

Michigan Department of Community Health

Bulletin Number: MSA 07-12

Distribution: Hospitals, Comprehensive Outpatient Rehabilitation Facilities, Rehab Agencies, Freestanding Dialysis Centers and Hospital-Owned Ambulances (Provider Type 40)

Issued: February 16, 2007

Subject: Outpatient Prospective Payment System (OPPS) – Financial/ Reimbursement

Effective: April 1, 2007

Programs Affected: Medicaid, Children's Special Health Care Services, MOMS, Adult Benefits Waiver

The purpose of this bulletin is to provide the final policy components related to the Michigan Department of Community Health (MDCH) Outpatient Prospective Payment System (OPPS) reimbursement methodology being implemented for dates of services on and after April 1, 2007.

To date, MDCH has published two Medicaid OPPS policy bulletins (MSA 06-47 and MSA 06-82). This final bulletin contains information specific to the financial analysis, proposed statewide budget-neutrality Reduction Factor (RF) and post implementation payment and budget monitoring process to be followed to assure payments do not exceed appropriated funding.

OPPS FINANCIAL IMPACT

The intent of MDCH is for the implementation of the Fee-For-Service (FFS) OPPS to be budget neutral for the non-dual eligible Medicaid population. Payments made under the OPPS methodology will be calculated utilizing the current Medicare conversion factors/rates with an MDCH RF applied to the calculated payment (Medicare fee x RF = Medicaid fee).

A RF of 58% was initially proposed based on preliminary calculations utilizing Medicaid FFS claims data (refer to MSA 06-47). As a result of analysis and further validation of the data by Milliman Actuarial Consultants, a final RF of 67.4% has been established. Effective for dates of service on and after April 1, 2007, MDCH will reimburse claims processed through its OPPS at 67.4% of the 2007 Medicare rate except as noted in MSA 06-47 (e.g., outlier payments, services paid cost-to-charge, wrap around codes, etc.).

FINANCIAL PROCESS – OPPS POST IMPLEMENTATION

Monitoring OPPS Statewide Budget Neutrality Reduction Factor

MDCH will utilize data for Calendar Year (CY) 2005 trended forward to 2007 as the base line determination of budget neutrality on an on-going basis until complete OPPS data is compiled for analysis. This data will be adjusted accordingly for allowance of population changes and variable medical inflation. By utilizing all but Medicare dual-eligibles, MDCH will focus primarily on the FFS population with HMO data included and considered for overall neutrality determination. MDCH will also refer to calendar year 2006 data to validate trending and to establish expected outcome ranges.

OPPS Data for Budget Neutrality

MDCH will use specific data to review for budget neutrality including charges, claim count and amount paid. The data will be analyzed, and be hospital specific by category of service (e.g., surgery/operating room, radiology, pathology/lab, emergency room, etc).

Data Analysis

MDCH will review claims data at the third and sixth month post implementation, but does not anticipate that a complete data set will be available for comparison prior to September 20, 2007. Therefore, the earliest anticipated MDCH potential for adjustment would be effective October 1, 2007. However, MDCH reserves the right to adjust the reduction factor if budget concerns are evident and changing significantly prior to the end of the State's fiscal year.

Post Implementation Budget Neutrality Reduction Factor

MDCH will publish the expected January 1, 2008 reduction factor, and subsequent future updates, no later than 30 days prior to implementation. Ongoing anticipated adjustments to the reduction factor is projected to occur no more than once every six months (January 1 and July 1) of a calendar year.

ADDITIONAL OPPS INFORMATION

MSA Bulletin 06-47

This bulletin describes changes being made to MDCH's reimbursement methodology for providers impacted by OPPS. It includes other information that addresses payment calculation and budget impact issues, and Ambulatory Payment Classification (APC) methods.

Clarifications to MSA 06-47

The RF will not be applied to manually priced claim lines.

The MDCH daily lab limit of \$75 per beneficiary per day will not be applied to outpatient claims processed under the MDCH OPPS reimbursement methodology.

MSA Bulletin 06-82

This bulletin addresses changes required under OPPS for hospital-owned ambulance services.

MDCH Website

The OPPS Project webpage contains a variety of documents and information related to the MDCH OPPS implementation, including the bulletins noted above and the current MDCH wrap around procedure code list. This wrap around list details the procedures that will bypass OPPS pricing and be paid from MDCH fee screens.

The webpage is currently available at www.michigan.gov/mdch >> Providers >> Information for Medicaid Providers >> Outpatient Prospective Payment System (OPPS) Project. Effective April 1, 2007, information will be moved from the project webpage to the Provider Specific Information portion of the Information for Medicaid Providers page.

Manual Maintenance

Retain this bulletin until the information has been incorporated into the Michigan Medicaid Provider Manual.

Questions

Any questions regarding this bulletin should be directed to Provider Inquiry, Department of Community Health, P.O. Box 30731, Lansing, Michigan 48909-8231, or e-mail at ProviderSupport@michigan.gov. When you submit an e-mail, be sure to include your name, affiliation, and phone number so you may be contacted if necessary. Providers may phone toll-free 1-800-292-2550.

Approved



Paul Reinhart, Director
Medical Services Administration