

# HOSPITAL DRG RATE REPORT

(FY2007 Appropriation Bill - Public Act 330 of 2006)

**April 1, 2007**

**Section 1751:** The department shall provide a report by April 1, 2007, to the house of representatives and senate appropriations subcommittees on community health and the house and senate fiscal agencies on establishing Medicaid diagnosis related group rates based on fee-for-service and health plan costs.

*Michigan Department  
of Community Health*



**Jennifer M. Granholm, Governor  
Janet Olszewski, Director**

## **Hospital DRG Rate Report FY07 Boilerplate Section 1751**

Encounter data have been downloaded and are being evaluated for inclusion in DRG rates. This analysis is being conducted as part of the rebasing process that will establish DRG rates effective January 1, 2008.

Based on analysis to date, a significant portion of the encounter data appears to be credible to the point that it can be incorporated into the rate rebasing process; however, MSA's analysis has also identified issues with missing encounters, encounters without financial information (charges), and encounters with incomplete diagnosis and procedure coding to accurately assign DRGs. Despite these constraints, MSA is proceeding to identify the encounter claims and determine their impact on rates.

No decision has been made as to whether encounter data will be used to establish new DRG rates in January of 2008. This decision will be made based on whether or not a sufficient amount of credible data is available to calculate average rates. As the quality of the encounter data continues to improve, however, it is likely that this information will be incorporated into future rate cycles.