All Patient Refined Diagnosis Related Group (APR DRG) Training

October 2016

Wisconsin Department of Health Services
Division of Health Care Access and Accountability

Agenda

- Welcome
- Purpose and timeline
- Introductions
  - Navigant: Overview of APR DRG Payment Policies and Inpatient Hospital APR DRG Pricing
  - 3M Health Information Systems: 3M All Patient Refined Diagnosis Related Groups
  - Hewlett Packard Enterprise (HPE): Billing and ForwardHealth Portal Changes
- Closing Remarks

Welcome and Introductions

Christian Moran, Section Chief
Wisconsin Department of Health Services (DHS)

General Housekeeping

- Silence cell phones and other devices
- Hold questions until the end of each presenter's session

Overview of APR DRG Payment Policies and Inpatient Hospital APR DRG Pricing

Justin St. Andre, Associate Director
Navigant

Topics

- Section 1: APR DRG Overview
- Section 2: APR DRG Payment Methodology
- Section 3: Pricing Examples
- Section 4: APR DRG Calculator

APR DRG Overview

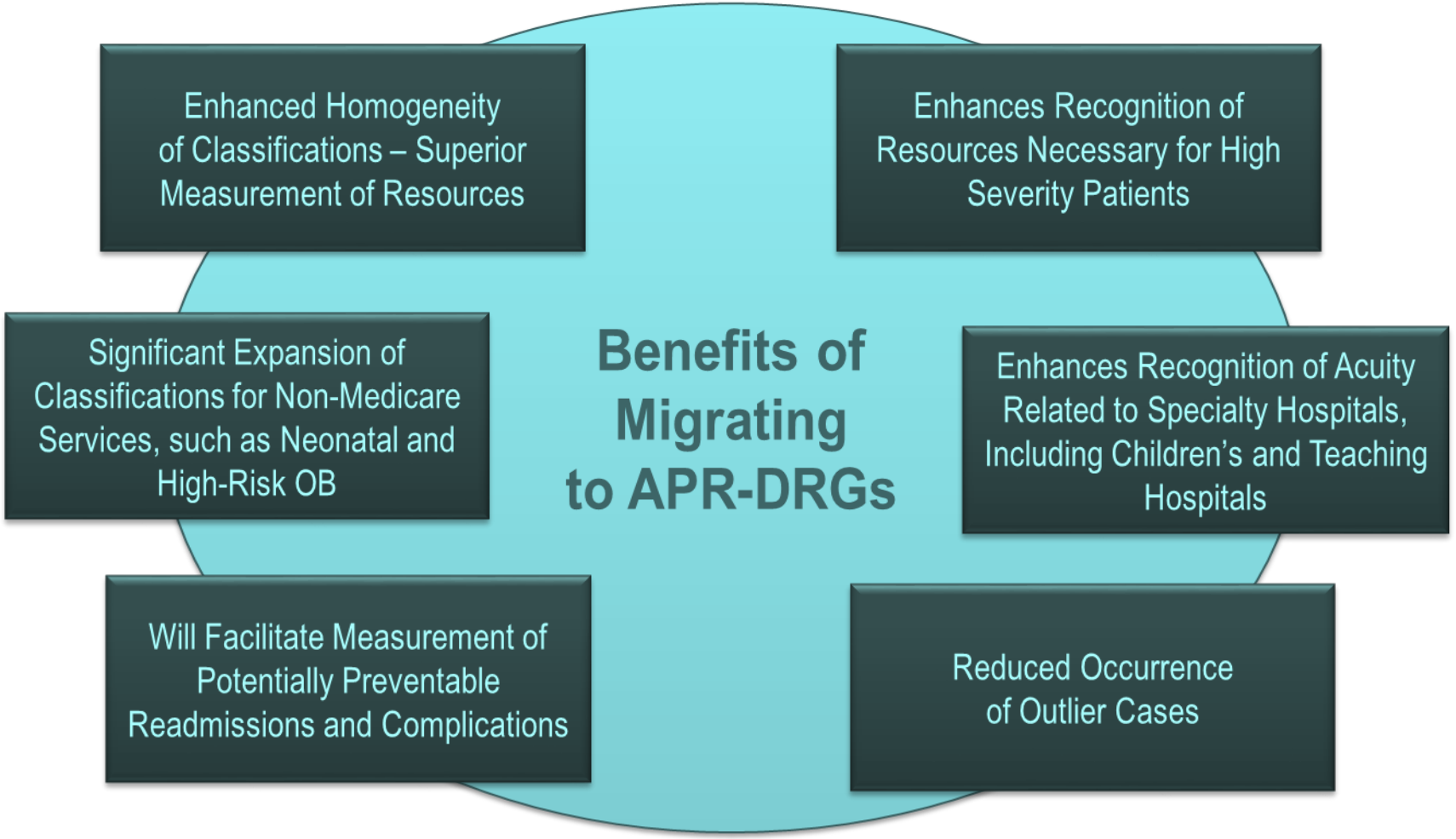
What Are DRGs?

- DRGs are used by hospitals and insurers to classify patients into clinically-related "groups" for inpatient services.
  - If two patients had the same DRG, they had similar diagnoses and procedures.
  - **Example:** DRG #225 - Appendectomy
- DRGs allow providers and payers to categorize complex patient claims data for analysis and payment.

Grouper Versions

- The leading DRG groupers today are:
  - **APR DRG**: 3M proprietary product designed for all patient populations
  - Medicare Severity Diagnosis Related Group (**MS-DRG**): Publicly available product designed for elderly population (limited neonatal classifications)
- APR DRGs are the most comprehensive for the Medicaid population.

