

Bulletin Number: MSA 13-45

Distribution: Hospitals, Medicaid Health Plans

Issued: November 26, 2013

Subject: Diagnosis Related Group (DRG) Grouper Update, DRG Rate Update, Rehabilitation Per Diem Rate Update

Effective: January 1, 2014

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

Update of DRG Grouper to Version 31.0

Effective January 1, 2014, claims for inpatient hospital discharges using the DRG methodology will be processed using Medicare DRG Grouper Version 31.0. 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 rates for medical/surgical hospitals reimbursed by DRG will also be updated.

Cost Data for Medical/Surgical Hospitals

The two-year cost report data (for hospital fiscal years (FY) 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, 2014, DRG rate update. Rates will be adjusted by an inflation factor of 1.075 for the period from August 31, 2009 to December 31, 2013.

Wage Data for Medical/Surgical Hospitals

Medicare-audited wage data, as published on the Centers for Medicare & Medicaid Services (CMS) website, for hospital FY ending between September 1, 2006, and August 31, 2011, 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, 2009, through August 31, 2011, for the update. The following factors, with inflation derived from the 2nd quarter 2013 Data Resources, Inc., PPS-Type Hospital Market Basket Index, were used:

FYE	Wage Inflation Factor	Base Weighting Factor	Update Weighting Factor
9/30/06	1.2114	0.40	
12/31/06	1.2017	0.40	
3/31/07	1.1915	0.40	
6/30/07	1.1762	0.40	
9/30/07	1.1762	0.60	
12/31/07	1.1644	0.60	

FYE	Wage Inflation Factor	Base Weighting Factor	Update Weighting Factor
3/31/08	1.1448	0.60	
6/30/08	1.1372	0.60	
9/30/09	1.0796		0.40
12/31/09	1.0686		0.40
3/31/10	1.0550		0.40
6/30/10	1.0473		0.40
9/30/10	1.0366		0.60
12/31/10	1.0263		0.60
3/31/11	1.0142		0.60
6/30/11	1.0091		0.60
8/31/11	1.000		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 FY 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, 2014, per diem rate update. Rates will be adjusted by an inflation factor of 1.075 for the period from August 31, 2010 to December 31, 2013.

Wage Data for Distinct Part Rehabilitation Units and Rehabilitation Hospitals

Medicare-audited wage data, as published on the CMS website, for hospital FY 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, 2009, for the base, and September 1, 2009 through August 31, 2011, for the update. The following factors, with inflation derived from the 2nd quarter 2013 Data Resources, Inc., PPS-Type Hospital Market Basket Index, were used:

FYE	Wage Inflation Factor	Base Weighting Factor	Update Weighting Factor
9/30/07	1.1762	0.40	
12/31/07	1.1644	0.40	
3/31/08	1.1448	0.40	
6/30/08	1.1372	0.40	
9/30/08	1.1251	0.60	
12/31/08	1.1132	0.60	
3/31/09	1.0975	0.60	
6/30/09	1.0902	0.60	
9/30/09	1.0796		0.40
12/31/09	1.0686		0.40
3/31/10	1.0550		0.40
6/30/10	1.0473		0.40
9/30/10	1.0473		0.60
12/31/10	1.0263		0.60

FYE	Wage Inflation Factor	Base Weighting Factor	Update Weighting Factor
3/31/11	1.0142		0.60
6/30/11	1.0091		0.60
8/31/11	1.000		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 rate calculation. Rates will be reduced by the percentage necessary so that total aggregate payments using the new rates do not exceed the total aggregate payments made using the prior base period data. The calculated rates will be deflated by the percentage necessary for the total payments to equate to the amount currently paid.

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



Stephen Fitton, Director
Medical Services Administration