Table of Contents

State/Territory Name: Mississippi

State Plan Amendment (SPA) #: 13-006

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

MAY 15 2014

David J. Dzielak PH.D.
Executive Director
Mississippi Division of Medicaid
Walter Sillers Building
550 High Street, Suite 1000
Jackson, Mississippi 39201

Re: Mississippi State Plan Amendment 13-006

Dear Dr. Dzielak:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 13-006. Effective October 1, 2013 this amendment proposes to adjust the payment methodology for hospital inpatient services. Specifically, the state will transition the All Patient Refined Diagnosis Related Groups (APR-DRGs) from version 29 to version 30. To remain budget neutral, the state will update the DRG relative weights, lower the state wide DRG base rate, and increase the cost outlier threshold. The amendment also proposes to increase the interim claim per diem amount to assist hospitals with cash flow for long stays and modify the list of discharge statuses considered to be transfers.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. We have found that the proposed reimbursement methodology complies with applicable requirements and therefore have approved them with an effective date of October 1, 2013. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Anna Dubois at (850) 878-0916.

Sincerely

//s//

Cindy Mann
Director

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE AND MEDICAID SERVICES

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 2013-006	2. STATE MS
FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE 10/1/2013	

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:	7. FEDERAL BUDGET IMPACT:
42 CFR 430; 42 CFR 440.10; 42 CFR 440.160; 42 CFR 440.230; 42 CFR 447, Subpart A, B, C and E; 42 CFR 455, Subpart A, B, C and D; 42 CFR 482; 42 CFR 489, Subpart A, B, C, D and E	FFY 14-$0.00 FFY 15-$0.00
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, pages 41, 44, 45, 71	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: Attachment 4.19-A, pages 41, 44, 45, 71

10. SUBJECT OF AMENDMENT:
State Plan Amendment (SPA) 2013-006 All Patient Refined-Diagnostic Related Group (APR-DRG) is an amendment of the existing Medicaid State Plan which transitions 3M Health Information System Hospital Inpatient APR-DRG Grouper version 29 (V.29) to version 30 (V.30).

11. GOVERNOR'S REVIEW *(Check One)*:
☒ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL: //s//	16. RETURN TO: David J. Dzielak Mississippi Division of Medicaid Attn: Kristi Plotner 550 High Street, Suite 1000 Jackson, MS 39201-1399
13. TYPED NAME: David J. Dzielak	
14. TITLE: Executive Director	
15. DATE SUBMITTED: 12-17-13	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 12-17-13	18. DATE APPROVED: 05-15-14
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: 10/01/13	20. SIGNATURE OF REGIONAL OFFICIAL: //s//
21. TYPED NAME: Cindy Mann	22. TITLE: Director

23. REMARKS:

on the inpatient Medicaid claim: diagnosis, procedures performed, patient age, patient sex, and discharge status. The APR-DRG determines the reimbursement when the APR-DRG hospital-specific relative value (HSRV) relative weight is multiplied by the APR-DRG base price. (The term "relative weight" used throughout this document refers to the HSRV relative weight.)

D. DRG Relative Weights

Each version of the APR-DRG relative weights has a set of DRG-specific relative weights assigned to it. The APR-DRG relative weights are calculated by 3M Health Information Systems from the Nationwide Inpatient Sample (NIS) created by the Agency for Healthcare Research and Quality. Each APR-DRG relative weight reflects the typical resources consumed per case. According to 3M Health Information Systems, V.30 relative weights under the hospital-specific relative value (HSRV) methodology were calculated as follows:

1. A two-year dataset of NIS records was compiled, representing 15 million stays.
2. All stays were grouped using APR-DRG V.30.
3. Hospital charges are used as the basis for establishing consistent relative resource use across differentiated case types. To mitigate distortion caused by differences from hospital to hospital in marking up charges over cost, claims charges that contribute to relative weights are normalized to a standard value such that each hospital has a similar charge level for a similar case mix.
4. A single hospital is omitted from the standardized value for each DRG so that each hospital's charges are standardized to the charges of the omitted hospital.
5. The standardized average cost of each DRG is normalized by multiplying through the number of cases in each DRG and computing a scaling factor to match the total weight of the total number of cases, which is applied uniformly to each weight such that average weight across the set of DRG weights is 1.0. The result is a set of relative weights that reflect differences in estimated hospital cost per APR-DRG.

