

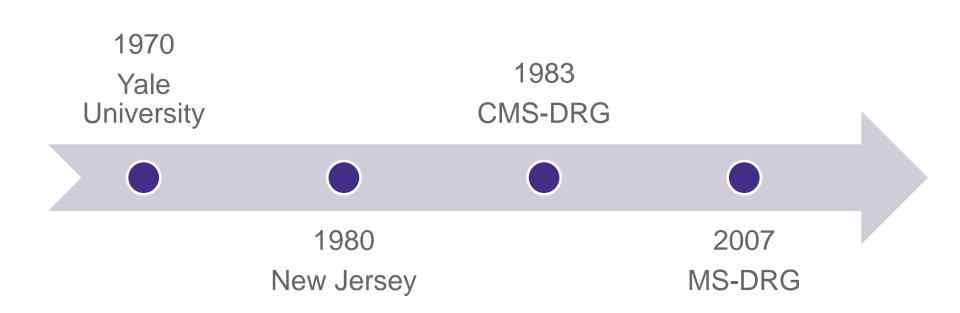
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Evolution of DRGs





What is IPPS?



A Prospective Payment System (PPS) is a method of reimbursement in which Medicare payment is made based on a predetermined, fixed amount based on the classification system of that service.

Acute inpatient hospitals	Home health
Inpatient psychiatric facilities	Hospice
Inpatient rehabilitation facilities (IRF)	Skilled nursing facilities (SNF)
Long-term care hospitals	Hospital outpatient

MS-DRG Structure



CMS-DRG

- 538 DRGs
- Two-tiered structure
 - With complication/comorbidity (CC)
 - Without complication/comorbidity (CC)



MS-DRG

- 745 DRGs
- Three-tiered structure
 - With major complication/comorbidity (MCC)
 - With complication/comorbidity (CC)
 - Without complication/comorbidity (no MCC or CC)

MS-DRG Functions



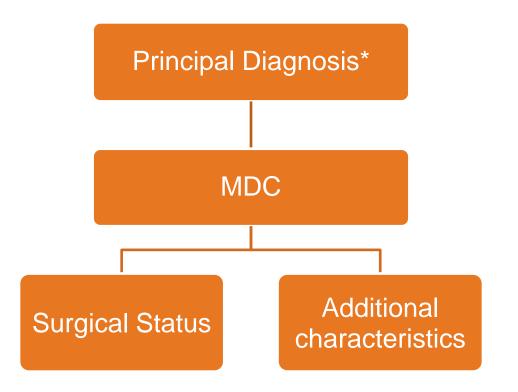
In addition to calculating reimbursement, MS-DRGs have two major functions.

- Evaluate the quality of care
- Assist in evaluating utilization of services

Assigning MS-DRGs



All possible principal diagnoses were divided into 26 mutually exclusive categories, referred to as major diagnostic categories (MDCs).





