



# AHCCCS APR-DRG Rebase Workgroup Session 2

APRIL 2021



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# Agenda

- Introduction and Welcome
- Overview of Updated Policy
- Hospital Payment Federal Fiscal Year (FFY) 2022 Rates
- Data Summaries
- COVID-19 Considerations
- Questions

# Introduction and Welcome

# Overview of Updated Policy

# OVERVIEW OF UPDATED POLICY

## APR-DRG Payment System Design Payment Policies: April 2021

Policy	Decision
1. DRG Grouper	APR-DRG 3M™ (version 38)
2. DRG Relative Weights	3M™ National Weights
3. Outlier Payment Policy	Medicare like; \$5,000 fixed loss threshold for CAHs, \$65,000 fixed loss threshold for all other; 90% marginal cost factor for Burn DRGs; 80% marginal cost factor for all other
4. Transfer Payment Policy	Apportioned payment for acute-to-acute transfer (discharge status codes 02, 05, 66)
5. Partial Eligibility	A transfer-like process is applied when LOS is greater than number of Medicaid covered days; Undocumented alien information available; partial eligibility information for individual hospital stay not available.
6. Capital Payment	N/A
7. Interim Claims	Not included in DRG rate modeling

# OVERVIEW OF UPDATED POLICY (cont.)

## APR-DRG Payment System Design Payment Policies: April 2021

Policy	Decision
8. Providers carved out of DRG pricing	<ul style="list-style-type: none"><li>• Rehabilitation and LTAC hospitals not reimbursed under the DRG methodology. These facilities reimbursed under a separate per diem rate.</li><li>• Freestanding psychiatric facilities not reimbursed under the DRG methodology. These facilities reimbursed under a separate per diem rate consistent with AHCCCS reimbursement policy</li></ul>
9. Payment for Specialty Services	<ul style="list-style-type: none"><li>• During hospitalization in which transplant services are performed a recipient may first receive inpatient hospital services that are not related to the any transplant components. These services are paid under the APR-DRG methodology.</li></ul>
10. Hospital Base Rates	<ul style="list-style-type: none"><li>• Wage adjusted; one standardized base rate for specialty hospitals and another standardized rate for all other hospitals.</li></ul>

# OVERVIEW OF UPDATED POLICY (cont.)

## APR-DRG Payment System Design Payment Policies: April 2021

Policy	Decision
11. Budget Goal	Budget neutral in aggregate
12. Targeted Policy Adjustors	<ul style="list-style-type: none"><li>• Obstetrics and Normal Newborn: 1.550</li><li>• Neonates: 1.100</li><li>• Psychiatrics and Rehab: 1.650</li><li>• Burns: 4.000</li><li>• Pediatric, SOI 1 &amp; 2: 1.250</li><li>• Pediatric, SOI 3 &amp; 4: 2.300</li><li>• All other claims 1.025</li></ul>
13. Transitional Period	N/A for this update

# Hospital Payment FFY 2022 Rates



# FFY 2022 Rates

**APR-DRG changes between v34 and v38 Updates** – Summary of Changes Documents v35 – v38  
Handouts discussed and provided at meeting March 18, 2021

- DRG Changes
  - 14 new DRGs
  - 8 deleted DRGs
  - 18 revised DRGs
- **Billing Requirement Changes**
  - **Vaginal deliveries now require billing of both a delivery procedure and a delivery outcome**
  - **DRG 589 (birthweight < 500 grams) now requires billing of both a birth weight and a gestational age**
- National DRG Relative Weights
  - Calculated using a dataset containing only ICD-10 codes

# Rate Year 2022 (cont.)

New DRGs since v34 **Summary of Changes Documents v35 – v38 Handouts discussed and provided at meeting March 18, 2021**

New DRG	AHCCCS Policy Adjustor Under Current Policy
027 – Other open craniotomy 029 – Other percutaneous intracranial procedures 030 – Percutaneous intracranial and extracranial vascular procedures 178 – Other heart assist systems 179 – Defibrillator implants 183 – Percutaneous structural cardiac procedures 323 – Non-elective or complex hip joint replacement 324 – Elective hip joint replacement 325 – Non-elective or complex knee joint replacement 326 – Elective knee joint replacement	Adult: 1.025 Pediatric SOI 1 and 2: 1.250 Pediatric SOI 3 and 4: 2.300
539 – Cesarean section with sterilization 543 – Abortion w/ D&C, aspiration curettage, or hysterotomy 547 – Antepartum with O.R. procedure 548 – Postpartum and post abortion diagnosis with O.R. procedure	Obstetrics: 1.550

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## FFY 2022 Rates (cont.)