APR DRG Grouper



APR DRG Classifications

- APR DRG consists of 314 base DRGs. Each base DRG has four levels of severity:
  - Level 1: Minor
  - Level 2: Moderate
  - Level 3: Major
  - Level 4: Extreme

APR DRG Classifications, continued

- There are a total of 1,256 separate codes and relative weights in version 33 that will be used by DHS in Rate Year (RY) 2017 for payment.
- There are two additional "ungroupable" DRGs that would result in a rejected claim.

APR DRG Classifications, continued

DRG Code	DRG Description	Service Line: Pede	Service Line: Adult	v33 wt	Average LOS
001-1	LIVER TRANSPLANT &/OR INTESTINAL TRANSPLANT	Transplant	Transplant	6.6674	7.5934
001-2	LIVER TRANSPLANT &/OR INTESTINAL TRANSPLANT	Transplant	Transplant	7.2982	8.1489
001-3	LIVER TRANSPLANT &/OR INTESTINAL TRANSPLANT	Transplant	Transplant	9.0947	11.8760
001-4	LIVER TRANSPLANT &/OR INTESTINAL TRANSPLANT	Transplant	Transplant	17.7526	28.6456
002-1	HEART &/OR LUNG TRANSPLANT	Transplant	Transplant	9.0557	9.3617
002-2	HEART &/OR LUNG TRANSPLANT	Transplant	Transplant	10.0846	13.0511
002-3	HEART &/OR LUNG TRANSPLANT	Transplant	Transplant	13.0086	21.0447
002-4	HEART &/OR LUNG TRANSPLANT	Transplant	Transplant	21.2277	35.1521
003-1	BONE MARROW TRANSPLANT	Transplant	Transplant	4.6121	16.4411
003-2	BONE MARROW TRANSPLANT	Transplant	Transplant	6.4124	22.3866
003-3	BONE MARROW TRANSPLANT	Transplant	Transplant	10.5431	32.4570
003-4	BONE MARROW TRANSPLANT	Transplant	Transplant	20.0119	49.3974
004-1	TRACHEOSTOMY W MV 96+ HOURS W EXTENSIVE PROCEDURE OR ECMO	Pediatric	Misc Adult	6.5868	19.7714
004-2	TRACHEOSTOMY W MV 96+ HOURS W EXTENSIVE PROCEDURE OR ECMO	Pediatric	Misc Adult	7.3188	20.0000
004-3	TRACHEOSTOMY W MV 96+ HOURS W EXTENSIVE PROCEDURE OR ECMO	Pediatric	Misc Adult	10.0196	26.0019
004-4	TRACHEOSTOMY W MV 96+ HOURS W EXTENSIVE PROCEDURE OR ECMO	Pediatric	Misc Adult	15.1318	37.1149
005-1	TRACHEOSTOMY W MV 96+ HOURS W/O EXTENSIVE PROCEDURE	Pediatric	Misc Adult	4.8566	17.8529
005-2	TRACHEOSTOMY W MV 96+ HOURS W/O EXTENSIVE PROCEDURE	Pediatric	Misc Adult	5.3963	17.2448
005-3	TRACHEOSTOMY W MV 96+ HOURS W/O EXTENSIVE PROCEDURE	Pediatric	Misc Adult	6.9968	23.0014
005-4	TRACHEOSTOMY W MV 96+ HOURS W/O EXTENSIVE PROCEDURE	Pediatric	Misc Adult	10.4855	31.1955
006-1	PANCREAS TRANSPLANT	Transplant	Transplant	6.3379	5.3333
006-2	PANCREAS TRANSPLANT	Transplant	Transplant	8.3020	7.8854
006-3	PANCREAS TRANSPLANT	Transplant	Transplant	8.5569	9.8370
006-4	PANCREAS TRANSPLANT	Transplant	Transplant	13.2661	21.8103
020-1	CRANIOTOMY FOR TRAUMA	Pediatric	Misc Adult	1.8063	5.1290
020-2	CRANIOTOMY FOR TRAUMA	Pediatric	Misc Adult	2.4962	6.0015
020-3	CRANIOTOMY FOR TRAUMA	Pediatric	Misc Adult	3.6037	10.0346
020-4	CRANIOTOMY FOR TRAUMA	Pediatric	Misc Adult	6.8953	17.3470
021-1	CRANIOTOMY EXCEPT FOR TRAUMA	Pediatric	Misc Adult	1.9679	3.7263
021-2	CRANIOTOMY EXCEPT FOR TRAUMA	Pediatric	Misc Adult	2.6264	5.4866
021-3	CRANIOTOMY EXCEPT FOR TRAUMA	Pediatric	Misc Adult	4.0238	9.9368

Characteristics of APR DRG Payment

- The APR DRG payment methodology is consistent with the current MS-DRG payment methodology.
  - Payment is based on patient acuity, not length of stay.
  - There is one payment per hospital stay.
  - Each DRG has a relative weight that reflects the typical hospital resources needed to care for a patient in a particular DRG category.