MDC Decision Tree

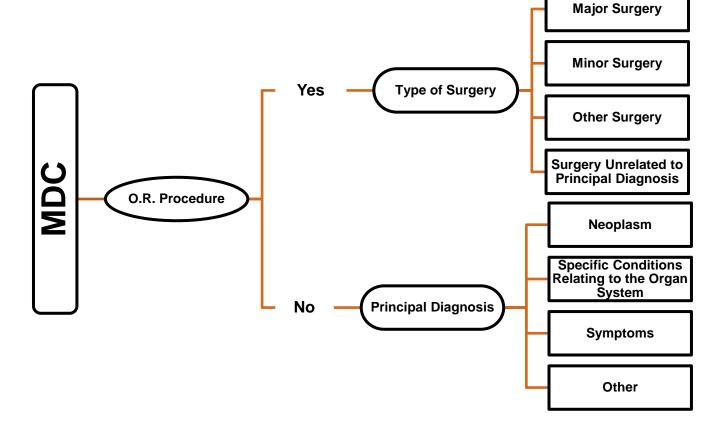


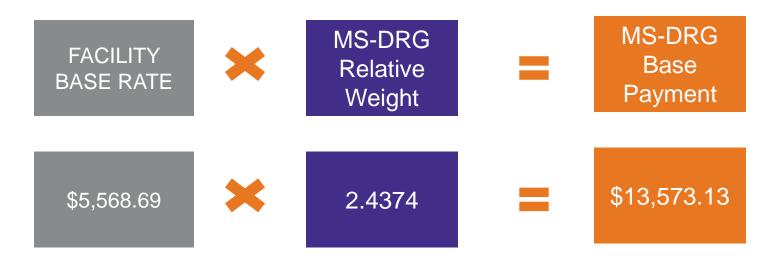


	TABLE 5.—LIST OF MEDICARE SEVERITY DIAGNOSIS-RELATED GROUPS (MS-DRGS), RELATIVE WEIGHTING FACTORS,							
MS-DRG	FY 2019 FINAL Post- Acute DRG	FY 2019 FINAL	MDC	TYPE	RITHMETIC MEAN LENGTH OF STAY—FY 2019 Fina MS-DRG Title	Weights	Geometric mean LOS	Arithmetic mean LOS
032	Yes	No	01	SURG	VENTRICULAR SHUNT PROCEDURES W CC	2.3021	3.3	4.8
,		1	-		VENTRICULAR SHUNT PROCEDURES W/O			
033	Yes	No	01	SURG	CC/MCC	1.6877	1.8	2.
034	No	No	01	SURG	CAROTID ARTERY STENT PROCEDURE W MCC	3.5998	4.7	6.
035	No	No	01	SURG	CAROTID ARTERY STENT PROCEDURE W CC	2.2203	2.1	3.0
					CAROTID ARTERY STENT PROCEDURE W/O			
036	No	No	01	SURG	CC/MCC	1.7260	1.2	1.4
037	No	No	01	SURG	EXTRACRANIAL PROCEDURES W MCC	3.2098	5.1	7.
038	No	No	01	SURG	EXTRACRANIAL PROCEDURES W CC	1.6717	2.2	3.
039	No	No	01	SURG	EXTRACRANIAL PROCEDURES W/O CC/MCC	1.1324	1.3	1
					PERIPH/CRANIAL NERVE & OTHER NERV SYST			
040	Yes	Yes	01	SURG	PROC W MCC	3.9282	7.6	10.
					PERIPH/CRANIAL NERVE & OTHER NERV SYST			
041	Yes	Yes	01	SURG	PROC W CC OR PERIPH NEUROSTIM	2.3584	4.2	5.
					PERIPH/CRANIAL NERVE & OTHER NERV SYST			
042	Yes	Yes	01	SURG	PROC W/O CC/MCC	1.8715	2.5	3.
052	No	No	01	MED	SPINAL DISORDERS & INJURIES W CC/MCC	1.7004	4.1	5.
053	No	No	01	MED	SPINAL DISORDERS & INJURIES W/O CC/MCC	0.9141	2.7	3.
054	Yes	No	01	MED	NERVOUS SYSTEM NEOPLASMS W MCC	1.3166	3.8	5.
055	Yes	No	01	MED	NERVOUS SYSTEM NEOPLASMS W/O MCC	1.0472	3.1	4.4
					DEGENERATIVE NERVOUS SYSTEM DISORDERS			
056	Yes	No	01	MED	W MCC	2.1245	5.5	8.3

MS-DRG – Relative Weight (RW)



Calculation example:



MS-DRG – Additional Payments



Examples:

BASE PAYMENT



High Cost Outlier

Disproportionate Share Payment (including uncompensated care)

GME/IME Payment

New Technology Add-On





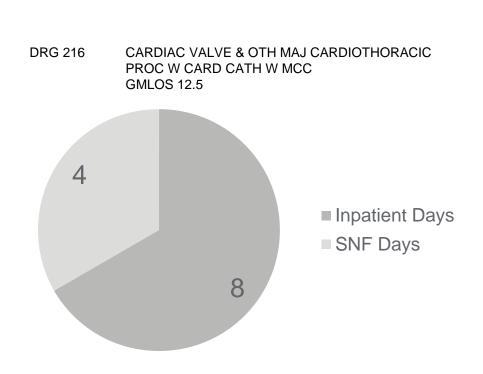
PACT policy and payment methodology – Developed to discourage early transfer of patients to post-acute levels of care (i.e. SNF, HH) by reducing hospital payments for certain inpatient stays



In this example, patient stayed only 8 days in the hospital and 4 days in SNF.