- FFY 2022 time period is defined as October 1, 2021 – September 30, 2022
- Model claims data extraction for rate setting purposes occurred week of January 25, 2021
  - Using dates of service in Calendar Year 2019 (January 1, 2019 – December 31, 2019)
  - Paid claims and adjudicated encounters only
  - Fee-for-service claims and managed care encounters
  - In-state and high utilization out of state providers
- Grouper versions update to APR-DRG v38
- Updated to FFY 2021 federal wage indices for modelling (column F, labeled “FY 2021 Wage Index With Quartile and Cap”)
- Guidehouse performed several steps of data validation to confirm the data is usable for APR-DRG grouping and pricing purposes.

## FFY 2022 Rates (cont.)

- Hospital cost used in outlier calculations was inflated from the claim time period (CY 2019) to the pricing time period.
- To calculate the inflation factors, Guidehouse utilized inpatient hospital market basket index levels published by CMS. To determine an inflation factor, the index for the quarter of the midpoint of the claim data year is used as the denominator and the midpoint of the pricing year as the numerator as follows.
- Time Periods:
  - Claim data is from calendar year 2019. The midpoint is 7/1/19, so use the index for Q3 2019
  - Baseline pricing is for federal fiscal year 2021. The midpoint is 4/1/21, so use the projected index for Q2 2021
  - Simulation pricing is for federal fiscal year 2022. The midpoint is 4/1/22, so use the projected index for Q2 2022
- Indexes – valid as of 12/17/20:
  - Q3 2019 – 1.121
  - Q2 2021 – 1.167
  - Q2 2022 – 1.198
- Pricing Inflation Factors:
  - CY 2019 to FFY 2021 –  $1.167 / 1.121 = 1.041$  or 4.1% inflation – baseline FFY 21 pricing
  - CY 2019 to FFY 2022 –  $1.198 / 1.121 = 1.069$  or 6.9% inflation – simulated FFY 22 pricing

# Data Summaries

## FFY 2022 Rates - IP Budget Pool Development:

APR-DRG Summary			
Overall Budget			
Simulation Parameters	Overall	All Other Hospitals	Specialty Hospitals
Simulation payment goal	\$1,342,517,021	\$1,334,821,044	\$7,695,977
Simulation payment, result	\$1,342,516,352	\$1,334,820,376	\$7,695,977
Difference	\$669	\$669	\$0
DRG standardized base price	N/A	\$6,094.66	\$4,249.96
FFY 2021 Base Rate Values	N/A	\$5,168.06	\$3,359.24