Characteristics of APR DRG Payment, continued

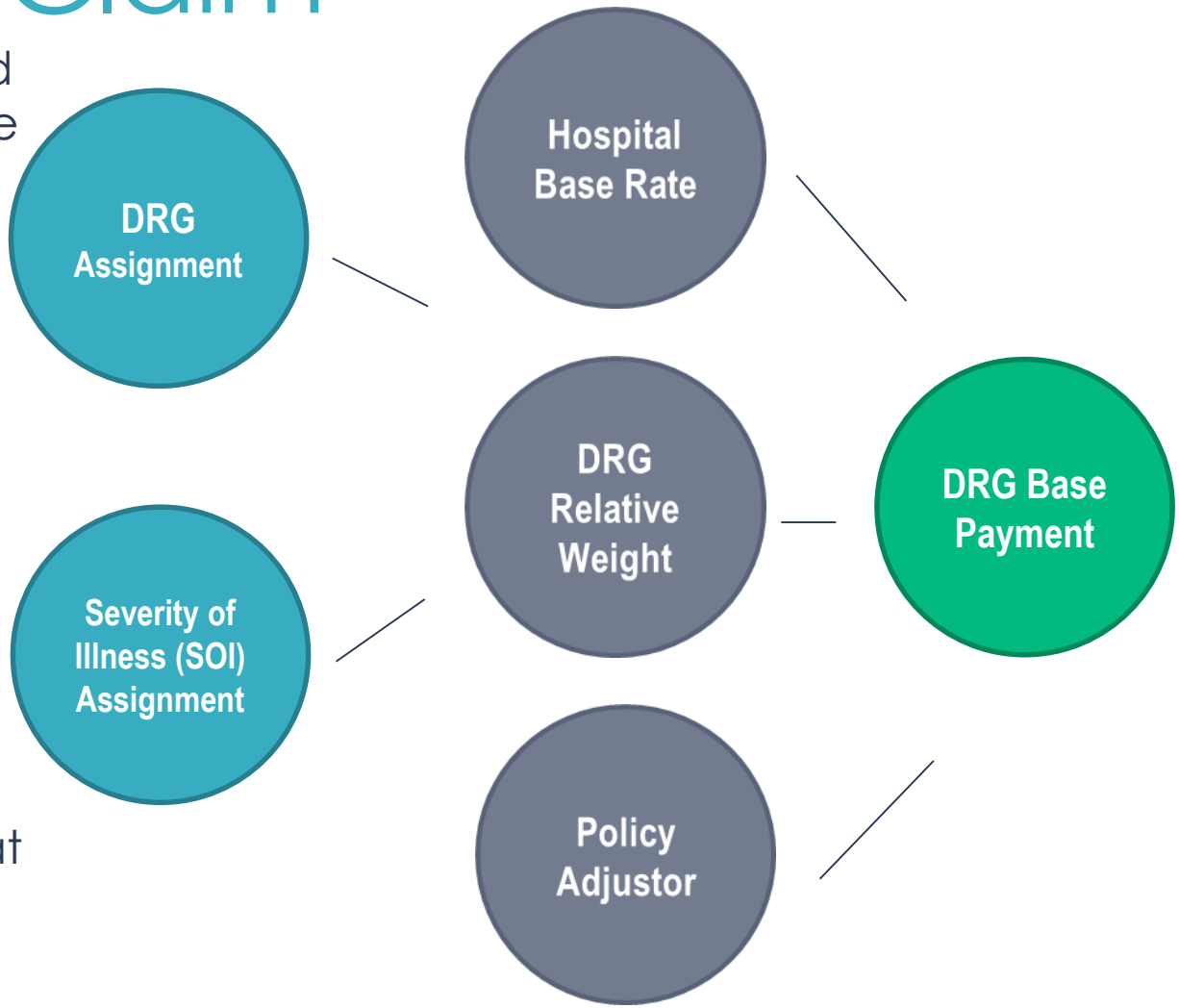
- DHS will use 3M's "standard" APR DRG national weights, which are based on two years of Healthcare Cost and Utilization Project (HCUP) National Inpatient Sample discharges (over 15 million, including Wisconsin data).
  - For example, if the DRG base price is $3,000 and the DRG relative weight is 0.50, then the DRG base payment is $1,500.
  - Similarly, if the DRG relative weight is 2.0, then the DRG base payment is $6,000.

Assigning an APR DRG and Price to a Claim

Many factors are included in the determination of the DRG base payment:

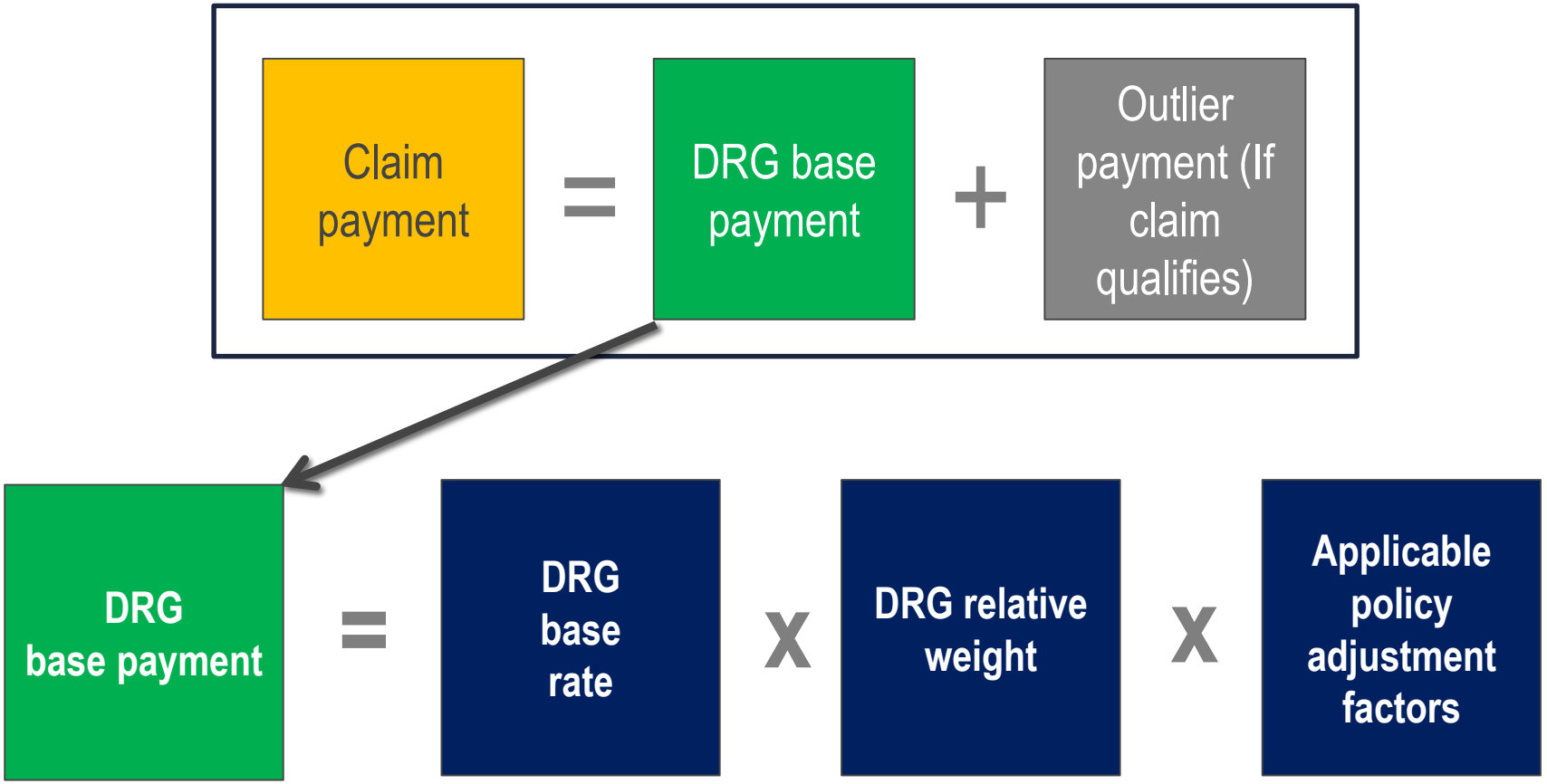
- Principal diagnosis
- Secondary diagnoses
- Present on admission indicators
- Surgical procedures
- Patient age
- Patient gender
- Discharge status
- Birth weight

