

# Medicaid Advisory Hospital Group



Division of Medicaid Services  
Bureau of Rate Setting

October 5, 2022

Wisconsin Department of Health Services

# Agenda

1. Introduction and Welcome
2. Hospital Rate Year 2023 Updates
3. COVID-19 Considerations
4. Access Payment Updates
5. Potentially Preventable Readmissions
6. Other P4P programs
7. Disproportionate Share Hospital (DSH) Payments
8. Additional Updates
9. Questions
10. Adjournment





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# Introductions



# **Hospital Payment Rate Year 2023 Updates**

# Rate Year (RY) 2023

## Goals and Policy Overview

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- ❑ Update to newer inpatient and outpatient grouper versions (for more details on grouper version changes, refer to the 6/21/2022 presentation)
- ❑ Updated hospital base rates for an inflation increase to the standardized amount (3.25%) and new wage indices and GME add-ons
- ❑ New outpatient per visit add-on for dental services with deep sedation (per legislative direction)
- ❑ Hospital-specific rate sheets are available today on the ForwardHealth portal for review



# RY 2023 Data & Model Sources

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## □ *DHS:*

- RY 2023 model claims data based on federal fiscal year (FFY) 2021 Medicaid hospital fee-for-service (FFS) and managed care encounter data, from the May 2022 Medicaid Management Information System (MMIS) extract

## □ *CMS:*

- Medicare cost report data (generally hospital FYE 2020 and 2021) based on the 3/31/2022 HCRIS database release
- FFY 2022 Medicare IPPS wage indices and outlier cost-to-charge ratios (CCRs) <sup>(1)</sup>
- Hospital market basket inflation data released July 2022

## □ *3M:*

- APR DRG v39 output and national weights (updated from v38)
- EAPG v3.17 output and national weights (updated from v3.16)

Note: (1) For modeling RY 2023 inpatient outlier payments, Wisconsin Medicaid RY 2021 outlier CCRs were applied to FFY 2021 claims to align CCRs to charges.



# APR DRG v39 Weight Normalization

- Rate Year 2023 APR DRG weight normalization factor calculation applied to 3M's APR DRG v39 traditional national weights:

	Modeled RY 2022 v38 (Normalized)	Modeled RY 2023 v39 (Unnormalized)	Modeled RY 2023 v39 (Normalized)
Normalization factor	1.1146	1.0000	1.1081
Modeled case mix using FFY 2021 data	0.924	0.834	0.924

*Normalization calculation note: Factors based on FFY 2021 FFS claims and HMO encounters paid under APR DRGs for non-Critical Access Hospitals (CAHs), excluding transfer-adjusted payment claims, extracted from the MMIS in May 2022.*



# Other RY 2023 APR DRG Updates

Component	DHS Approach
<b>DRG base rate inflation</b>	<ul style="list-style-type: none"> <li>Applied a one-year inflation factor of 1.0325 to the standardized amount based on changes in CMS market basket index levels</li> </ul>
<b>DRG base rate wage index adjustments</b>	<ul style="list-style-type: none"> <li>Updated to FFY 2022 Medicare IPPS correction notice, with proxies for Medicare IPPS-exempt hospitals based on the county weighted average wage index</li> </ul>
<b>DRG base rate GME add-ons</b>	<ul style="list-style-type: none"> <li>Updated GME add-ons based on most recently available Medicare cost report data from 3/31/2022 HCRIS extract</li> </ul>
<b>Outlier payment parameters</b>	<ul style="list-style-type: none"> <li>Updated outlier cost-to-charge ratios (CCRs) based on the 4/4/2022 Medicare IPPS provider-specific file, and Medicaid-specific costs for Medicare IPPS exempt hospitals</li> <li>No other outlier parameter changes</li> </ul>
<b>DRG policy adjusters</b>	<ul style="list-style-type: none"> <li>No methodology or factor changes</li> </ul>





# R.Y. 2023 Inpatient Policy Adjusters

## Policy Adjusters Unchanged:

<b>Policy Adjuster</b>	<b>Claim Identification Basis</b>	<b>Factor</b>
Neonate	DRG	1.30
Normal Newborn	DRG	1.80
Pediatric	Age (17 and under)	1.20
Transplant	DRG	1.50
Level I Trauma Services	Provider trauma designation	1.30

*Note: Highest policy adjuster factor is applied to each claim for payment (for claims that qualify for multiple policy adjusters)*