# Data Summaries: Summary by HEALTHII

## APR-DRG Summary

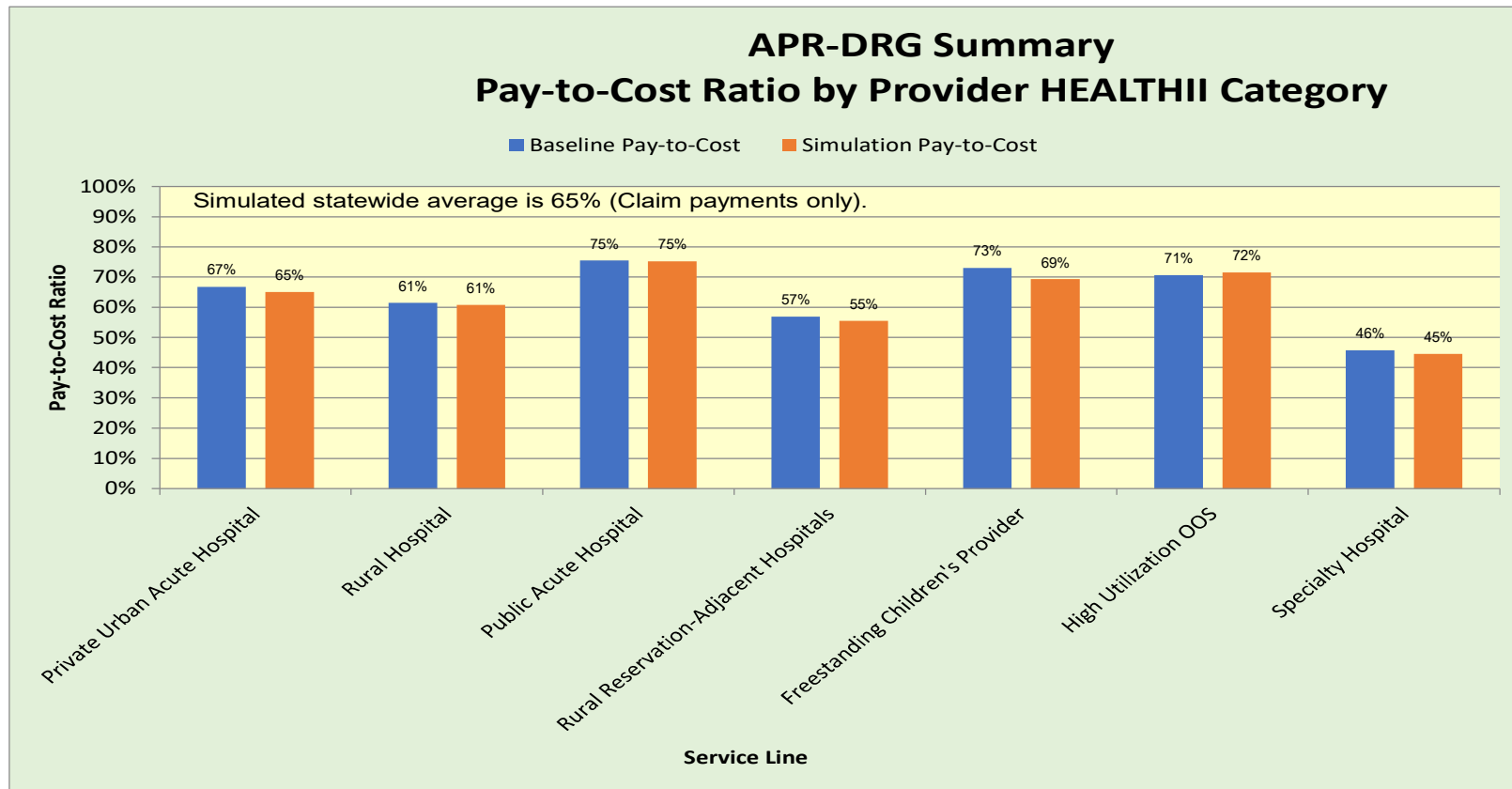
### Summary by Provider HEALTHII Category

Provider Category	Stays	Baseline Casemix	Simulation Casemix	Percent Change in Casemix	Estimated Cost	Baseline Payment	Simulated Payment	Baseline Pay / Cost	Simulated Pay / Cost	Payment Change	Percent Payment Change	Simulated Outlier Payment	Sim Outlier % of Pymt
Private Urban Acute Hospital	142,082	1.02	0.88	-13%	\$ 1,422,419,294	\$ 925,866,764	\$ 926,158,806	67%	65%	\$ 292,042	0%	\$ 36,734,073	4%
Rural Hospital	20,787	0.70	0.61	-12%	\$ 155,277,327	\$ 92,954,790	\$ 94,409,597	61%	61%	\$ 1,454,807	2%	\$ 2,433,036	3%
Public Acute Hospital	9,702	1.00	0.89	-11%	\$ 108,162,793	\$ 79,468,653	\$ 81,389,194	75%	75%	\$ 1,920,541	2%	\$ 9,648,841	12%
Rural Reservation-Adjacent Hospitals	8,431	0.97	0.85	-12%	\$ 99,817,743	\$ 55,296,370	\$ 55,388,732	57%	55%	\$ 92,363	0%	\$ 4,475,378	8%
Freestanding Children's Provider	8,031	1.56	1.40	-10%	\$ 239,275,916	\$ 170,126,800	\$ 165,783,684	73%	69%	\$ (4,343,115)	-3%	\$ 43,996,691	27%
High Utilization OOS	1,194	1.65	1.47	-11%	\$ 21,112,810	\$ 14,522,015	\$ 15,111,379	71%	72%	\$ 589,364	4%	\$ 994,887	7%
Specialty Hospital	552	2.17	1.75	-19%	\$ 9,598,925	\$ 4,281,631	\$ 4,274,960	46%	45%	\$ (6,670)	0%	\$ 121,004	3%
<b>Total</b>	<b>190,779</b>	<b>1.008</b>	<b>0.880</b>	<b>-13%</b>	<b>\$ 2,055,664,808</b>	<b>\$ 1,342,517,021</b>	<b>\$ 1,342,516,352</b>	<b>65%</b>	<b>65%</b>	<b>\$ (669)</b>	<b>0%</b>	<b>\$ 98,403,912</b>	<b>7.3%</b>

Notes:

1) Baseline and Simulated payment are total values, including outlier payments.