It is the hospital's responsibility to ensure that the coding used is accurate and defensible.



APR DRG Payment Methodology

APR DRG Base Payment



Note: The DRG base payment is sometimes reduced on transfer and partial eligibility claims.

APR DRG Base Payment, continued

- Critical Access Hospital base rates are cost-based.
- Acute Care Hospital base rates are a standardized, state-wide rate that is adjusted for wage index and applicable graduate medical education add-on.
- In RY2017, a transitional corridor is applied to the base rates modeling no more than a 5% increase or 4% decrease in overall payments relative to MS-DRG payment methodology.

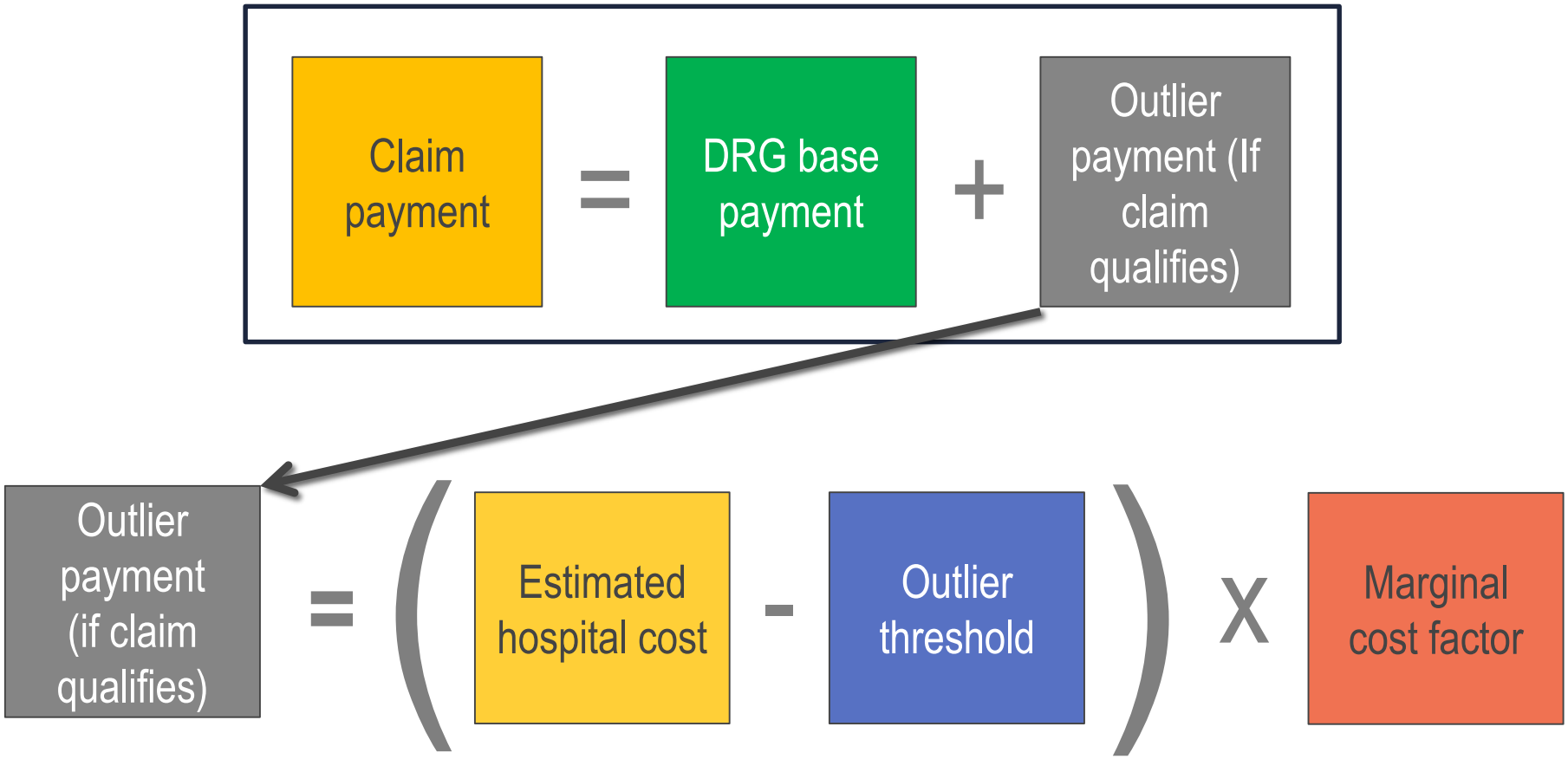
Policy Adjustment Factors

RY 2017 policy adjustment factors include:

