Hospital Payment Policy Advisory Council

DMAS Conference Room 7A
October 1, 2009, 1-3 pm
Minutes

Council Members:
Chris Bailey, VHHA
Donna Littlepage, Carilion
Stewart Nelson, Halifax Regional Hospital
Kim Snead, JCHC
Michael Tweedy, DPB
William Lessard, DMAS

Other DMAS Staff:
Robert Miller
Carla Russell
Nick Merciez
Jodi Kuhn

Other Attendees:
Ingram Haley, VHHA
Karin Talbert Addison

1. **Introductions**

   Members of the council and other attendees introduced themselves. Mr. Lessard introduced the rebasing process and explained the purpose of rebasing is to use more recent cost data and to evaluate the budget impact of rebasing. He requested a review of the rebasing model by the committee. Mr. Bailey asked for clarification of the timeframes involved, and requested another meeting later in the month.

2. **Operating Rate Rebasing Results**

   Mr. Lessard referred the attendees to page 14 of the handouts to illustrate the impact of the rebasing on operating reimbursement. Additionally, Mr. Lessard explained pages one and two of the handouts, which detailed changes in cost per case as affected by changes in DRG weights and wage indexes. Mr. Lessard also explained cost per day increases and decreases, an approximate doubling of rehab days, and a decrease in psych days. Mr. Bailey commented on the closing of psych units. Mr. Bailey also asked for an explanation of how case-mix changed from year to year, wage indexes year to year, for hospitals, psych units and rehabs.

   a. **Rebasing Factors**

      i. **Statewide 2005 and 2008 Base Year Data Comparisons (handout)**

         Ms. Littlepage requested overview of the methodology for SFY2011 rebasing. Mr. Lessard presented a summary of changes between 2005 and 2008 cost data used as the basis for the SFY2011 rebasing. Mr. Lessard and Mr. Bailey discussed volume changes over a three-year period and the impact on the final results.

ii. **Hospital and Statewide DRG Weight Changes (handout)**
Mr. Lessard presented the change in DRG weights used in the rebasing for SFY2011 with a focus on Type 2 hospitals. Mr. Bailey asked if we can provide the impact of the weight changes on a hospital specific basis.

iii. **Hospital and Statewide Wage Index Changes (handout)**
Mr. Lessard pointed out that the Medicare Wage Indices used in the 2011 rebasing were on average lower than the ones used in the 2008 rebasing. Mr. Bailey questioned why wage indices could reduce rates across the board for everyone, rather than merely be used to redistribute rates among facilities. Mr. Lessard explained that the wage index was also used to develop the statewide rate and using the wage index to develop hospital specific rates is an offsetting adjustment. Ms. Littlepage pointed out that the cost data already reflects the wage levels for each facility, making the need to normalize costs with a wage index unnecessary. Mr. Bailey recommended that DMAS prepare a narrative description of the rebasing steps to help council member understand all the steps and the reason behind them.

b. Top 50 DRG weights and LOS (handout)
Mr. Lessard presented the top 50 DRG weights. New weights will result in a 2% reduction in reimbursement compared to the prior weights.

c. Operating Rates

i. **DRG Case Rates by Hospital and other Rebasing Outputs (handout)**
Mr. Lessard explained the components of hospital operating rates. Mr. Nelson asked for more information concerning the main drivers of the rates. Mr. Lessard provided historical background. Mr. Bailey reiterated his concerns of how the wage index is used, and stated it can both help and hurt rates.

ii. **Psychiatric Per Diem Rates by Hospital (handout)**
Mr. Bailey expressed concern over UVA and MCV having much higher rates. Mr. Lessard explained that this was a result of using the acute adjustment factor for psych (and rehab) rather than separately calculating the adjustment factor. Mr. Bailey and Ms. Littlepage asked why acute psych rates had changed for several particular facilities. Mr. Lessard provided an explanation.

iii. **Rehabilitation Per Diem Rates by Hospital (handout)**
Mr. Lessard presented the rehab per diem rates.

iv. **Freestanding Psych Per Diem Rates by Hospital (handout)**
Mr. Lessard presented the freestanding psych per diem rates.

d. Rebasing Impact on Operating Reimbursement for Private Hospitals (handout)

i. Mr. Lessard presented an overview of the reimbursement impact of the new rebasing to the last rebasing for private hospitals. Specifically, there was a 0.23% increase.

ii. Mr. Lessard added, however, that there was a significant additional impact as a result of restoring operating rate reductions and giving SFY11 inflation.