# Data Summaries: Pay-to-Cost by HEALTHII



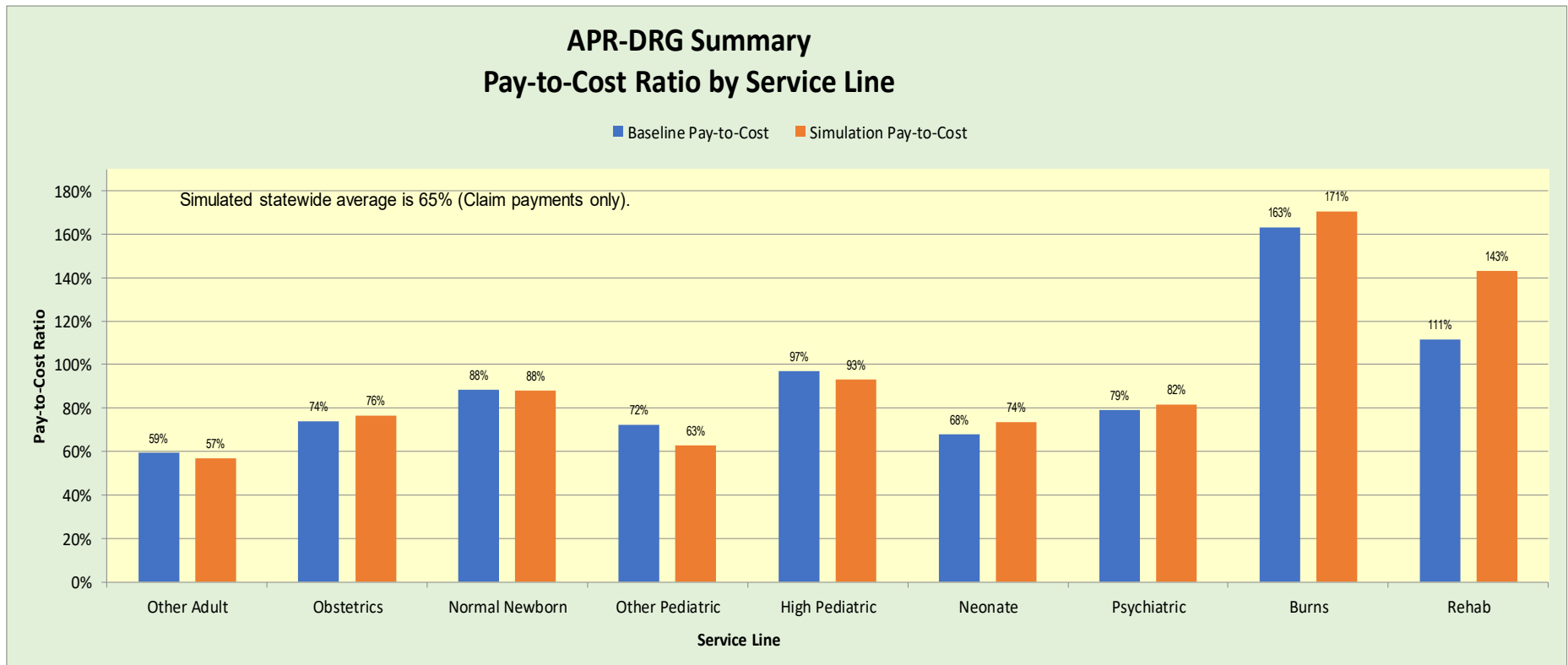


# Data Summaries: Summary by Service Line

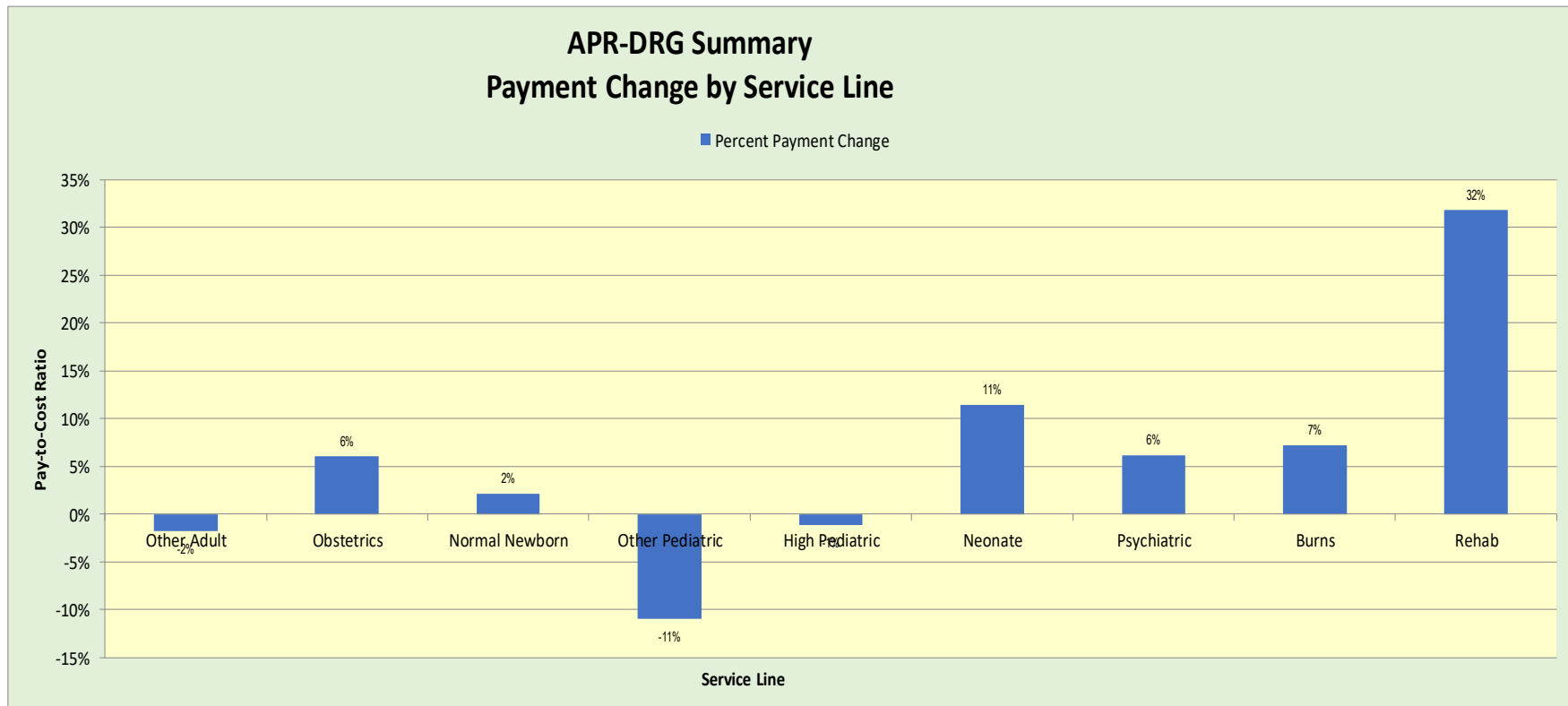
APR-DRG Summary													
Summary of by Service Line													
Service Line	Stays	Baseline Casemix	Simulation Casemix	Percent Change in Casemix	Estimated Cost	Baseline Payment	Simulated Payment	Baseline Pay / Cost	Simulated Pay / Cost	Payment Change	Percent Payment Change	Simulated Outlier Payment	Sim Outlier % of Pymt
Other Adult	87,018	1.513	1.287	-14.9%	\$1,314,161,285	\$ 759,235,848	\$ 745,969,740	59%	57%	\$(13,266,108)	-2%	\$41,787,022	5.6%
Obstetrics	40,937	0.438	0.403	-8.1%	\$ 209,364,185	\$ 151,038,836	\$ 160,138,415	74%	76%	\$ 9,099,579	6%	\$ 1,058,442	0.7%
Normal Newborn	36,788	0.143	0.126	-12.1%	\$ 50,818,397	\$ 43,745,402	\$ 44,664,731	88%	88%	\$ 919,328	2%	\$ 38,806	0.1%