Policy Adjuster	Claim Identification Basis	Factor
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: For claims that qualify for multiple policy adjusters, the Medicaid Management Information System (MMIS) applies the highest applicable factor to each claim.

Outlier Payment



Note: Outlier payments are only applied if hospital loss is greater than the outlier threshold.

Outlier Payment, continued

Outlier payment with new factors with the goal of reducing outlier payment portion of inpatient payments in half (from ~40% of payments today down to ~20%)

Trimpoints

Criteria	Trimpoint
Critical access	$300
In-state, <100 beds	$11,270
In-state, ≥100 beds and border status providers	$22,539
Long-term acute care	$25,000

Marginal Cost Factor

Severity of Illness	Percent
1 or 2	80
3 or 4	95

Examples

= ([Est Hosp Loss] - [Outlier Thrshld]) * [Marg Cost Factor]

= [Hosp Base Rt] * [DRG Rel Wt] * [Policy Adj Factor]

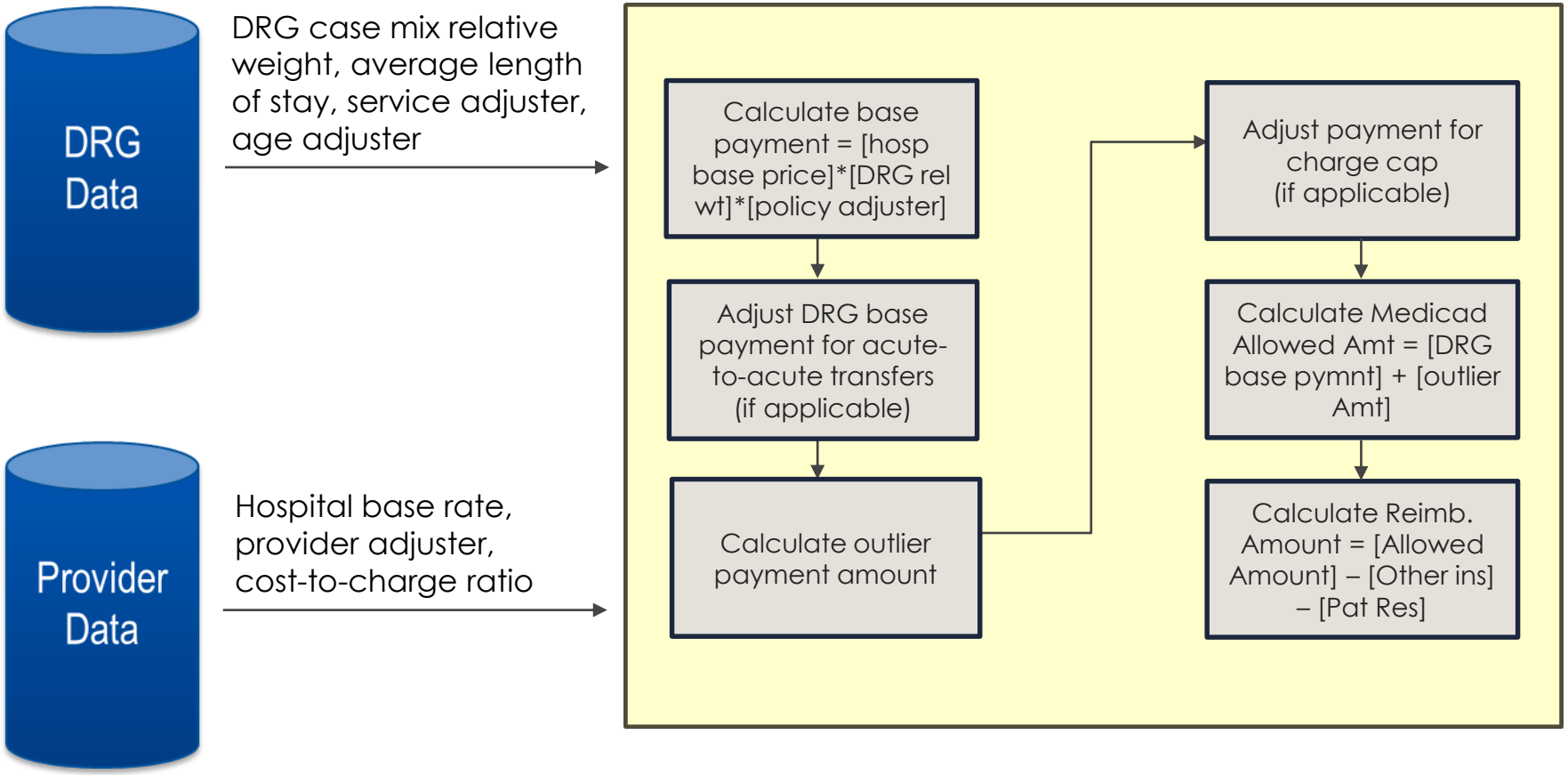
DRG	Hospital Base Rate	DRG Relative Weight	Policy Adjustment Factor	DRG Base Payment	Estimated Hospital Cost	Estimated Hospital Loss	Outlier Payment	Final DRG Payment
123-4	$5,000	0.40	1.00	$2,000	$2,500	$500	$0	**$2,000**
432-1	$5,000	2.25	1.25	$14,063	$12,000	$0	$0	**$14,063**
678-4	$5,000	9.50	1.00	$47,500	$80,000	$32,500	$5,250	**$52,750**