Mr. Bailey asked what factors caused the differences in rates among facilities, specifically CNMC. Mr. Lessard provided an overview of the basic formula, and pointed out the DRG weights impact on CNMC, and explained that the large increase for CNMC was due in large part to changes in DRG weights and case-mix.

e. Using Managed Care Data for DRG weights (handout)

i. Proposed methodology

Mr. Lessard presented the proposed methodology for incorporating MCO data.

ii. Newborn and delivery issues

iii. Mr. Lessard described problems with data for newborns and deliveries for MCOs. MCOs do not generate separate claims for most newborns (if discharged with the mother) as Medicaid FFS does and providers add any newborn charges to the MCO delivery claim. Mr. Lessard explained that we currently have no way of solving the problem unless MCOs are required to demand providers bill similarly to FFS. Mr. Bailey also pointed out that MCOs should be showing more deliveries. Mr. Lessard and Mr. Merciez agreed to look into this. Ms. Littlepage asked if there were other MCO data validity problems. Mr. Lessard could not provide an assurance. Mr. Bailey recommended we only use FFS data and not use MCO data in the rebasing due. Ms. Littlepage questioned whether MCOs have healthier people. Mr. Bailey confirmed he believes MCOs have a healthier population. Mr. Nelson states he believes case-mix drives differences between FFS and MCO data. Mr. Nelson also expressed concern that the MCOs will benefit from this process while his facility will get nothing.

3. IME Rebasing Results

Mr. Lessard explained the IME process and explained that IME is settled. Mr. Lessard went over the following rebasing and non-rebasing factors.

a. Rebasing Factors

i. Same rebasing operating reimbursement change for FFS

ii. Changes in case rates for MCO

b. Non-rebasing Factors

i. Factors that change annually and are reflected in current IME interim payments

1. IME factor (based on FTEs)

ii. Factors that change annually but are not reflected in current IME interim payment**s**

1. FFS utilization
2. MCO cases

c. Rebasing Impact on IME Reimbursement for Private Hospitals (handout)

i. Compared to 2005 base year data fully inflated using FY08 base year FFS utilization, same IME factor and same MCO cases (3.07% increase)

ii. Mr. Lessard added that there was a significant additional impact as a result of restoring operating rate reductions and giving SFY11 inflation.

4. DSH Rebasing Results

a. Mr. Lessard reviewed the following rebasing factors

i. FFS Operating Reimbursement

1. Operating rate change based on rebasing
2. Change in base year FFS utilization

ii. Medicaid (FFS and MCO) Utilization Percentages

Mr. Bailey asked where the MCO utilization data came from and Mr. Lessard explained that it comes from cost reports based primarily on MCO reports unless the hospital separately reports MCO utilization. Mr. Bailey expressed concern that MCOs may not be reporting newborn days based on the information revealed during the discussion about using MCO weights. Mr. Bailey requested a breakdown of Medicaid days on a hospital-specific basis and the source of the data (MCO or hospital). Mr. Bailey suggested that he would ask all hospitals to verify their Medicaid days for the DSH calculation.

b. Mr. Lessard presented an overview of DSH and explained that there was a small increase in the number of facilities that qualify for DSH but a significant increase in overall DSH. Mr. Bailey asked if facilities are stuck with DSH results for three years and Mr. Lessard agreed that the current methodology qualifies hospitals and determines the amount (except inflation) only every three years.
Mr. Bailey also inquired about how close DSH is to approaching the DSH cap. Mr. Lessard said DSH is probably approaching, but not exceeding the DSH cap. Mr. Bailey suggested updating DSH more frequently and basing DSH eligibility on measures that are more reliable than days.

5. Next Steps

Mr. Bailey said he would evaluate the provided information. Mr. Bailey also reiterated his request for an overview of all steps and calculations used in the rebasing. Mr. Bailey suggested meeting October 22, 2009 at 10:00 a.m.

6. Other Issues

None.