Other Pediatric	11,986	0.805	0.717	-10.9%	\$ 107,733,420	\$ 75,845,920	\$ 67,544,973	72%	63%	\$ (8,300,947)	-11%	\$ 1,500,965	2.2%
High Pediatric	5,526	2.159	1.840	-14.8%	\$ 190,209,430	\$ 179,379,910	\$ 177,376,548	97%	93%	\$ (2,003,361)	-1%	\$34,116,847	19.2%
Neonate	4,210	3.064	3.145	2.6%	\$ 148,440,414	\$ 97,946,792	\$ 109,116,197	68%	74%	\$ 11,169,404	11%	\$19,415,754	17.8%
Psychiatric	4,071	0.536	0.491	-8.4%	\$ 24,612,609	\$ 18,940,318	\$ 20,114,768	79%	82%	\$ 1,174,451	6%	\$ 14,255	0.1%
Burns	234	3.060	2.907	-5.0%	\$ 10,238,132	\$ 16,289,592	\$ 17,466,567	163%	171%	\$ 1,176,975	7%	\$ 471,820	2.7%
Rehab	9	1.285	1.495	16.4%	\$ 86,937	\$ 94,402	\$ 124,412	111%	143%	\$ 30,010	32%	\$ -	0.0%
<b>Totals</b>	<b>190,779</b>	<b>1.008</b>	<b>0.880</b>	<b>-12.7%</b>	<b>\$2,055,664,808</b>	<b>\$1,342,517,021</b>	<b>\$1,342,516,352</b>	<b>65%</b>	<b>65%</b>	<b>\$ (669)</b>	<b>0%</b>	<b>\$98,403,912</b>	<b>7.3%</b>

