MSA MEDICAL SERVICES ADMINISTRATION

Bulletin

Michigan Department of Community Health

Bulletin Number: MSA 14-59

Distribution: Hospitals, Medicaid Health Plans

Issued: December 1, 2014

Subject: Diagnosis Related Group (DRG) Grouper Update, DRG Rate Update, Rehabilitation Per Diem Rate Update, Birth Weight Reporting, Prospective Capital, All Patient Refined DRG (APR-DRG) Notification

Effective: January 1, 2015

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

Update of DRG Grouper to Version 32.0

Effective January 1, 2015, claims for inpatient hospital discharges using the Diagnosis Related Group **(**DRG) methodology will be processed using Medicare DRG Grouper Version 32.0. 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 (FFS) 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 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, 2015 DRG rate update. Rates will be adjusted by an inflation factor of 1.076 for the period from August 31, 2009 to December 31, 2014.

Wage Data for Medical/Surgical Hospitals

Medicare-audited wage data, as published on the Centers for Medicare & Medicaid Services (CMS) website, for hospital fiscal years ending between September 1, 2006 and August 31, 2012, 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, 2010, through August 31, 2012, for the update. The following factors, with inflation derived from the 2nd quarter 2014 Data Resources, Inc., PPS-Type Hospital Market Basket Index, were used:

FYE	Wage Inflation Factor	Base Weighting Factor	Update Weighting Factor
9/30/06	1.2331	0.40	
12/31/06	1.2233	0.40	
3/31/07	1.2159	0.40	
6/30/07	1.2080	0.40	
9/30/07	1.1972	0.60	
12/31/07	1.1852	0.60	
3/31/08	1.1712	0.60	
6/30/08	1.1576	0.60	

FYE	Wage Inflation Factor	Base Weighting Factor	Update Weighting Factor
9/30/10	1.0551		0.40
12/31/10	1.0447		0.40
3/31/11	1.0354		0.40
6/30/11	1.0271		0.40
9/30/11	1.0179		0.60
12/31/11	1.0111		0.60
3/31/12	1.0051		0.60
6/30/12	1.0017		0.60
8/31/12	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 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, 2015 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, 2014.

Wage Data for Distinct Part Rehabilitation Units and Rehabilitation Hospitals

Medicare-audited wage data, as published on the CMS website, for hospital fiscal years ending between September 1, 2007 and August 31, 2012, 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, 2010 through August 31, 2012, for the update. The following factors, with inflation derived from the 2nd quarter 2014 Data Resources, Inc., PPS-Type Hospital Market Basket Index, were used:

FYE	Wage Inflation Factor	Base Weighting Factor	Update Weighting Factor
9/30/07	1.1972	0.40	
12/31/07	1.1852	0.40	
3/31/08	1.1712	0.40	
6/30/08	1.1576	0.40	
9/30/08	1.1453	0.60	
12/31/08	1.1332	0.60	
3/31/09	1.1218	0.60	
6/30/09	1.1097	0.60	
9/30/10	1.0551		0.40
12/31/10	1.0447		0.40
3/31/11	1.0354		0.40
6/30/11	1.0271		0.40
9/30/11	1.0179		0.60
12/31/11	1.0111		0.60
3/31/12	1.0051		0.60
6/30/12	1.0017		0.60
8/31/12	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.

Birth Weight Reporting

Bulletin MSA 14-34, effective October 1, 2014, required providers to adhere to National Uniform Billing Committee (NUBC) guidelines for reporting newborn priority (type of) admission or visit, newborn birth weight, and cesarean sections/inductions related to gestational age on all inpatient hospital claims. This policy stated that initial claim editing for birth weight reporting would result in informational editing only, but at a future date to be determined, claims that fail the newborn reporting edits may be denied.

Effective for discharges on or after January 1, 2015, claims that fail the newborn claim reporting edits for newborn priority (type of) admission or visit and newborn birth weight will be denied. Reporting of cesarean sections or inductions related to gestational age as required on the mother's claim will continue to result in informational editing only.

Prospective Capital

Effective January 1, 2015, MDCH will reimburse inpatient capital using a hospital-specific prospective rate. A prospective per-discharge amount will be calculated for medical/surgical hospitals, including critical access hospitals and children's hospitals. Freestanding rehabilitation hospitals and distinct part rehabilitation units will be reimbursed a prospective per diem capital rate. Transfer claims will not receive a prospective capital payment.

When calculating the prospective capital rates, data from the second previous state fiscal year will be used. For example, to calculate January 1, 2015 capital rates, data from cost reports with fiscal years that end between October 1, 2012 and September 30, 2013 will be used. Fee-for-Service (FFS) data will be used to calculate capital amounts.

The capital amount for the medical/surgical component of the hospital is established using the following lines (or comparable lines from succeeding cost reports) from the hospital's cost report. The data for routine capital costs is obtained from the CMS 2552-10, Worksheet D, Part I, Title XIX Column 7, Lines 30-35 and 43. The ancillary capital costs are obtained from the CMS 2552-10 Worksheet D, Part II, Title XIX, Column 5, Lines 50-77 and 90-92. The sum of routine and ancillary cost for FFS is then divided by the medical/surgical FFS discharges for the same period to calculate the hospital-specific prospective per discharge rate for Managed Care Organizations (MCOs) and FFS.

The capital amount for freestanding rehabilitation hospitals or distinct part rehabilitation units is established using the following lines from the hospital's cost report. The data for routine capital costs is obtained from the CMS 2552-10, Worksheet D, Part I, Title XIX, Line 41. The ancillary capital costs are obtained from the CMS 2552-10, Worksheet D, Part II, Title XIX, Column 5, Lines 50-76.99 and 90-92. The sum of the routine and ancillary cost for FFS is then divided by the FFS rehabilitation Medicaid days for the same period to calculate the hospital-specific prospective per diem rate for MCOs and FFS.

Current occupancy limits will remain when the hospital specific prospective capital rates are developed. Capital amounts will be set annually. Capital amounts may be adjusted due to significant changes in capital costs that are not reflected in the cost report utilized to set the rate. Hospitals may request a capital rate adjustment by submitting a written request to MDCH Hospital and Clinic Reimbursement Division.

Hospitals may continue to receive capital interim payments, but only if they receive Medicaid interim payments. Otherwise, the hospital will receive its prospective rate when the inpatient claim is adjudicated. If the hospital receives capital interim payments, amounts will be reconciled 15 months after the hospital's fiscal year ends, and again at final settlement 27 months after the hospital's fiscal year ends.

APR-DRG Notification

Effective October 1, 2015, MDCH is planning to switch from the current MS-DRG system to an All Patient Refined Diagnosis Related Group (APR-DRG) system. In addition, the State is planning to develop a statewide rate with adjustors. Additional information about this conversion will be promulgated in a future MSA Policy Bulletin.

Manual Maintenance

Retain this bulletin until the information is 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