

American Hospital Directory

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IMPACT OF MS-DRGs AND REGULATIONS FOR FY2008

Packaged Report (Excel Workbook and Datasets)

FEATURES

- hospital-specific impact information based on FY2006 Medicare claims
- analyzes utilization and reimbursement shifts among medical services
- examines effects on outlier and transfer payments
- provides the option to include up to 20 hospitals and 5 comparison groups
- data sources and methodology clearly documented
- delivered in Excel format to facilitate analysis
- consultation services available

BACKGROUND

“Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2008 Rates” was published by the Center for Medicare and Medicaid Services (CMS) in August, 2007 [CMS-1533-FC]. This IPPS update rule delineates important changes to be implemented for the federal fiscal year beginning with patient discharges on or after October 1, 2007. Major provisions include a complete replacement of the current DRG system with a new system intended to provide more precise classification based on patient severity of illness (MS-DRGs). In addition to new MS-DRGs, there will be continued phase-in of relative weights based on a cost-based hospital-specific relative value (HSRV) weighting methodology as well as changes in reimbursement for outliers and transfers. These changes will result in significant redistributions of Medicare reimbursement. Examples include:

- reclassification of patients into higher or lower weighted DRGs
- changes in relative weights due to the continued phase in of HSRV weighting
- changes in outlier thresholds and payments
- changes in payment for transfers

Some hospitals may find that these changes will have a profound impact on operations. For example, hospitals with high volumes of cardiovascular services will notice

significant reductions in reimbursement for that area. Though it is very important to understand the consequences as soon as possible, it can be challenging or costly to obtain the necessary information for analysis and planning.

This Packaged Report (Excel Workbook and Datasets) provides a comprehensive package of information based on the most recent and reliable data currently available. It has been designed by experts in Medicare reimbursement, patient classification systems, and information technology. It includes summary information, preformatted reports, and data that can be imported into your own applications as desired.

METHODOLOGY

The reporting package is based on detailed Medicare claims data for FY2006. This is the most current period available and is the same data used by CMS in promulgating the final IPPS regulations for FY2008. The data itself is taken from the FY2006 MedPAR file for Medicare fee-for-service discharges billed as of February 28, 2007. Only discharges for short-term acute care hospitals (STACH) are included in reports. (Discharges for distinct part units are excluded.)

For reporting purposes the FY2006 claims data are grouped into the DRGs currently in effect for FY2007 and into the new MS-DRGs being introduced for FY2008. IPPS reimbursement for each claim is calculated for FY2006 and FY2007 based on corresponding regulations and calculated for FY2008 based on final regulations. Calculated reimbursement is based on DRGs and regulations for each fiscal year respectively. Calculations are per all components of IPPS reimbursement including each hospital's blended rate, adjustments for Indirect Medical Education (IME), and Disproportionate Share (DSH). Calculations also include outlier payment and transfer adjustments.

Data are reported for each designated hospital and for groups of hospitals designated for comparison. Examples of comparison groups include national averages, averages for specified bed-size categories, geographic areas, and systems. In order to avoid files that are too large the number of hospitals plus the number of comparison groups should be less than 100.

The data reported are consistent with CMS data release policies. Aggregations that represent ten or fewer claims are not reported. For example, impact reporting by Major Diagnostic Category will commonly exclude MDC 15 since most hospitals have few Medicare claims for childbirth. Even though a low volume category is excluded, however, it will be included in totals.

The reporting package is delivered as an Excel workbook. The workbook can be used to interactively analyze impact reports for designated hospitals and comparative averages. Formatted reports can be readily printed and the entire database can be extracted for use

in other applications if desired. The Excel format will also allow you to copy individual worksheets to enhance, share, or manipulate.

Because the workbook uses macros for interactive features you will need Excel 2002 (or newer) and will need to allow signed macros from trusted sources. (The workbook will incorporate a current Verisign digital signature.)

The following pages show abbreviated formats of reports. The Excel workbook enables you to:

- Immediately access the summary report for your designated hospitals and comparison groups.
- Interactively select a hospital or comparison group and then view corresponding reports. (Individual reports appear as worksheet tabs.)
- Print any report (The worksheets are pre-formatted to produce 8 ½” x 11” pages.)
- Access the entire database. (The entire database for your designated hospitals and comparison groups is contained in workbook tabs.)
- Copy and paste any worksheet for your own use or modification.

REPORTS
(EXCEL WORKBOOK)

Impact Summary

The Impact Summary Report shows casemix index, utilization statistics, and total IPPS reimbursement by designated hospital and comparison group for each year. This report provides an immediate overview of how regulations impact total IPPS reimbursement for the same patient population over the three years. Please note that the Excel workbook enables you to select any hospital or comparative group and then view detailed reports that provide more detailed information. The hospital or group is selected using a button in the upper-left corner of each report (other than the Impact Summary that has all hospitals and groups listed). Individual reports appear as tabs.