Notes:  
1) Baseline and Simulated payment are total values, including outlier payments.

# Data Summaries: Pay-to-Cost Ratio by Service Line



# Data Summaries: Payment Change by Service Line



## Data Summaries: Shift in Severity of Illness v34 to v38

Shift in Severity of Illness v34 to v38					
DRG SOI	Baseline Count (v34)	Baseline Percent (v34)	Simulated Count (v38)	Simulated Percent (v38)	Percent Change
1	72,089	38%	78,656	41%	9%
2	62,959	33%	65,116	34%	3%
3	41,079	22%	33,401	18%	-19%
4	14,652	8%	13,606	7%	-7%
	<b>190,779</b>	<b>100%</b>	<b>190,779</b>	<b>100%</b>	<b>0%</b>

# Data Summaries: Summary of Top 15 DRGs

APR-DRG Summary														
Summary of Top 15 DRGs in Terms of Payment Change														
DRG Code	DRG Description	Stays	Baseline Casemix	Simulation Casemix	Percent Change in Casemix	Estimated Cost	Baseline Payment	Simulated Payment	Baseline Pay / Cost	Simulated Pay / Cost	Payment Change	Percent Payment Change	Simulated Outlier Payment	Sim Outlier % of Pymt
560	Vaginal Delivery	25,848	0.347	0.321	-7%	\$ 103,773,069	\$ 75,840,414	\$ 80,505,223	75%	78%	\$ 4,664,809	6%	\$ 426,708	0.5%
540	Cesarean Section Without Sterilization	8,369	0.627	0.591	-6%	\$ 63,555,626	\$ 44,751,597	\$ 48,280,482	72%	76%	\$ 3,528,885	8%	\$ 490,105	1.0%
004	Tracheostomy With Mv >96 Hours With Extensive Procedure	246	13.982	14.634	5%	\$ 43,290,541	\$ 32,398,193	\$ 35,782,265	77%	83%	\$ 3,384,072	10%	\$ 10,912,024	30.5%
640	Neonate Birth Weight > 2499 Grams, Normal Newborn Or Neonate With Other Problem	35,186	0.126	0.116	-8%	\$ 44,550,899	\$ 36,981,340	\$ 39,374,057	85%	88%	\$ 2,392,717	6%	\$ 33,956	0.1%
639	Neonate Birth Weight > 2499 Grams With Other Significant Condition	884	0.581	0.885	52%	\$ 10,036,096	\$ 3,161,842	\$ 5,405,882	32%	54%	\$ 2,244,040	71%	\$ 76,946	1.4%
710	Infectious And Parasitic Diseases Including Hiv With O.R. Procedure	2,103	3.202	2.894	-10%	\$ 70,991,125	\$ 42,844,093	\$ 44,471,595	62%	63%	\$ 1,627,502	4%	\$ 5,319,600	12.0%
631	Neonate Birth Weight > 2499 Grams With Other Major Procedure	61	5.907	10.086	71%	\$ 7,037,749	\$ 4,282,108	\$ 5,832,998	62%	83%	\$ 1,550,890	36%	\$ 1,752,961	30.1%
633	Neonate Birth Weight > 2499 Grams With Major Anomaly	500	1.276	1.516	19%	\$ 10,441,340	\$ 5,497,042	\$ 6,846,961	54%	66%	\$ 1,349,920	25%	\$ 1,658,503	24.2%
842	Burns With Skin Graft Except Extensive Third Degree Burns	118	3.426	3.507	2%	\$ 5,585,691	\$ 9,162,343	\$ 10,415,442	168%	186%	\$ 1,253,099	14%	\$ 104,036	1.0%