= [Est Hosp Cost] - [DRG Base Pymt]

= [DRG Base Pymt] + [Outlier Pymt]

Notes:
- Examples for illustration purposes only
- Assuming outlier cost threshold equal to $25,000
- Assuming outlier mariginal cost percentage equal to 70%

Pricing Calculation Flow



Pricing Examples

Basic Example

Claim/Encounter Information	Value
Submitted Charges	$84,000.00
Length of Stay	3
Medicaid Covered Days	3
Transfer	No
Patient Age	55
DRG (Knee Joint Replacement)	302-2

Base Payment Information	Value
DRG Relative Weight	1.6326
DRG Base Rate	$5,000
Service Line Adjuster	No
Pediatric Adjuster (17 and under)	No
Level I Trauma Provider	No
Max Policy Adjuster	1.00
Unadjusted DRG Base Payment	$8,163

Outlier Add-On Payment	Value
Hospital Specific CCR	0.25
Claim Cost (CCR x Charges)	$21,000
Estimated Hospital Loss	$12,837
Trimpoint	$22,539
Hospital Loss Above Threshold	$0
Outlier Payment Percentage	80%
Outlier Add-on Payment	$0

Final Allowed Amount	Value
Final Base DRG Payment	$8,163
Final Outlier Add-on Payment	$0.00
Final Allowed Amount	$8,163

Note: The final reimbursement amount to providers is subject to other insurance payments.

Outlier Example

Claim / Encounter Information	Value
Submitted Charges	$350,000.00
Length of Stay	10
Medicaid Covered Days	10
Transfer	No
Patient Age	55
DRG (Knee Joint Replacement)	302-2

Base Payment Information	Value
DRG Relative Weight	1.6326
DRG Base Rate	$5,000
Service Line Adjuster	No
Pediatric Adjuster (17 and under)	No
Level I Trauma Provider	No
Max Policy Adjuster	1.00
Unadjusted DRG Base Payment	$8,163

Outlier Add-on Payment	Value
Hospital Specific CCR	0.25
Claim Cost (CCR x Charges)	$87,500
Estimated Hospital Loss	$79,337
Trimpoint	$22,539
Hospital Loss Above Threshold	$56,798
Outlier Payment Percentage	80%
Outlier Add-on Payment	$45,438.40

Final Allowed Amount	Value
Final Base DRG Payment	$8,163
Final Outlier Add-on Payment	$45,438.40
Final Allowed Amount	$53,601.40

Note: The final reimbursement amount to providers is subject to other insurance payments.

Service Line Example

Claim / Encounter Information	Value
Submitted Charges	$150,000.00
Length of Stay	16
Medicaid Covered Days	16
Transfer	No
Patient Age	16
DRG (Bone Marrow Transplant)	003-1

Base Payment Information	Value
DRG Relative Weight	4.6121
DRG Base Rate	$5,000
Service Line Adjuster	Yes (1.50)
Pediatric Adjuster (17 and under)	Yes (1.20)
Level I Trauma Provider	Yes (1.30)
Max Policy Adjuster	1.50
Unadjusted DRG Base Payment	$34,590.75

Outlier Add-on Payment	Value
Hospital Specific CCR	0.30
Claim Cost (CCR x Charges)	$45,000
Estimated Hospital Loss	$10,409.25
Trimpoint	$22,539
Hospital Loss Above Threshold	$0
Outlier Payment Percentage	80%
Outlier Add-on Payment	$0

Final Allowed Amount	Value
Final Base DRG Payment	$34,590.75
Final Outlier Add-on Payment	$0.00
Final Allowed Amount	$34,590.75

Note: The final reimbursement amount to providers is subject to other insurance payments.

Transfer Example – Formula

- For acute-to-acute transfers, modeled payment for the transfer-out claim is based on the lesser of APR DRG final payment **or** calculated APR DRG per diem (consistent with the Medicare IPPS approach).
- Modeled transfers are identified using a discharge status of 02, 05, 65, 66, 82, 85, 93, or 94.

Transfer Example – Formula, continued

- Transfer status is not considered for the following DRGs:
  - 580 – Neonate transfer, <5 days old not born here
  - 581 –Neonate transfer, <5 days old born here

Transfer Example – Formula, continued

- With the exception of APR DRG 580 and 581, national weights are developed using only non-transfer claims (i.e., full lengths of stay).
- The transfer payment formula (not to exceed full DRG base payment) is:

$$\frac{DRG\ Base\ Payment}{DRG\ Average\ Length\ of\ Stay\ ^{\dagger}} \times [Actual\ Length\ of\ Stay + 1]$$

†3M national average length of stay

Transfer Example

Claim/Encounter Information	Value
Submitted Charges	$25,000
Length of Stay	1
Medicaid Covered Days	1
Transfer	Yes
Patient Age	0
DRG (Neonate Bwt 1250-1499 Grams w Maj Problem)	607-3

Base Payment Information	Value
DRG Relative Weight	6.7296
DRG Base Rate	$5,000
Service Line Adjuster	Yes (1.30)
Pediatric Adjuster (17 and under)	Yes (1.20)
Level I Trauma Provider	No
Max Policy Adjuster	1.30
Unadjusted DRG Base Payment	$43,742.40

Transfer Payment	Value
DRG National Avg Length of Stay	44.31
Transfer Per Diem (DRG Base Pay ÷ National Avg LOS)	$987.19
Transfer Base Payment	$1,974.38
Lessor of DRG and Transfer Pymt	$1,974.38

Outlier Add-on Payment	Value
Trimpoint	$11,270
Outlier Payment Percent	95%
Hospital Loss Above Threshold	$0
Outlier Add-on Payment	$0

Final Allowed Amount	Value
Final Base DRG Payment	$1,974.38
Final Outlier Add-on Payment	$0.00
Final Allowed Amount	$1,974.38

Note: The final reimbursement amount to providers is subject to other insurance payments.