The full GM-LOS for this MS-DRG is 12.5.

Prior to PACT, the hospital received full MS-DRG payment even though the patient was discharged four days early.





Discharge status code – A two-digit code that identifies where a patient is going at the conclusion of a health care facility encounter or at the time end of a billing cycle (the 'through' date of a claim).

The discharge status code is assigned by the facility based on:

- ➤ The treatment planned for the patient after discharge And is coordinated by:
 - > The patient
 - The patient's family
 - > The attending and consulting physicians discharge planning
 - Case managers
 - Any receiving facility or provider

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Discharge Dispositions

Discharge Disposition Code	Description
03	Skilled Nursing Facility (SNF) with Medicare Certification
05	Designated Cancer Center or Children's Hospital
06	Home with a home health plan of care that begins within 3 days
50	Hospice care - home (Effective for claims with through date on or after October 1, 2018)
51	Hospice care - medical facility (Effective for claims with through date on or after October 1, 2018)
62	Inpatient Rehabilitation Facility (IRF) including Rehabilitation Distinct Part Units of a Hospital
63	Medicare Certified Long Term Care Hospital (LTCH)
65	Psychiatric Hospital or Psychiatric Distinct Part Unit of a Hospital



Under Medicare's Post-acute Care Transfer policy a discharge of a hospital inpatient is considered to be a post-acute care transfer when the patient's discharge is:

- Assigned to one of 280 Transfer MS-DRGs listed in Table 5
- ➤ The discharge is made to certain post-acute care settings and discharge statuses



Reduced Payments

MS-DRG payments for the transferring hospital are reduced when:

- The patient's length of stay is at least one day less than the geometric mean length of stay for the MS-DRG
- The patient is transferred to another acute care hospital covered by IPPS or, for certain MS-DRGs, discharged to a post-acute setting
- The patient is transferred to a hospital that does not have an agreement to participate in the Medicare Program (effective October 1, 2010)
- The patient is transferred to a Critical Access Hospital (CAH) (effective October 1, 2010)



Payment Calculations

Post Acute Transfer MS-DRG payments are calculated as follows:

- > The hospital specific per diem rate is calculated by dividing the MS-DRG rate by the GMLOS for the specific MS-DRG.
 - The first day of care is paid double the per diem rate
 - The second and subsequent days are paid the per diem rate
 - Total payment cannot exceed the full MS-DRG payment rate.
- If the length of stay is at or above the GMLOS the hospital is reimbursed for the full MS-DRG



Payment Calculations

Special Pay MS-DRGs are reimbursed as follows:

- 50 percent of the full expected MS-DRG reimbursement for the first hospital day
- 50 percent of the per diem rate for each additional day of the stay up to but not exceeding the full MS-DRG payment.

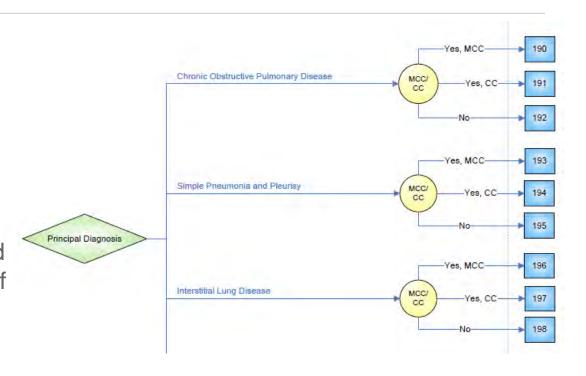


OPTUM*

Medical MS-DRGs

Medical MS-DRGs are assigned based upon the principal diagnosis, as in this example from MDC 04 Diseases & Disorders of the Respiratory System.

They are further refined based on the presence or absence of MCCs and/or CCs. MCCs are higher weighted – e.g. more resource intensive than CCs.





