%	0.5% to 1.9%	1.5% to 3.9%



HMO PPR Methodology cont...

□ DHS Calculates:

- Percent reduction in the Actual to Benchmark Ratio (ABR) compared to baseline year

$$\% \text{ reduction in ABR} = \frac{[\text{Baseline ABR} - \text{MY ABR}]}{[\text{Baseline ABR}]}$$

- HMO performance and amount of incentive earned per HMO



HMO PPR MY2020 Results

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
HMO	Qualifying Admissions in Baseline Year (MY)	Share of Qualifying Admissions	Potential Incentive	Baseline ABR (MY 2018)	Tier in Baseline Year (MY 2018)	MY2020 ABR	% Reduction in ABR from Baseline	Proportion of Incentive Earned	Incentive Earned	15% HMO share
Anthem	8,221	12.8%	\$ 1,152,458.68	0.98	Middle	1.13	-15.31%	0%	\$ -	\$ -
CCHP	10,285	16.0%	\$ 1,441,799.97	1.01	Middle	1.10	-8.67%	0%	\$ -	\$ -
Dean	3,161	4.9%	\$ 443,123.94	0.97	Middle	0.97	0.20%	0%	\$ -	\$ -
GHC - EauClaire	3,908	6.1%	\$ 547,841.93	1.08	Low	0.98	9.26%	75%	\$ 410,881	\$ 61,632
GHC - SouthCentral	498	0.8%	\$ 69,812.00	1.16	Low	0.72	37.93%	100%	\$ 69,812	\$ 10,472
iCare	2,088	3.3%	\$ 292,705.72	1.39	Low	1.24	10.79%	100%	\$ 292,706	\$ 43,906
MercyCare	1,248	1.9%	\$ 174,950.55	1.13	Low	0.91	19.47%	100%	\$ 174,951	\$ 26,243
MHS	2,996	4.7%	\$ 419,993.46	1.04	Middle	1.14	-9.62%	0%	\$ -	\$ -
Molina	4,572	7.1%	\$ 640,924.60	0.90	High	0.78	13.33%	100%	\$ 640,925	\$ 96,139
NHP	3,029	4.7%	\$ 424,619.55	0.99	Middle	0.94	5.05%	75%	\$ 318,465	\$ 47,770
Quartz	3,275	5.1%	\$ 459,105.00	0.99	Middle	1.20	-20.20%	0%	\$ -	\$ -
Security	4,857	7.6%	\$ 680,877.24	0.98	Middle	1.19	-13.27%	0%	\$ -	\$ -
MyChoice*	1,399	2.2%	\$ 196,118.44	1.01	Middle	1.11	-8.91%	0%	\$ -	\$ -
United HC	14,664	22.8%	\$ 2,055,668.91	0.93	High	1.10	-18.28%	0%	\$ -	\$ -
State-wide	64,201	100.00%	\$ 9,000,000.00					21%	\$ 1,907,739	\$ 286,161

*Trilogy & Care Wisconsin combined to form MyChoice.





Additional Items

Prolonged Stay Payment

- The Prolonged Stay policy outlined in [FH Update 2022-04](#) remains in effect through the end of the COVID-19 Public Health Emergency declared by HHS.
- Hospitals should submit separate claims for prolonged stay days through the process in the Update.
- Prolonged stay days are reimbursed at \$193.06 per diem.



HIE P4P Updates

- CY2022 – December 31, 2022 deadline to meet requirements
 - Hospitals that were already participating in WISHIN during MY 2021 will need to progress to or maintain an “in work” or “live” status
 - Contract with WISHIN
- CY2023 & Future
 - CY2023 – Hospitals must be in “live” status for incentive
 - CY 2024 – Hospitals must be in “live” status or be subject to penalty



DSH Updates

- SFY18 Examination Recalculation
 - Payments to be made by end of SFY2022
- SFY19 Examination in process
 - Examination results will be communicated to hospitals in June and July
- SFY22 Q4 DSH Payments
 - Payments made 6/10/2022
- SFY23 payment limit calculation in process
 - Results will be provided to DHS by September



DSH Updates

- SFY20 Examination timeline
 - MSLC is already in possession of surveys and hospital documentation. Examination will begin during first quarter of 2023 (Jan.-March)
- SFY21 Examination/SFY24 payment limit calculation timeline
 - Plan to send out surveys and data between October and December



Hospital Assessment

- Upcoming hospital tax assessment re-calculation for SFY23
- Annual hospital SFY assessment verification email will be sent to MAHG contact list in August



Access Payment Updates

- SFY22 Fee-For-Service (FFS) claims “shut-off” April 15, 2022
 - FFS claims submitted after April 15, 2022 for SFY2022 dates of service did not have an access payment applied
 - Extended Public Health Emergency caused an increase in eligibility status and claim volume, resulting in the available funding pool to be expended earlier than anticipated
- SFY22 Reconciliation Process will begin in September



Access Payment Updates

- SFY21 Access Payment Recoupments will occur by end of SFY22
 - Hospitals who have voluntarily submitted their recoupments will not be affected
- Upcoming SFY23 Payments
 - Rates expected to be applied by late August/early September
 - Retroactive adjustments to occur shortly after



Questions

Questions on today's presentation and comments from review of preliminary RY 2023 model inputs shown in meeting handouts can be sent by email to: DHSDMSBRS@dhs.Wisconsin.gov



Caveats and Limitations

The services provided for this project were performed under the signed contract between Milliman and the Wisconsin Department of Health Services (DHS) effective February 3, 2021. The results shown in these analyses are preliminary for discussion purposes only, and do not represent final rate year (RY) 2023 model rates, weights, or other factors. The RY 2023 hospital rate-setting work is still on-going and DHS has not made any final policy decisions.

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