# RY 2023 Inpatient Outlier Parameters

- Outlier payment methodology unchanged

Criteria	RY22 Outlier Values	RY23 Outlier Values
Critical Access Hospitals	\$300	\$300
In-State, <100 Beds	\$46,587	\$46,587
In-State, ≥100 Beds & Border Providers	\$46,587	\$46,587
Severity of Illness 1 or 2 Marginal Percentage	80%	80%
Severity of Illness 3 or 4 Marginal Percentage	95%	95%



# EAPG v3.17 Weight Normalization

- RY 2023 EAPG weight scaling and normalization factor calculation applied to 3M's EAPG v3.17 national weights:

	<b>Modeled RY 2022 v3.16 (Normalized)</b>	<b>Preliminary Modeled RY 2023 v3.17 (with 2.0 Adjustment)</b>	<b>Preliminary Modeled RY 2023 v3.17 (Normalized)</b>
Normalization factor	$2.0 \times 1.0426 = 2.0852$	2.0	$2.0 \times 1.0565 = 2.113$
Modeled case mix using FFY 2021 data	1.943	1.839	1.943

*Normalization calculation note: Factors based on FFY 2021 outpatient FFS claims and HMO encounters paid under EAPGs for non-CAHs, extracted from the MMIS in May 2022. DHS' EAPG national weight normalization has traditionally been calculated by multiplying 2.0 by an additional factor.*



# Acute Hospital RY 2023 EAPG Updates

Component	DHS Approach
<b>EAPG base rate inflation</b>	<ul style="list-style-type: none"><li>Applied a one-year inflation factor of 1.0325 to the standardized amount based on changes in CMS market basket index levels</li></ul>
<b>EAPG base rate GME additions</b>	<ul style="list-style-type: none"><li>Update based on most recently available Medicare cost report data from 3/31/2022 HCRIS extract</li></ul>



# RY 2023 Cost-based Rates

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- ❑ DHS updated cost-based rates using FFY 2021 FFS claims and HMO encounter data and the most recent Medicare cost report data (generally hospital FYE 2020-2021)
  - Critical Access Hospital DRG base rates
  - Critical Access Hospital EAPG base rates
  - Psychiatric Hospital per diems
  - Psychiatric Hospital EAPG base rates
  - Long Term Acute Care per diems
  - Rehabilitation Hospital per diems
- ❑ RY 2023 calculations move the base data forward by 21 months from the midpoint of CY 2019 data to the midpoint of FFY 2021 data



# New Outpatient Dental Payment

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- ❑ 2019 WI Act 9, §9119(9) appropriated \$1.5 million a year to increase reimbursement rates for dental services provided to Medicaid members with disabilities
- ❑ Beginning in Rate Year 2023, DHS is enhancing payments for outpatient dental services where deep sedation/anesthesia is provided with a per visit add-on of **\$700** (in addition to the EAPG payment)
  - Add-on applicable to the Medicaid fee schedule
  - Providers would continue to bill for these services using CPT code 41899 (Other Procedures on the Dentoalveolar Structures)
  - Providers would also report a CPT modifier to qualify for payment (to be determined, billing instruction updates to follow)
  - Enhanced payment for these services will be subject to Prior Authorization and post-payment review



# New Outpatient Dental Payment

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- ❑ RY 2023 outpatient dental deep sedation \$700 add-on is based on the aggregate funding target divided by the number of FFY 2021 outpatient model claims data with CPT code 41899 and EAPG 367 (LEVEL I ORAL AND MAXILLOFACIAL SURGERY) as highest weighted in claim, rounded to the nearest \$100
- ❑ Due to the uncertainty around the actual number of claims that will be paid under this new policy, the add-on amount will be monitored and potentially refined in future rate years to more closely achieve the aggregate target



# Inpatient Payment Model Totals

Provider Type	RY22 Simulated Payments <sup>1</sup>	RY23 Simulated Payments <sup>1</sup>	Notes
<b>Critical Access Hospitals</b>	\$60,210,366	\$58,839,506	DRG base rates based on 100% of estimated RY23 claims cost
<b>Per Diem (Psych., Rehab., and LTAC)</b>	\$101,237,448	\$108,176,961	Per diem rates based on 85.08% of estimated RY23 claims cost (state-owned based on 100%)
<b>Acute Hospitals</b>	\$844,906,977	\$861,381,923	DRG base rate standardized amount inflated based on CMS market basket <sup>2</sup>
<b>Total</b>	\$1,006,354,791 (A)	\$1,028,398,390 (B)	

<b>Total Estimated Payment Change</b>	<b>\$22,043,599 (B-A)</b>	<b>2.2% (B-A)/A</b>
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**Notes:**

(1) Modeled based on FFY 2021 claims data.

