



May 13, 2014

Delivered Via E-mail

Dear Hospital Administrators and CFOs,

The Mississippi Division of Medicaid will adopt V.31 of the 3M Health Information System Hospital Inpatient APR-DRG Grouper for the payment of hospital inpatient claims effective for discharges on or after July 1, 2014. Hospitals are not required to purchase 3M software in order to be paid. However, all hospitals that have purchased the 3M software should ensure their internal systems are updated to reflect the change to V.31 for admissions on or after July 1, 2014.

This will be Year 3 of the DRG payment method. In addition to the transition from V.30 to V.31 of the 3M APR-DRG grouper, the Division intends to make the following changes to APR-DRG payment policies effective July 1, 2014:

- Year 3 is intended to be budget-neutral relative to Years 1 and 2 overall. Because of lower relative weights, the Division has increased the statewide DRG base price from \$6,022 – Year 2 to \$6,415 – Year 3. Due to an increase in the number of diagnosis and procedure codes between Year 1 and Year 3-to-date, the new base price reflects a documentation and coding adjustment of 2.0%. On balance, we expect average payment per stay to be unchanged between Years 1, 2 and 3. The Division welcomes improved documentation and coding by hospitals, and reminds hospitals that diagnosis and procedure coding must be accurate and defensible.
- The Cost Outlier Threshold will be increased from \$32,800 to \$35,175, reflecting the growth in average charges on claims submitted to the Division. The increase also is consistent with the goal that DRG cost outlier payments comprise approximately 5% of DRG payments.
- The list of discharge statuses considered to be transfers to acute care will be expanded to include the values shown below. If a patient is transferred to one of these locations, payment to the transferring hospital may be reduced, depending on length of stay.
 - 82-Discharged/Transferred to a short-term general hospital for inpatient care with a planned acute care hospital inpatient readmission
 - 85-Discharged/Transferred to a designated cancer center or children's hospital with a planned acute care hospital inpatient readmission

- 91-Discharged/Transferred to a Medicare certified long-term hospital with a planned acute care hospital inpatient readmission
 - 93-Discharged/Transferred to a psychiatric hospital or psychiatric distinct part unit of a hospital with a planned acute care hospital inpatient readmission
 - 94-Discharged/Transferred to a critical access hospital with a planned acute care hospital inpatient readmission.
- The pediatric mental health policy adjustor will be changed from 2.08 to 2.00 for rounding purposes.
 - The rehab policy adjustor will be changed from 2.11 to 2.00 for rounding purposes.

Please note that the above changes are subject to CMS approval via the State Plan Amendment process.

Please also be aware that according to the current Medicaid Hospital Inpatient State Plan, the following changes will be made effective October 1, 2014:

- Mississippi hospital-specific inpatient cost-to-charge ratios (CCRs) will be updated based on cost reports ending in 2013. Out-of-state hospital CCRs will be updated based on the Medicare Inpatient Prospective Payment System (IPPS) Final Rule when it is published. CCRs are used in calculating outlier payments.
- For teaching hospitals that receive the medical education add-on payment, the payment is expected to be adjusted to reflect the growth in the U.S. hospital market basket index as it will be published in the Medicare Inpatient Prospective Payment System (IPPS) Final Rule.

For the information of hospitals, we will have three training webinars. The sessions will show final results from Year 1 of the DRG payment method, outline the changes for Year 3, and provide billing and documentations tips. DOM strongly encourages each hospital to participate in one of the webinars. The attached presentation shows the details supporting the Year 3 parameters and the dollar impact by hospital. For the next two weeks the DOM Hospital Reimbursement staff will be working outside the office in User Acceptance Testing; therefore, please hold all questions related to this presentation until the training webinar in which you choose to participate.

Please limit attendance for the three webinars to one line per hospital. Please contact Amy Burns by Friday, May 30, 2014, at (601) 206-3028 or email her at Amy.Burns@xerox.com. You may also fax your RSVP information to Amy Burns' attention at (601)206-3119 to register for one of the following webinar training sessions:

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- **On the web, Wednesday, June 4, 2014, 10:00 A.M. - 11:30 A.M.**
The conference line number will be 1-800-268-4017, passcode 43654 79366#. The webex link will be to <https://xerox.webex.com/xerox/j.php?MTID=m32ada36a29c1a336b92ce33d1a13bb72>. You can also go to www.webex.com and enter meeting number 748 646 151, passcode drg.
- **On the web, Monday, June 9, 2014, 9:00 A.M. - 10:30 A.M.**
The conference line number will be 1-800-268-4017, passcode 43654 79366#. The webex link will be to <https://xerox.webex.com/xerox/j.php?MTID=m23993d13a906175b364ddcc72c76a2f8>. You can also go to www.webex.com and enter meeting number 749 226 895, passcode drg.
- **On the web, Wednesday, June 18, 2014, 10:00 A.M. - 11:30 A.M.**
The conference line number will be 1-800-268-4017, passcode 43654 79366#. The webex link will be to <https://xerox.webex.com/xerox/j.php?MTID=m2399f2a34fd6224f326b5c613554ed61>. You can also go to www.webex.com and enter meeting number 741 363 608, passcode drg.

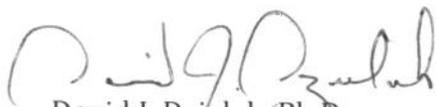
The Division's DRG webpage is also an excellent source of information. At <http://www.medicaid.ms.gov/providers/finance/>, please see in particular the documents below, which will be available by June 16, 2014:

- Updated DRG Pricing Calculator. This document is an Excel spreadsheet that enables the user to calculate expected payment. It does not calculate the APR-DRG itself but it does include the list of APR-DRGs and associated relative weights.
- Updated Frequently Asked Questions
- Updated APR-DRG Quick Tips
- June 2014 provider training presentation – to be posted the week of June 2.

Phase 2 of the Hospital Outpatient Prospective Payment System (OPPS) will not be implemented any earlier than October 1, 2014.

Thank you for your attention regarding this matter.

Sincerely,



David J. Dzielak, Ph.D.
Executive Director

Enclosure