

## **Table of Contents**

**State/Territory Name: Mississippi**

**State Plan Amendment (SPA) #: 15-0008**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA Pages

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**Financial Management Group**

January 14, 2015

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 15-0008

Dear Dr. Dzielak:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 15-0008. Effective for inpatient services July 1, 2015 this amendment proposes to update the APR-DRG from version 31 to version 32 with the base price set at a budget-neutral amount per stay. The state estimates no budget impact.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We have found that the proposed reimbursement methodology complies with applicable requirements and therefore have approved them with an effective date of July 1, 2015. 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//

Kristin Fan  
Director

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>	1. TRANSMITTAL NUMBER: <b>15-008</b>	2. STATE <b>MS</b>
	3. PROGRAM IDENTIFICATION: <b>TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)</b>	
FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		4. PROPOSED EFFECTIVE DATE <b>07/01/2015</b>
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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:  42 CFR §§ 447.201, 447.203.	7. FEDERAL BUDGET IMPACT: FFY 2015: \$0.00  FFY 2016: \$0.00
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Attachment 4.19 A, Pages 41, 44, 45 and 71	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ):  Attachment 4.19 A, Pages 41, 44, 45 and 71

10. SUBJECT OF AMENDMENT:

This proposed State Plan Amendment (SPA) 15-008 All Patient Refined Diagnosis Related Groups (APR-DRG) Updates is to amend the inpatient hospital payment methodology, effective July 1, 2015. These updates will (1) transition from V.31 to V.32 of the 3M APR-DRG Grouper; (2) decrease the DRG marginal cost percentage; (3) increase the Cost Outlier Threshold; (4) adjust the adult mental health policy adjustor; (5) adjust the obstetrics & newborn policy adjustor; and (6) adjust the neonate policy adjustor. MS SPA 2012-008 APR-DRG, effective October 1, 2012, requires the Division of Medicaid to submit a SPA for any changes to the APR-DRG inpatient hospital payment methodology.

11. GOVERNOR'S REVIEW (*Check One*):

GOVERNOR'S OFFICE REPORTED NO COMMENT                       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:  /s/	16. RETURN TO:  <b>David J. Dzielak Miss. Division of Medicaid Attn: Margaret Wilson 550 High Street, Suite 1000 Jackson, MS 39201-1399</b>
13. TYPED NAME: <b>David J. Dzielak</b>	
14. TITLE: <b>Executive Director</b>	
15. DATE SUBMITTED: <b>7/15/2015</b>	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: 07/15/15	18. DATE APPROVED: 01/14/16
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: 07/01/15	20. SIGNATURE OF REGIONAL OFFICIAL: //s//
21. TYPED NAME: Kristin Fan	Director

23. REMARKS:

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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.32 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.32.
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

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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 July 1, 2015) was set at a budget-neutral amount per stay based on the analysis of 109,968 hospital inpatient stays from the period July 1, 2013 through June 30, 2014, along with the adjustment of parameters in Appendix A. These stays were originally paid under the APR-DRG payment methodology using the 3M V.29 and V.30 algorithms. A series of data validation steps were undertaken to ensure that the new analytical dataset

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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.32 algorithm and policy adjustors as described in Paragraph E were changed and applied to achieve budget neutrality. Within this payment method structure, the APR-DRG base price then determines the overall payment level. By applying the payment method calculations to the 109,968-stay analytical dataset, the budget-neutral APR-DRG base price of \$6,415 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.

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**APPENDIX A**

**APR-DRG KEY PAYMENT VALUES**

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

<u>Payment Parameter</u>	<u>Value</u>	<u>Use</u>
APR-DRG version	V.32	Groups every claim to a DRG
DRG base price	\$6,415	Rel. wt. X DRG base price = DRG base payment
Policy adjustor – obstetrics and normal newborns	1.50	Increases relative weight and payment rate
Policy adjustor – neonate	1.45	Increases relative weight and payment rate
Policy adjustor – mental health pediatric	2.00	Increases relative weight and payment rate
Policy adjustor – mental health adult	1.60	Increases relative weight and payment rate
Policy adjustor – Rehabilitation	2.00	Increases relative weight and payment rate
Policy adjustor – Transplant	1.50	Increases relative weight and payment rate
DRG cost outlier threshold	\$50,000	Used in identifying cost outlier stays
DRG marginal cost percentage	50%	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
Transfer status – 82 – transfer to hospital with planned readmission	82	Used to identify transfer stays
Transfer status – 85 – transfer to other with planned readmission	85	Used to identify transfer stays
Transfer status – 91 – transfer to long-term hospital with planned readmission	91	Used to identify transfer stays
Transfer status – 93 – transfer to psychiatric hospital with planned	93	Used to identify transfer stays
Transfer status 94 – transfer to critical access hospital with planned	94	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