(2) Non-CAH base rates include a wage index adjustment and GME add-on (using the same methodology as prior years).





# RY 2023 Inpatient Rate Exhibits

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## Report Appendix A

- Acute Care Hospital DRG Base Rates
- Critical Access Hospital DRG Base Rates
- Per Diem Rates (Psychiatric, Rehabilitation, and LTAC)
- APR DRG version 39 weights



# Outpatient Payment Model Totals

Provider Type	RY22 Simulated Payments <sup>1</sup>	RY23 Simulated Payments <sup>1</sup>	Notes
<b>Critical Access Hospitals</b>	\$138,988,109	\$151,636,043	Based on 100% of estimated RY 2023 claims cost
<b>Psychiatric Hospitals</b>	\$3,638,212	\$3,619,840	Based on 85.08% of estimated RY 2023 claims cost
<b>Acute and Rehabilitation Hospitals (non-CAH)</b>	\$249,189,674	\$259,901,438	Base rate standardized amount inflated based on CMS market basket <sup>2</sup> ; includes \$1.5M dental add-on
<b>Total</b>	<b>\$391,815,994 (A)</b>	<b>\$415,157,321 (B)</b>	

<b>Total Estimated Payment Change</b>	<b>\$23,341,327 (B-A)</b>	<b>6.0% (B-A)/A</b>
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**Notes:**

(1) Modeled based on FFY 2021 claims data.

(2) Non-CAH base rates include a GME add-on (using the same methodology as prior years).



# R Y 2023 Outpatient Rate Exhibits

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## Report Appendix B

- ❑ Acute and Rehabilitation Hospital EAPG Base Rates (non-CAHs)
- ❑ Critical Access Hospital EAPG Base Rates
- ❑ Psychiatric Hospital EAPG Base Rates
- ❑ EAPG v3.17 Weights



# 2023 Rates – Next Steps

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- ❑ Inpatient and outpatient rate sheets are available today on the ForwardHealth Portal
- ❑ Providers have 60 days to appeal their rates
- ❑ Appeal criteria are listed in §12200 of the Inpatient Hospital State Plan and §6200 of the Outpatient Hospital State Plan
- ❑ Randy McElhose is the contact at:
  - [Email:Randy.McElhose@dhs.wisconsin.gov](mailto:Randy.McElhose@dhs.wisconsin.gov)





# COVID-19 Considerations

# COVID-19 Considerations

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- ❑ RY 2023 APR DRG and EAPG grouper versions are fully compatible with COVID-19 diagnosis codes
- ❑ DHS has selected FFY 2021 model data for RY 2023 rate calculations as the most recently available 12-month fiscal year of data with sufficient claim runout
  - Includes COVID-19 experience
  - Avoids significant contraction of volume that occurred in April 2020
- ❑ DHS will leverage enhanced federal match during the Public Health Emergency in DSH payments for as long as it is effective





# Access Payment Updates

# SFY 2023 Access Payment Update

## □ New SFY 2023 Access Payment pools:

Provider Type	Acute, LTAC, and Rehab Hospitals	CAHs
<b>SFY 2023 Total Assessments</b>	<b>\$ 414,507,300</b>	<b>\$ 5,613,464</b>
<b>SFY 2023 Total Access Payments</b>	<b>\$ 672,028,696</b>	<b>\$ 9,100,947</b>
IP FFS Pool (55% of FFS)	\$ 103,492,419	\$ 1,261,991
OP FFS Pool (45% of FFS)	\$ 84,675,616	\$ 1,032,538
<b>FFS Pool (28% of total Access)</b>	<b>\$ 188,168,035</b>	<b>\$ 2,294,528<sup>(1)</sup></b>
IP HMO Pool (55% of HMO)	\$ 266,123,364	\$ 3,603,975
OP HMO Pool (45% of HMO)	\$ 217,737,298	\$ 2,948,707
<b>HMO Pool (72% of total Access)<sup>(2)</sup></b>	<b>\$ 483,860,661</b>	<b>\$ 6,552,682</b>

**Notes:**

(1) Includes \$(253,737) adjustment related to implementing 1/1/2023 for the new managed care contract year

