Bulletin

Michigan Department of Community Health

Bulletin Number: MSA 12-61

Distribution: Hospitals, Medicaid Health Plans

Issued: December 1, 2012

Subject: DRG Grouper Update, DRG Rate Update, Per Diem Rate Update, Conversion from Date of Admission Driven Coding and Reimbursement to Date of Discharge

Effective: January 1, 2013

Programs Affected: Medicaid, Children's Special Health Care Services

Update of DRG Grouper to Version 30.0

Effective January 1, 2013, claims for inpatient hospital admissions using the Diagnosis Related Group (DRG) methodology will be processed using Medicare DRG Grouper Version 30.0. The Michigan Department of Community Health (MDCH) will establish its own relative weights, average lengths of stay, and low- and high-day outlier thresholds for each DRG based on health plan encounter and fee for service paid claims data taken from hospital admissions between September 1, 2007 and August 31, 2009. Hospital prices for medical/surgical hospitals reimbursed by DRG have also been updated.

Cost Data for Medical/Surgical Hospitals

The two-year cost report data (for hospital fiscal years ending between September 1, 2007 and August 31, 2009) used to complete the July 1, 2011 DRG rate rebasing will be used to complete the January 1, 2013 DRG rate update. Rates were adjusted by an inflation factor of 1.120 for the period from August 31, 2009 to December 31, 2012.

Wage Data for Medical/Surgical Hospitals

Medicare-audited wage data, as published on the Centers for Medicare and Medicaid Services (CMS) website, for hospital fiscal years ending between September 1, 2006 and August 31, 2008 were used for the base and updated wage adjustor. The inflation factors are applied for both the rate base and rate update periods covering the periods September 1, 2006 through August 31, 2008 for the base, and September 1, 2008 through August 31, 2010 for the update. The following factors, with inflation derived from the 2nd quarter 2012 Data Resources, Inc., PPS-Type Hospital Market Basket Index, were used:

FYE	Wage Inflation Factors	Base Weighting Factors	Update Weighting Factors
9/30/06	**1.1681**	0.40	
12/31/06	**1.1588**	0.40	
3/31/07	**1.1489**	0.40	
6/30/07	**1.1443**	0.40	
9/30/07	**1.1341**	0.60	
12/31/07	**1.1228**	0.60	
3/31/08	**1.1038**	0.60	

FYE	Wage Inflation Factors	Base Weighting Factors	Update Weighting Factors
6/30/08	**1.0966**	0.60	
9/30/08	**1.0849**		0.40
12/31/08	**1.0734**		0.40
3/31/09	**1.0583**		0.40
6/30/09	**1.0512**		0.40
9/30/09	**1.0410**		0.60
12/31/09	**1.0306**		0.60
3/31/10	**1.0175**		0.60
6/30/10	**1.0102**		0.60
8/31/10	**1.0000**		0.60

Filed wage data will be used for hospitals where audited data are not available.

Cost Data for Distinct Part Rehabilitation Units and Rehabilitation Hospitals

The two-year cost report data for hospital fiscal years ending between September 1, 2008 and August 31, 2010 used to complete the January 1, 2012 per diem rate rebasing will be used to complete the January 1, 2013 per diem rate update. Rates will be adjusted by an inflation factor of 1.076 for the period from August 31, 2010 to December 31, 2012.

Wage Data for Distinct Part Rehabilitation Units and Rehabilitation Hospitals

Medicare-audited wage data, as published on the Centers for Medicare and Medicaid Services (CMS) website, for hospital fiscal years ending between September 1, 2007 and August 31, 2009 were used for the base and updated wage adjustor. The inflation factors are applied for both the rate base and rate update periods covering the periods September 1, 2007 through August 31, 209 for the base, and September 1, 2008 through August 31, 2010 for the update. The following factors, with inflation derived from the 2nd quarter 2012 Data Resources, Inc., PPS-Type Hospital Market Basket Index, were used:

FYE	Wage Inflation Factors	Base Weighting Factors	Update Weighting Factors
9/30/07	**1.1341**	0.40	
12/31/07	**1.1228**	0.40	
3/31/08	**1.1038**	0.40	
6/30/08	**1.0966**	0.40	
9/30/08	**1.0849**	0.60	0.40
12/31/08	**1.0734**	0.60	0.40
3/31/09	**1.0583**	0.60	0.40
6/30/09	**1.0512**	0.60	0.40
9/30/09	**1.0410**		0.60
12/31/09	**1.0306**		0.60
3/31/10	**1.0175**		0.60
6/30/10	**1.0102**		0.60
8/31/10	**1.0000**		0.60

Filed wage data will be used for hospitals where audited data are not available.

Budget Neutrality

A budget neutrality factor will be added to the medical/surgical hospital, distinct part rehabilitation unit, and rehabilitation hospital price calculation. Prices will be reduced by the percentage necessary so that total aggregate payments using the new prices do not exceed the total aggregate payments made using the prior base period data. The calculated prices will be deflated by the percentage necessary for the total payments to equate to the amount currently paid.

Conversion from Date of Admission to Date of Discharge

MDCH has historically reimbursed hospitals for inpatient services based on the rates and Grouper Version in effect on the patient's date of admission. Effective for admissions that occur on and after January 1, 2013, MDCH will reimburse hospitals for inpatient services based on the rates and Grouper Version in effect on the patient's date of discharge. This change is being implemented to align Medicaid reimbursement policy for hospitals with the industry standard for billing, grouping, pricing, and coordination of benefit with other payers prior to MDCH's implementation of ICD-10.

Effective with this change, the codes reported on the inpatient hospital claim should be valid codes based on the date of discharge. In addition, the patient's age at the time of admission will continue to determine the MS-DRG to which the claim is assigned in instances where the grouping is differentiated by age.

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-mailed to 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

Stephen Fitton, Director
Medical Services Administration