Select	Select a Hospital or Comparison Group	→ Repeated. for FY 2007 and FY 2008 with % change				
<u>Impact Summary Report - FY 2006</u>						
	CMI	Discharges	Days	ALOS	Charges	Tot IPPS Reimb
<u>Hospitals</u>						
Provider ID - Hospital Name 1						
Provider ID - Hospital Name 2						
Provider ID - Hospital Name 3						
→ Etc. for up to 20 hospitals						
<u>Comparison Groups</u>						
Name of Comparison Group 1						
Name of Comparison Group 2						
→ Etc. for up to 5 comparisons						

Reimbursement Summary

The Reimbursement Summary report shows the regulatory components of total IPPS reimbursement over the three years. This report helps with analyzing the impact in regulatory changes to operating and capital payments, along with changes to the DSH and IME add-on payments and changes to the outlier and transfer adjustments.

Change <Name of Hospital or Comparison Statistic>	Reimbursement Summary					
	FY 2006		FY 2007		FY 2008	
	(Dollars)	(% of Total)	(Dollars)	(% of Total)	(Dollars)	(% of Total)
<u>Operating Payments</u>						
--Full DRG						
--DSH Adjustment						
--IME Adjustment						
--Transfer Adjustment						
----Total Operating Payments						
<u>Capital Payments</u>						
--Full DRG						
--DSH Adjustment						
--IME Adjustment						
--Transfer Adjustment						
----Total Capital Payments						
<u>Total Outlier Payments</u>						
Total IPPS Reimbursement						

Rate Summary

The Rate Summary report shows regulatory components of the IPPS payment rates over the three years. This report helps with analyzing changes to each component of the hospital's reimbursement rate, such as the wage index, DSH and IME add-on percentages, and outlier cost-to-charge ratios. Please note that for comparison groups, this report shows simple averages for the values of each hospital in the comparison group for each component listed. For example, assuming a comparison group of ten hospitals, the wage index for FY 2006 would be the simple average of the actual wage index for each of those ten hospitals for FY 2006.

Change <Name of Hospital>	Rate Summary		
	FY 2006	FY 2007	FY 2008
<u>DRG Rate Components</u>			
Wage Index	x.xxxx	x.xxxx	x.xxxx
Labor-related Rate	x,xxx.xx	x,xxx.xx	x,xxx.xx
Nonlabor-related Rate	x,xxx.xx	x,xxx.xx	x,xxx.xx
Wage Adjusted Base DRG Rate	x,xxx.xx	x,xxx.xx	x,xxx.xx
<u>DSH Adjustment Factors:</u>			
--Operating	.xxxxx	.xxxxx	.xxxxx
--Capital	.xxxxx	.xxxxx	.xxxxx
<u>IME Adjustment Factors:</u>			
--Operating	.xxxxx	.xxxxx	.xxxxx
--Capital	.xxxxx	.xxxxx	.xxxxx
<u>Outlier Components</u>			
--Fixed Loss Threshold	xx,xxx.xx	xx,xxx.xx	xx,xxx.xx
--Operating Cost-To-Charge Ratio	.xxx	.xxx	.xxx
--Capital Cost-To-Charge Ratio	.xxx	.xxx	.xxx
--Total Cost-To-Charge Ratio	.xxx	.xxx	.xxx

IPPS Impact Reports by Patient Classification

The Impact Reports by Patient Classification detail utilization and reimbursement impacts for each of the three years. These reports are important in determining how regulations may reclassify a hospital's patients and shift reimbursement among MDCs and Medical Services. For example, regulations have caused significant changes for cardiovascular diagnoses and procedures. (Medical service categories are groupings of DRGs maintained by AHD.)

By Major Diagnostic Category (MDC)

Change <Name of Hospital or Comparison Statistic>	→ Repeated. for FY 2007 and FY 2008 with % change					
	IPPS Impact by MDC - FY 2006					
	CMI	Discharges	Days	ALOS	Charges	Tot IPPS Reimb
<u>Major Diagnostic Category</u>						
01-Nervous System						
02-Eye						
03-Ear, Nose, Mouth & Throat						
04-Respiratory System						
05-Circulatory System						
06-Digestive System						
07-Hepatobiliary System & Pancreas						
08-Musculoskeletal & Conn Tissue						
09-Skin, Subcutaneous & Breast						
10-Endocrine, Nutritional & Metabolic						
11-Kidney & Urinary Tract						
→ Etc. for MDCs 12 – 25						
TOTAL						

By Medical Service

Change <Name of Hospital or Comparison Statistic>	→ Repeated. for FY 2007 and FY 2008 with % change					
	IPPS Impact by Medical Service - FY 2006					
	CMI	Discharges	Days	ALOS	Charges	Tot IPPS Reimb
<u>Medical Service</u>						
Cardiology						
Cardiovascular Surgery						
Gynecology						
Medicine						
Neurology						
Neurosurgery						
Oncology						
Orthopedic Surgery						
Orthopedics						
Psychiatry						
Pulmonology						
Surgery						
Surgery for Malignancy						
Urology						
Vascular Surgery						
TOTAL						

Outlier Impact Reports

The Outlier Impact Reports show information for cases that received outlier reimbursement. The report includes the same detailed utilization and reimbursement impacts by MDC and Medical Services for each of the three years, but only for outlier cases. Please note that impact reporting is based on actual claims data for a base year and regulations as published for various years. No assumptions or adjustments for inflation are applied to the data (e.g. inflation of charges among years),

