

Title: Hospital Inpatient Payment Methodology

Issuance Date: June 1, 2023

(Must be reviewed annually)

Applicable Regulations, Guidelines, and AHS Policy:

Federal statute or rule:

CMS Federal Register

State Plan:

Vermont State Plan 4.19-A

Purpose:

Conduct an annual review to update components of the Inpatient Prospective Payment System (IPPS) and facilitate a complete rebase of IPPS at least once every four years that is aligned with Agency budgetary appropriates. Updating fee schedules at regular intervals enables DVHA to be a reliable and predictable payer of health care services.

Procedure:

Annual IPPS Update:

The DVHA Reimbursement Unit (RU) is responsible for making the following updates to the IPPS on an annual basis.

1. Diagnosis Related Grouper (DRG):
 - a. Download the MS-DRG file from the CMS website to identify any new or deleted DRGs.
 - b. Assign new DRGs a relative weight by utilizing the VT Medicaid DRG tier table.
 - c. Send new and deleted DRGs to DVHA's fiscal agent to implement changes into the MMIS.
 - d. Once DRG updates are implemented in the system perform a quality assurance check to ensure accuracy.
 - e. Update the DRG weight table and send it to the Member & Provider Services Supervisor for posting to the DVHA website.
2. Factors representing the length of stay for psychiatric cases:
 - a. Review CMS website for updates.

- b. If changes are identified, update the additive length of stay to match Medicare.
 - c. Send updates to the fiscal agent to implement changes into the MMIS.
 - d. Once psychiatric additives for length of stay updates are implemented in the system perform a quality assurance check to ensure accuracy.
3. Cost-to-Charge Ratio (CCR):
 - a. Obtain all in-state and boarder teaching hospital Medicare cost reports for prior year's Federal Fiscal Year (FFY).
 - b. Enter information from Medicare cost reports onto CCR calculations spreadsheet to compute the new CCRs.
 - c. Send CCR updates to the fiscal agent for implementation of changes into the MMIS.
 - d. Once CCR updates are implemented in MMIS perform a quality assurance review to ensure accuracy.

IPPS Rebase:

At least once every four years a complete rebase of the IPPS is conducted. DVHA RU works closely with an outside consultant to complete the update.

1. DVHA RU and the consultant review the CMS final IPPS rule to identify changes in reimbursement where VT Medicaid is aligned with Medicare.
2. DVHA RU sends the consultant modeling options and budget projections.
3. The outside consultant is responsible for updating the following components of the IPPS rebase:
 - a. DRG relative weight values.
 - b. Inflation factor used to best represent current costs.
 - c. Fixed outlier values.
 - d. Outlier payment percentage.
 - e. Hospital base rates.
4. The outside consultant creates a complex rate model with various options using the new rates, claims utilization data and Medicare cost reports.
5. DVHA Director of Managed Care Operations reviews the rate model to determine which option is best aligned with the Agency's budgetary appropriations. The proposed rated model is presented to external stakeholders for review and feedback.
6. DVHA RU initiates the Policy, Budget, and Reimbursement (PBR) process outlining the fiscal impact associated with the change and any changes to reimbursement methodologies or policies.
7. Once the PBR is approved, DVHA RU assists in drafting updates to the State Plan and the Global Commitment Register (GCR) notification which is used for provider review and feedback.
8. DVHA RU prepares the final IPPS rate update files and performs a quality assurance review to ensure the files are without error.
9. DVHA RU sends the final IPPS rate updates to the fiscal agent to implement the changes in the MMIS.

10. DVHA RU sends the updated DRG weight table to the Provider & Member Services Supervisor to post to the DVHA website.
11. Once the rate updates have been entered in the MMIS, DVHA RU performs a quality assurance review to ensure the rate information in the MMIS is accurate.

Revision History:

Date	Summary of Revisions
8/14/18	First draft
11/13/18	Accepted by OMU
11/21/18	Area director approved final draft
2/6/19	COO approval
2/10/21	No update in 2020 - changed approval date to one year from last approval.
3/23/2022	OMU review, updated to ADA template.
05/17/2023	Updated Purpose and Procedure

Table 1 Revision History