(2) LTAC providers are not eligible for HMO Access Payments





# SFY 2023 Access Payment Add-ons

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- ❑ SFY 2023 **FFS** Access payment add-ons will be retroactively implemented back to **July 1, 2022**
- ❑ SFY 2023 **FFS** Access payment add-ons for **Acute, Rehabilitation, and LTAC Hospitals** are as follows:
  - \$3,452 per inpatient admission
  - \$260 per outpatient visit
- ❑ SFY 2023 **FFS** Access payment add-ons for **CAHs** are as follows:
  - \$623 per inpatient admission
  - \$17 per outpatient visit
- ❑ CY 2023 **HMO** Access payments will be made by DHS via capitation rate add-ons and will consider SFY 2023 target
  - HMO per admission/visit add-ons paid to hospitals are determined each month based on actual utilization and each HMO's add-on



# SFY 2023 Access Payment Add-ons

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- FFS access payment add-ons will begin applying to claims by October 21, 2022
  - Adjustment process to begin shortly after
- HMO January/February Payment Reminder
  - As of CY 2021, there are no longer HMO Access payments made in January
  - Both January and February HMO Access payments are made in February





# Potentially Preventable Readmissions (PPRs)

# MY 2021 Readmission Rates

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- Measurement Year (MY) 2021 final readmission results based on PPR grouper output have been calculated for each hospital
  - Narrative report and provider-specific exhibits have been distributed
  
- MY 2022 Q2 readmission results have also been calculated and distributed
  - MY 2022 preliminary 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 2022



# Statewide Readmission Rates - FFS

FFS Amount	Final MY 2018	Final MY 2019	Final MY 2020	Final MY 2021
Readmission Rate	7.21%	7.18%	7.73%	8.11%
Full benchmark (100%)	6.98%	7.12%	7.25%	7.66%
Actual to Full Benchmark ratio	<b>1.033</b>	<b>1.008</b>	<b>1.066</b>	<b>1.060</b>
Target benchmark (92.5%)	6.46%	6.59%	6.71%	7.08%
Actual to Target Benchmark ratio	<b>1.117</b>	<b>1.090</b>	<b>1.153</b>	<b>1.146</b>

DHS' MY 2022 Hospital P4P guide listed a MY 2022 Goal Rate of **6.52%**

**Sources:**

Final MY 2018-2019: DHS September 25, 2020 MAHG meeting presentation

Final MY 2020: Milliman September 8, 2021 report "Hospital Measurement Year 2020 Final Readmissions Results"

Final MY 2021: Milliman September 20, 2022 report "Hospital Measurement Year 2021 Final Readmissions Results"



# Statewide Readmission Rates - HMO

HMO Amount	Final MY 2018	Final MY 2019	Final MY 2020	Final MY 2021
<b>Badger Care Plus Readmission Rate</b>	4.24%	4.24%	4.32%	4.45%
<b>SSI Readmission Rate</b>	12.42%	13.48%	11.58%	10.73%

**Sources:**

Final MY 2018-2019: DHS September 25, 2020 MAHG meeting presentation

Final MY 2020: Milliman September 8, 2021 report "Hospital Measurement Year 2020 Final Readmissions Results"

Final MY 2021: Milliman September 20, 2022 report "Hospital Measurement Year 2021 Final Readmissions Results"



# PPR Dashboard Access Process

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- Milliman has created a new online PPR dashboard using PowerBI
- Interactive dashboard contains:
  - MY 2019 Final (with 2017 benchmark)
  - MY 2020 Final (with 2018 benchmark)
  - MY 2021 Final (with 2019 benchmark)
  - MY 2022 Q2 (with 2020 benchmark)



# PPR Dashboard Access Process

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1. Submit request via email to DHS at [DHSDMSBRS@dhs.Wisconsin.gov](mailto:DHSDMSBRS@dhs.Wisconsin.gov) and provide:
  - Name
  - Organization Name
  - *Hospital only*: Requested hospital name(s) and MA ID#
  - 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





# Measurement Year (MY) 2021 PPRs

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- MY 2021 P4P payment results will be posted to the ForwardHealth Portal no later than Friday, October 15, 2022
- Hospitals will have two full weeks to review
  - Questions can be directed to Alicia Cheversia at:
    - [Email: alicia.cheversia@dhs.wisconsin.gov](mailto:alicia.cheversia@dhs.wisconsin.gov)





# **Disproportionate Share Hospital (DSH) Payments**

# Disproportionate Share Hospital (DSH) Payments

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## ❑ SFY19 Examination

- Similar to SFY18 reallocation payment, total payments in excess of the limit will be reallocated

## ❑ SFY23 Payments

- Payments are made quarterly with Q1 and Q2 paid prior to the end of this calendar year (December 31, 2022)
- Reminder: Schedule of Information and Records of Data Needed for DSH Examination form to be completed prior to SFY23 DSH payments

## ❑ Next Year: SFY20 Examination & SFY24 Payments

- SFY20 DSH Audit & SFY24 Payment Limit Educational Session to be scheduled in early 2023