By Major Diagnostic Category (MDC)

Change	<Name of Hospital or Comparison Statistic>	→ Repeated. for FY 2007 and FY 2008 with % change							
		Outlier Impact by MDC - FY 2006							
		CMI	Discharges	Days	ALOS	Charges	Tot IPPS Reimb	Outlier Reimb	(% of Total)
<u>Major Diagnostic Category</u>									
01-Nervous System									
02-Eye									
03-Ear, Nose, Mouth & Throat									
04-Respiratory System									
05-Circulatory System									
06-Digestive System									
07-Hepatobiliary System & Pancreas									
08-Musculoskeletal & Conn Tissue									
09-Skin, Subcutaneous & Breast									
10-Endocrine, Nutritional & Metabolic									
11-Kidney & Urinary Tract									
→ Etc. for MDCs 12 - 25									
TOTAL									

By Medical Service

Change	<Name of Hospital or Comparison Statistic>	→ Repeated. for FY 2007 and FY 2008 with % change							
		Outlier Impact by Medical Service - FY 2006							
		CMI	Discharges	Days	ALOS	Charges	Tot IPPS Reimb	Outlier Reimb	(% of Total)
<u>Medical Service</u>									
Cardiology									
Cardiovascular Surgery									
Gynecology									
Medicine									
Neurology									
Neurosurgery									
Oncology									
Orthopedic Surgery									
Orthopedics									
Psychiatry									
Pulmonology									
Surgery									
Surgery for Malignancy									
Urology									
Vascular Surgery									
TOTAL									

Transfer Impact Reports

The Transfer Impact Reports show information for cases that were transferred to another short-term acute care hospital or to a post-acute care facility and that did not receive the full IPPS payment because the length-of-stay was not long enough to justify full payment. The report includes the same detailed utilization and reimbursement impacts by MDC and Medical Services for each of the three years, but only for the transfer cases.

By Major Diagnostic Category (MDC)

Change	<Name of Hospital or Comparison Statistic>	→ Repeated. for FY 2007 and FY 2008							
Transfer Impact by MDC - FY 2006									
		CMI	Discharges	Days	ALOS	Charges	Tot IPPS Reimb	Full DRG Reimb	Diff
<u>Major Diagnostic Category</u>									
01-Nervous System									
02-Eye									
03-Ear, Nose, Mouth & Throat									
04-Respiratory System									
05-Circulatory System									
06-Digestive System									
07-Hepatobiliary System & Pancreas									
08-Musculoskeletal & Conn Tissue									
09-Skin, Subcutaneous & Breast									
10-Endocrine, Nutritional & Metabolic									
11-Kidney & Urinary Tract									
→ Etc. for MDCs 12 - 25									
TOTAL									

By Medical Service

Change	<Name of Hospital or Comparison Statistic>	→ Repeated. for FY 2007 and FY 2008							
Transfer Impact by Medical Service - FY 2006									
		CMI	Discharges	Days	ALOS	Charges	Tot IPPS Reimb	Full DRG Reimb	Diff
<u>Medical Service</u>									
Cardiology									
Cardiovascular Surgery									
Gynecology									
Medicine									
Neurology									
Neurosurgery									
Oncology									
Orthopedic Surgery									
Orthopedics									
Psychiatry									
Pulmonology									
Surgery									
Surgery for Malignancy									
Urology									
Vascular Surgery									
TOTAL									

HOW TO ORDER

Cost

The cost of the Packaged Report (Excel Workbook and Datasets) for one hospital is \$2,800. Additional hospitals can be added at a cost of \$200/each. Comparison groups are developed according to customer specifications and are individually quoted. In order to avoid files that are too large the number of hospitals plus the number of comparison groups should be less than 100. As with all custom reporting, subscribers to ahd.com receive a 20% discount.

Delivery

The electronic dataset can be provided as an email attachment or via FTP. The dataset can also be provided on CD and delivered via UPS for an additional cost of \$20. Under normal circumstances, the dataset will be sent within two business days after receipt of your order.

Ordering

Please call our customer service department for further information or to place an order: (800) 894-8418. In addition to your contact information, you will be asked to provide the Provider IDs of all designated hospitals. You will also be asked to specify comparison groups desired and your preferred method of delivery.

Our customer service department will then email or fax you a written proposal for the project. This proposal will also include terms and conditions of use for your acceptance. Once you return a signed acceptance of the proposal, work will begin.

Any questions can be directed to our customer service at (800)894-8418 from 8:30-5:00 EST, Monday through Friday. You can also email to support@ahd.com.

Payment

Established customers may submit a purchase order and will be invoiced upon shipment. All others may pay by check or credit card upon placement of an order. We accept all major credit cards (American Express, MasterCard, Visa, and Discover).

Support

Your satisfaction is guaranteed. Questions regarding use of the electronic dataset can be directed to our customer service department. We can also provide consultative services for questions regarding Medicare regulations, interpretation of information, etc. These services are available by telephone at a cost of \$250/hr.