APR DRG Calculator

Wisconsin Department of Health Department of Health Services DRG Pricing Calculator

NAVIGANT

Note: The DRG pricing parameters in this spreadsheet match those implemented in the Medicaid claims processing system effective January 1, 2017.

Indicates data to be input by the user | *Indicates payment policy parameters set by Medicaid*

Information	Data	Comments or Formula
INFORMATION FROM THE HOSPITAL		
Submitted charges	$750,000.00	UB-04 Field Locator 47 minus FL 48
Length of stay	15	Used for transfer pricing and covered days adjustments
Was patient transferred → discharge status = 02, 05, 65, 66, 82, 85, 93, or 94?	No	Used for transfer pricing adjustment
Patient age (in years)	15	Used for age adjuster
Other health coverage	$0.00	UB-04 Field Locator 54 for payments by third parties
Medicaid copayment	$0.00	
Provider Medicaid ID	11022000	Used for look ups to the provider table - 8 or 9 digit number, or "OOS"
APR DRG Code	002-2	From separate APR-DRG grouping software - including dash
APR DRG INFORMATION		
APR DRG description	Heart &/or Lung Transpl	Look up from DRG Table
APR DRG service line	Transplant	Look up from DRG Table
APR DRG national relative weight	10.0846	Look up from DRG Table
Service adjuster	1.50	Look up from DRG Table
Age adjuster	1.20	IF E10 <= E31 Then 1.20, Else 1.00
Average length of stay for this APR-DRG	13.05	Look up from DRG Table
HOSPITAL INFORMATION		
Hospital name	UNIVERSITY OF WI HOSPITAL & CLINICS AUTHORITY	Look up from Provider Table
Hospital type	Non-CAH	Look up from Provider Table
Hospital DRG base rate	$7,651.76	Look up from Provider Table
Hospital-specific cost-to-charge ratio	33.000%	Look up from Provider Table
Provider-specific adjuster	1.30	Look up from Provider Table
PAYMENT POLICY PARAMETERS SET BY MEDICAID		
Cost outlier threshold	$22,539	Used for cost outlier adjustments, look up from Provider Table
Marginal cost percentage	80%	Used for cost outlier adjustments, if E24 = "CAH" then 1.0, else look up from DRG
Maximum age for pediatric policy adjuster (equal to or less than)	17	Used for selection of policy adjuster
DRG BASE PAYMENT		
Max policy adjuster	1.50	Max of E19, E20, E27
Pre-transfer DRG base payment	$115,747.52	E25 * E18 * E33
TRANSFER PAYMENT ADJUSTMENT		
Is a transfer adjustment potentially applicable?	No	IF E9 = "Yes" AND DRG Base Not IN ("580", "581") Then "Yes", Else "No"
Transfer Base Payment	N/A	IF E36 = "Yes" Then (E34 / E21) * (E8 + 1), Else "N/A"

Questions

3M All Patient Refined Diagnostic Related Groups

David Fee, Product Marketing Manager
3M Health Information Systems

Questions

Billing and ForwardHealth Portal Changes

Vicky Murphy and Cindy Drury, Professional Relations Representatives

HPE

Topics

- Newborn claim submission
- Portal claim status information
- Remittance Advice (RA) changes
- Provider testing
- Resources
- Contacts

Newborn Claim Submission

- Effective with "to" dates of service (DOS) and dates of discharge on and after July 29, 2016, hospitals are required to:
  - Submit separate claims for a mother and her newborn.
  - Record a newborn's birth weight, in grams, using Value Code 54 on the newborn's claim.