An evaluation performed by the Division of Medicaid determined that the national relative weights calculated by 3M Health Information Systems corresponded closely

payment. Under the previous payment method, the same per diem amount was paid for relatively inexpensive services such as mental health as for relatively expensive services such as cardiac surgery. As a result, the pay-to-cost ratio for mental health was relatively high.

4. Rehabilitation – This adjustor was set so that payment for rehabilitation would be approximately 100% of cost. This level of cost was estimated by reference to average cost per stay at the in-state facility that performs only rehabilitation.

5. Transplant – This adjustor was set so that payment for transplants would be approximately budget-neutral compared with the previous payment method. Because of the very small volume of stays, the calculation was done using two years of paid claims data rather than six months.

A state plan amendment will be submitted any time policy adjustors are added or adjusted.

F. DRG Base Price

The same base price is used for all stays in all hospitals. The base price (effective October 1, 2013) was set at a budget-neutral amount per stay based on the analysis of 78,194 hospital inpatient stays from the period October 1, 2012 through July 15, 2013. These stays were originally paid under the APR-DRG payment methodology using the 3M V.29 algorithm. A series of data validation steps were undertaken to ensure that the new analytical dataset

would be as accurate as possible for purposes of calculating the updated APR-DRG base price. All stays from the new dataset were grouped using the APR-DRG V.30 algorithm; policy adjustors as described in Paragraph E were applied and a 3.5% decrease adjustment was made to the base price to reflect expected improvements in hospital documentation and coding. Within this payment method structure, the APR-DRG base price then determines the overall payment level. By applying the payment method calculations to the 78,194-stay analytical dataset, the budget-neutral APR-DRG base price of $6,022 was calculated. The Division of Medicaid will not make retroactive payment adjustment.

The base price is reflected in Appendix A.

G. DRG Base Payment

For each stay, the DRG Base Payment equals the DRG Relative Weight multiplied by the DRG Base Price with the application of policy adjustors, as applicable. Additional payments and adjustments are made as described in this section and in Appendix A.

State of Mississippi
Title XIX Inpatient Hospital Reimbursement Plan

APPENDIX A

APR-DRG KEY PAYMENT VALUES

The table below reflects key payment values for the APR-DRG payment methodology described in this Plan.

Payment Parameter	Value	Use
APR-DRG version	V.30	Groups every claim to a DRG
DRG base price	$6,022	Rel. wt. X DRG base price = DRG base payment
Policy adjustor – obstetrics and newborns	1.40	Increases relative weight and payment rate
Policy adjustor – mental health pediatric	2.08	Increases relative weight and payment rate
Policy adjustor – mental health adult	1.75	Increases relative weight and payment rate
Policy adjustor – Rehabilitation	2.11	Increases relative weight and payment rate
Policy adjustor – Transplant	1.50	Increases relative weight and payment rate
DRG cost outlier threshold	$32,800	Used in identifying cost outlier stays
DRG marginal cost percentage	60%	Used in calculating cost outlier payment
DRG long stay threshold	19	All stays above 19 days require TAN on days
DRG day outlier statewide amount	$450	Per diem payment for mental health stays over 19 days
Transfer status - 02 – transfer to hospital	02	Used to identify transfer stays
Transfer status - 05 –transfer other	05	Used to identify transfer stays
Transfer status – 07 – against medical advice	07	Used to identify transfer stays
Transfer status – 63 – transfer to long-term acute care hospital	63	Used to identify transfer stays
Transfer status – 65 – transfer to psychiatric hospital	65	Used to identify transfer stays
Transfer status – 66 – transfer to critical access hospital	66	Used to identify transfer stays
DRG interim claim threshold	30	Interim claims not accepted if < 31 days
DRG interim claim per diem amount	$850	Per diem payment for interim claims
Documentation and coding adjustment	0.035	Applies to all hospitals