313	Knee And Lower Leg Procedures Except Foot	835	1.777	1.737	-2%	\$ 18,380,418	\$ 8,835,516	\$ 9,838,417	49%	54%	\$ 1,002,901	11%	\$ 356,211	3.6%
634	Neonate Birth Weight > 2499 Grams With Respiratory Distress Syndrome Or Other Major Respiratory Condition	509	1.619	1.658	2%	\$ 8,646,607	\$ 5,050,048	\$ 5,926,672	60%	69%	\$ 876,624	17%	\$ 159,738	2.7%
912	Musculoskeletal And Other Procedures For Multiple Significant Trauma	437	4.701	4.391	-7%	\$ 19,751,435	\$ 13,721,014	\$ 14,552,879	71%	74%	\$ 831,866	6%	\$ 899,522	6.2%
230	Major Small Bowel Procedures	501	2.463	2.347	-5%	\$ 15,626,290	\$ 9,191,749	\$ 9,970,839	60%	64%	\$ 779,090	8%	\$ 1,248,799	12.5%
911	Extensive Abdominal Or Thoracic Procedures For Multiple Significant Trauma	169	5.779	5.674	-2%	\$ 11,019,781	\$ 7,671,683	\$ 8,450,219	71%	77%	\$ 778,536	10%	\$ 1,368,443	16.2%
263	Cholecystectomy	1,465	1.295	1.226	-5%	\$ 20,130,365	\$ 11,196,270	\$ 11,966,760	57%	59%	\$ 770,489	7%	\$ 291,615	2.4%
<b>Total</b>		<b>77,231</b>				<b>\$ 452,817,031</b>	<b>\$ 310,585,250</b>	<b>\$ 337,620,689</b>	<b>69%</b>	<b>75%</b>	<b>\$ 27,035,439</b>	<b>9%</b>	<b>\$ 25,099,166</b>	<b>7.4%</b>

Notes:  
1) Baseline and Simulated payment are total values, including outlier payments.

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# FFY 2022 Rates - IP Rate Handouts:

- **Handout 1:**  
AHCCCS DRG Rebase Model Results - Prov Sys
- **Handout 2:**  
AHCCCS DRG Rebase Model Results - Indiv Hosp

# COVID-19 Considerations

# COVID-19 Considerations

- Current COVID-19 Impact
  - 3M included the new COVID-19 ICD-10 code, U07.1, into the April 1, 2020 release
  - 3M HIS APR v37 logic update to include new vaping code and COVID-19 diagnosis code effective April 1 2020
  - Working on summary of COVID-19 Coding and Grouping for HCPCS/CPT Codes, APR-DRG Mapping, and ICD-10 Diagnosis Code(s)
- AHCCCS will review how COVID-19 will impact future rate setting
  - Current rate development for FFY 2022 will not be impacted because the base data (CY 2019) does not include COVID-19 cases
  - Will review impact of reduced utilization and COVID-19 cases for future rate years



# QUESTIONS?

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# Questions

- Please send any questions or comments by email to
  - Kenna Garman at [kenna.garman@azahcccs.gov](mailto:kenna.garman@azahcccs.gov)
  - Wendy Ecker at [wendy.ecker@azahcccs.gov](mailto:wendy.ecker@azahcccs.gov)
- Please submit all email questions by April 30, 2021