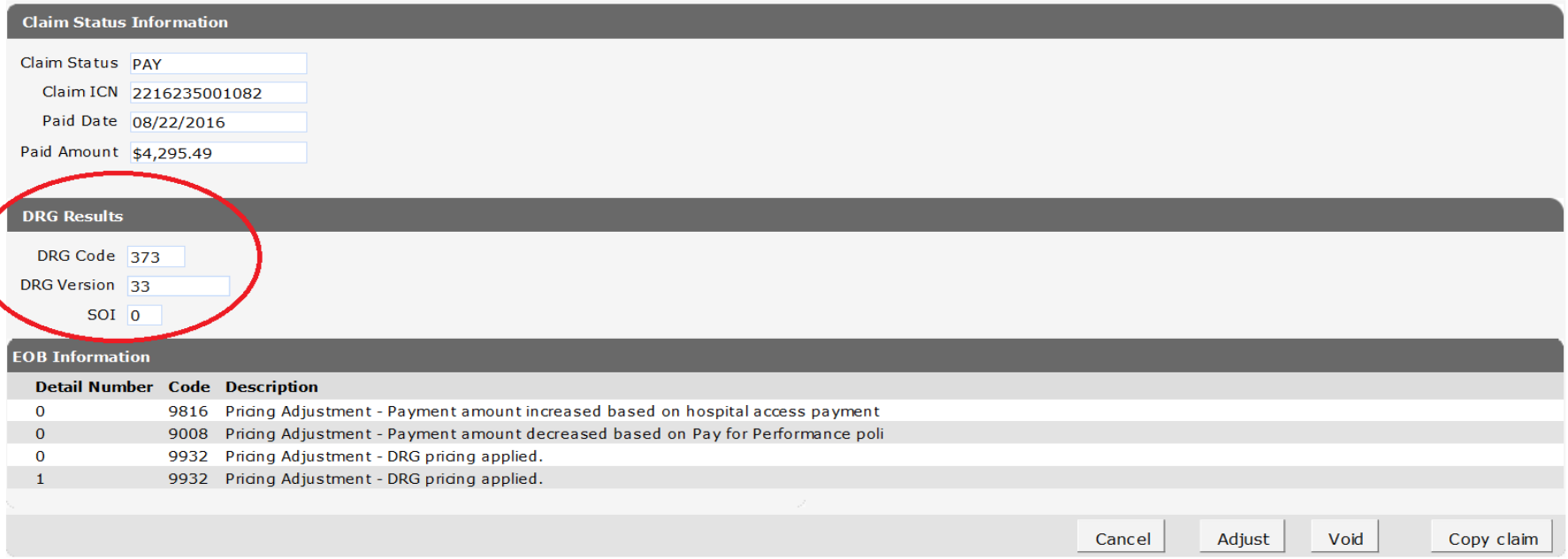
Newborn Claim Submission, continued

- July 29, 2016–December 31, 2016, is considered a transition period with a compliance date for "to" DOS or dates of discharge on and after January 1, 2017.
- Refer to the July 2016 *ForwardHealth Update* (2016-31), titled "Policy Regarding Submission of Hospital Claims for Births."

Portal Claim Status Information

- New DRG Results panel for inpatient claims
- Displays on the Claim Results page for inpatient and inpatient crossover claims processed under MS-DRG or APR DRG:
  - DRG used to process the claim
  - DRG version
  - Severity of illness (SOI) assigned to the claim

Portal Claim Status Information, continued



Claim Status Information

Claim Status	PAY
Claim ICN	2216235001082
Paid Date	08/22/2016
Paid Amount	$4,295.49

DRG Results

DRG Code	373
DRG Version	33
SOI	0

EOB Information

Detail Number	Code	Description
0	9816	Pricing Adjustment - Payment amount increased based on hospital access payment
0	9008	Pricing Adjustment - Payment amount decreased based on Pay for Performance poli
0	9932	Pricing Adjustment - DRG pricing applied.
1	9932	Pricing Adjustment - DRG pricing applied.

Cancel | Adjust | Void | Copy claim

RA Changes

- The text format and the comma-separated values (CSV) file of the RA were revised for inpatient hospital claims:
  - New SOI field
    - This field will populate with a "0" for claims processed under MS-DRG.
    - After implementation, this field will populate with accurate SOI information for APR DRG claims.

RA Changes, continued

- In the text format, the DRG code field will be displayed next to the SOI field.

REPORT: CRA-IPPD-R
RA#: 1743888
PAYER: TXIX

FORWARDHEALTH INTERCHANGE
WISCONSIN FORWARDHEALTH
PROVIDER REMITTANCE ADVICE
INPATIENT CLAIMS PAID

DATE: 08/23/2016
PAGE: 15

MERITER HOSPITAL INC
202 S PARK ST
PATIENT BUSINESS SVC
MADISON, WI 53715

PAYEE ID [redacted] MCD
NPI [redacted]
CHECK/EFT NUMBER 000067392
PAYMENT DATE 08/24/2016

--ICN--	PCN / MRN	SERVICE DATES FROM	TO	C DAYS	ADMIT DATE	BILLED AMT / ALLOWED AMT	OTH INS AMT / SPENDDOWN AMT	COPAY AMT / OUTLIER AMT	INPAT DED / CO-INS CB	PAID AMT / DRG CD	SOI
MEMBER NAME: [redacted]				MEMBER NO.: [redacted]							
2216236001067		081216	081316	1	081216	20,000.00	0.00	0.00	0.00	3,010.47	
						20,000.00	0.00	0.00	0.00	383	2

HEADER EOBS: 9932

REV CD	SERVICE DATES FROM	TO	ALLW UNITS / BILLED AMT	PA NUMBER / ALLOWED AMT	PAID AMOUNT	DETAIL EOBS
120	081216	081316	1.00			9932
			5,000.00	5,000.00	0.00	
250	081216	081316	1.00			9932
			5,000.00	5,000.00	0.00	
300	081216	081316	10.00			9932
			5,000.00	5,000.00	0.00	
430	081216	081316	10.00			9932
			5,000.00	5,000.00	0.00	

TOTAL INPATIENT CLAIMS PAID:	260,000.00	0.00	0.00	0.00	28,643.18
	260,000.00	0.00	21,198.79	0.00	

TOTAL NO. PAID: 4

RA Changes, continued

- New and updated explanation of benefits codes will be implemented for APR DRG claims.

Provider Testing

- Hospital providers and HMOs are encouraged to test with ForwardHealth.
- Testing for APR DRG is expected to begin in late October and will be available through January 31, 2017.
- The Supporting External Testing (SET) environment will be used to submit test APR DRG claims.
- Additional testing information will be available on the APR DRG page of the Portal.

Resources

- ForwardHealth Portal: *www.forwardhealth.wi.gov/*
- APR DRG page: *www.forwardhealth.wi.gov/WIPortal/content/Provider/APRDRG/Home.htm.spage*.
  - Testing information
  - Training Information
  - Updates

Resources, continued

- Portal User Guides: *www.forwardhealth.wi.gov/WIPortal/content/Provider/userguides/userguides.htm.spage*
  - Remittance Advice
  - Institutional Claims

Contacts

- VEDSAPRDRGSupport@wisconsin.gov
- Provider Services: 800-947-9627
- Professional relations representatives (map handout)

Questions

Thank You