

Hospital Payment Policy Advisory Council
DMAS Conference Room 7B, 2 - 4 PM October 4, 2012
Minutes

Council Members:

Donna Littlepage, Carilion
Chris Bailey, VHHA
Stewart Nelson, Halifax
Jay Andrews, VHHA
Dennis Ryan, CHKD
Michael Tweedy, DPB
Scott Crawford, DMAS
William Lessard, DMAS

Other DMAS Staff:

Carla Russell
Nick Merciez
Jodi Kuhn
Mary Hairston

Other Attendees:

Marty Epstein, CNMC
Aimee Perron Seibert, CNMC

1. Introduction

Members of the council and other attendees introduced themselves. William Lessard thanked the HPPAC for its service this year which includes attendance at six meetings.

2. Regulatory and Budget History

William Lessard reviewed regulatory requirements including rebasing in state fiscal year (SFY) 2014 using All Payer-Diagnosis Related Group (AP-DRG). DMAS will implement rebased rates in SFY 2014, however DMAS will have to replace AP-DRG with All Payer Refined-Diagnosis Related Group (APR-DRG) before October 1, 2014 in order to be in compliance with ICD-10.

DMAS provided an overview of the rebasing model as it is, which is based on full inflation. Adjustments to budget and inflation policy will be made closer to the end of the fiscal year. The rebasing model presented focused on the private hospital impact.

3. Rebasing Overview

Carla Russell reviewed inputs and required steps for rebasing.

Chris Bailey inquired whether there were any major changes and whether using FFS only data is valid. DMAS answered that there are no changes in methodology and using the managed care organization (MCO) data was problematic due to data integrity issues and presented questions that would need to be answered such as how would the ratio of costs to charges (RCCs) be calculated and integrated into the statewide case rate.

Chris Bailey asked to revisit the use of the Geographic Adjustment Factor (GAF) versus the Medicare Wage Index. DMAS stated the capital portion of the freestanding

psychiatric facilities uses the GAF and the operating uses the wage index. Scott Crawford shared that in the inpatient hospital methodology prior to AP-DRG, the GAF was used to adjust the capital portion of the rates.

4. Inflation

Mr. Lessard reviewed a handout comparing SFY 2008 to SFY 2011 inflation and allowable increases.

DMAS explained how inflation affects all hospitals equally. Currently there is no inflation for SFY 2014 and cumulatively there has been 5.25% since 2008. Chris Bailey restated the steps in calculating the case rate and questioned how inflation is integrated. DMAS responded that the prior rebasing was the start of the biennium and so full inflation was used.

Donna Littlepage commented that rebasing now restores past inflation, however, the projections for the future, SFY 2014, do not include inflation.

5. Wage Index

Carla Russell reviewed a handout comparing wage index changes FFY 2008 to FFY 2011.

6. Operating Rate Rebasing Results

DMAS presented the rebased AP-DRG weights, highlighting the increase in the majority of the weights. Top 50 AP-DRG weights and length of stay (LOS) handout was reviewed. The overall DRG weight changes were discussed from past rebasing years: SFY 2008 rebasing 9% difference; SFY 2011 rebasing 2% difference; and SFY 2014 rebasing 16% difference. DMAS noted the large increases in some of the weights SFY 2014. Chris Bailey asked about how is there a decline in the case mix and increase in the percentage change in relative weights. DMAS responded that they will be looking into the discrepancy in the coming weeks.

Carla Russell discussed the increase in the outlier threshold possibly caused by a wide distribution in the data.

Donna Littlepage asked about the 1.0 case mix and the validity of comparing two different versions and two different datasets. DMAS replied that the assumption that the weighted average of all the weights is 1.0 to reflect the “average” weights which is used in calculating the hospital specific rates.

DMAS reviewed the standardized costs for rehabilitation and psychiatric services, noting a significant decrease for psychiatric services. Ms. Littlepage suggested looking into the decreasing length of stay for psych which may be contributing to the decreasing costs.

7. Indirect Medical Education (IME) and Disproportionate Share Hospital (DSH) Payments

IME handout was reviewed and DMAS noted the same resident-to-bed ratios are used as their current IME rate. This means the changes in results are based only on different operating payments and healthcare management organization (HMO) cases.

DSH results were presented with the reminder of changes in Medicaid utilization and qualifications between SFY 2011 and SFY 2014 rebasing. The inputs were reviewed and DMAS noted a large increase in the calculated DSH. Chris Bailey suggested “HMO Days” could be used from the HMO claim counts rather than the cost report. DMAS stated an intention to look deeper into overall DSH methodology changes.

8. Rebasing Results

William Lessard reviewed the rebasing results and budget comparisons for private hospitals. The results compared the differences in reimbursement between the rebasing model applying full inflation and the 2011 base year rates applying current law inflation.

9. APR-DRG Operating Rate Rebasing Results

William Lessard reviewed the Top 50 APR-DRG national weights and LOS handout and stated DMAS’s efforts to find a source with Medicaid case distribution to see how Virginia data compares. This would also help to anticipate inevitable coding improvements that will occur with the implementation of APR-DRG.

DMAS reviewed their current timeline for implementation. ICD-10 is being delayed to October 1, 2014 and Enhanced Ambulatory Patient Groups (EAPGs) for outpatient hospital services is expected to be implemented July 1, 2013. Therefore, APR-DRG may begin off cycle, but prior to ICD-10 in order to gauge the effect of ICD-10 coding. Currently DMAS is considering dates between July 1, 2013 and July 1, 2014.

10. Next Steps

William Lessard discussed rebasing adjustments to the current model.

- i. Review Psych Per Diem Inputs and Calculations
- ii. Complete Type One calculations
- iii. Consider weights based on MCO and FFS data combined (excluding deliveries and normal newborns)
- iv. Add in missing hospitals

DMAS is also considering, per the suggestion of the HPPAC, developing alternative DSH calculations and a recommendation for the APR-DRG implementation.

A follow-up meeting was set for November 15, 2012 at 10am.

Meeting Adjourned at 4:10.