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# Other P4P Programs

# MY 2021 Assessment P4P Update

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- Patient Experience of Care (HCAHPS Survey) metric will be based on a 9-month data period 7/1/2020 – 3/31/2021
  - Due to CMS delayed release of 4<sup>th</sup> Quarter data
- MY 2021 results will be posted to the ForwardHealth Portal no later than Friday, October 15, 2022
- Hospitals will have two full weeks to review
  - Please direct any questions to Alicia Cheversia at:
    - [alicia.cheversia@dhs.wisconsin.gov](mailto:alicia.cheversia@dhs.wisconsin.gov)



# MY 2022 Health Information Exchange (HIE) P4P Program Reminders

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- ❑ Deadline for participating: December, 31<sup>st</sup> 2022
- ❑ Hospitals new to the HIE P4P program in 2022 are eligible for the payment if contracting with WISHIN in the participating interfaces
- ❑ Hospitals that participated in 2021 are eligible for the payment if an interface status has moved beyond contracting and is either in-work or live/fully information sharing with WISHIN
- ❑ Final payment results and payments will be provided in March 2023



# MY 2023 HIE P4P Program Reminder

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- MY 2023 is the last year with an upside only incentive
  - All hospitals are expected to be information sharing by the end of the year
- Additional details will be released in the MY 2023 P4P Guide and communicated to hospitals





# Additional Updates



# DHS Graduate Medical Education (GME) Grant Opportunities

## □ GME Program Development Grant

- **Purpose:** Assist hospitals in developing accredited GME programs in medical specialties in rural and underserved areas of Wisconsin.
- Grants may also be used to establish new fellowship programs or to develop rural tracks.
- **Grant period:** up to three years
- **Funding:** Up to \$750,000
- Annual DHS Request for Applications (RFA) released in March



# DHS Graduate Medical Education (GME) Grant Opportunities

## □ GME Expansion Grant

- **Purpose:** Expand residency positions in existing GME programs.
- Priority specialties include primary care, general surgery and psychiatry. Other specialties may also be considered.
- **Grant period:** Length of residency or fellowship, dependent on proposal
- **Funding:** Up to \$75,000 per new resident position with a maximum of three full-time grant-funded positions at any one time
- Annual DHS Request for Applications (RFA) released in July



# DHS Graduate Medical Education (GME) Grant Opportunities

- GME grant opportunity questions can be directed to Randy McElhose at:  
[Randy.McElhose@dhs.Wisconsin.gov](mailto:Randy.McElhose@dhs.Wisconsin.gov)



# Prolonged Stay Payment Program Reminder

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- Payments for “prolonged stay” days where nursing-facility-level care is provided in a hospital setting remain available through the end of the COVID-19 Public Health Emergency period (as determined by HHS)
  - \$193.06 per diem
- Payments require prior authorization and claims are required to be submitted separately from necessary inpatient days as described in ForwardHealth Update 2022-04



# 2023 HMO Contract Update

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- Hospital network adequacy standards among revisions to Article V:
  - Distance standard criteria expecting “at least one hospital must be in each HMO certified county...” was removed
  - Drive time and distance standards were aligned with CMS standards
  - County population density characteristics were aligned among urban and rural regions according to U.S. Census and CMS criteria:
    - Urban areas include the following counties: Brown, Dane, **Eau Claire, Fond du Lac**, Kenosha, **La Crosse, Marathon**, Milwaukee, **Outagamie**, Ozaukee, Racine, **Rock, Sheboygan, St. Croix, Walworth**, Washington, Waukesha, and **Winnebago**
    - All others are considered rural



# Postpartum Waiver Update

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- **Section 1115 Postpartum Coverage Waiver** is still waiting on approval from CMS



# Questions

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All questions can be sent by email to:  
[DHSDMSBRS@dhs.Wisconsin.gov](mailto:DHSDMSBRS@dhs.Wisconsin.gov)



# Caveats and Limitations

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*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 and represent DHS' proposed rate year (RY) 2023 model rates, weights, and factors. Final RY 2023 hospital rates are subject to change based on public notice, final DHS policy decisions, and CMS approval.*

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*Milliman has developed certain models to estimate the values included in this presentation. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose.*

*Differences between our estimate payments and actual amounts depend on the extent to which future experience conforms to the assumptions made for these analyses. Future results may change from these estimates due to a number of factors, including final DHS policy decisions, changes to medical management policies, enrollment, provider utilization and service mix, COVID-19-related impacts, and other factors.*

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