Medical MS-DRGs

Sex	Principa	MS-DRGs	
Male Patient	N39.3 Stress incontinence (female)(male)	695-696 Kidney and Urinary Tract Signs and Symptoms	
Female Patient	N39.3 Stress incontinence (female)(male)	MDC 13 Diseases & Disorders of the Female Reproductive System	760-761 Menstrual and Other Female Reproductive System Disorders



Surgical MS-DRGs

Surgical MS-DRGs are higher weighted than the medical MS-DRGs with the same principal diagnosis in the same MDC because Operating Room (O.R.) (and some Non O.R.) procedures result in increased reimbursement due to the assumption that these procedures add to the intensity or complexity of services and require operating room resources

Principal Diagnosis	Principal Procedure	MDC	MS-DRG	Relative Weight
J15.8 Pneumonia due to other specified bacteria	N/A	MDC 04 Diseases & Disorders of the Respiratory System	DRG 179 Respiratory Infections and Inflammations without CC/MCC	0.9215
J15.8 Pneumonia due to other specified bacteria	0B9K8ZX Drainage of Right Lung, Via Natural or Artificial Opening Endoscopic, Diagnostic	MDC 04 Diseases & Disorders of the Respiratory System	DRG 168 Other Respiratory System O.R. Procedures without CC/MCC	1.3416



Surgical MS-DRGs vs Medical MS-DRGs

Some Non O.R. procedures can also affect MS-DRG assignment of Medical MS-DRGs and may be higher weighted than an MS-DRG with an Operating Room (O.R.) procedure, resulting in increased reimbursement.

Principal Diagnosis	Principal Procedure	MDC	MS-DRG	Relative Weight
J15.8 Pneumonia due to other specified bacteria	5A1945Z Respiratory Ventilation, 24- 96 Consecutive Hours	MDC 04 Diseases & Disorders of the Respiratory System	DRG 208 Respiratory System Diagnosis with Ventilator Support <= 96 HOURS	2.4374
J15.8 Pneumonia due to other specified bacteria	0B9K8ZX Drainage of Right Lung, Via Natural or Artificial Opening Endoscopic, Diagnostic	MDC 04 Diseases & Disorders of the Respiratory System	DRG 168 Other Respiratory System O.R. Procedures without CC/MCC	1.3416

OPTUM*

Surgical MS-DRGs

There is a surgical hierarchy of the MS-DRGs within each MDC, and in most instances, patients with multiple procedures are assigned to the highest surgical class in the hierarchy, which is presumed by the logic to be the most resource-intensive MS-DRG.

Pre MDC

001-002
003-004
005-006
014
007
008
016-017
010
011-013



Surgical MS-DRGs

If a patient receives both a hip replacement and an excisional debridement of a toe ulcer subcutaneous tissue, the case is assigned to the excisional debridement surgical class because this procedure is grouped in MS-DRGs 463-465, which is higher in the MDC 8 surgical hierarchy than the MS-DRGs for a hip replacement, MS-DRGs 469-790

MDC 8 DISEASES & DISORDERS OF THE MUSCULOSKELETAL SYSTEM 8 CONNECTIVE TISSUE

Combined anterior/posterior spinal fusion w MCC; w CC; w/o CC/MCC	453-455
Spinal fus exc cerv w spinal curv/malig/infec or 9+ fus w MCC; w CC; w/o CC/MCC	456-458
Spinal fusion except cervical w MCC; w/o MCC	459-460
Bilateral or multiple major joint procs of lower extremity w MCC; w/o MCC	461-462
Wnd debrid & skn graft exc hand, for musculo-conn tiss dis w MCC; w CC; w/o CC/MCC	463-465
Revision of hip or knee replacement w MCC; w CC; w/o CC/MCC	466-468
Major joint replacement or reattachment of lower extremity w MCC; w/o MCC	469-470
Cervical spinal fusion w MCC; w CC; w/o CC/MCC	471-473
Amputation for musculoskeletal sys & conn tissue dis w MCC; w CC; w/o CC/MCC	474-476
Biopsies of musculoskeletal system & connective tissue w MCC; w CC; w/o CC/MCC	477-479
Hip & femur procedures except major joint w MCC; w CC; w/o CC/MCC	480-482
Major joint & limb reattachment procs of upper extremity	483
Knee procedures	485-489
Back & neck proc exc spinal fusion w MCC or disc device/neurostim; w CC; w/o CC/MCC	518-520

OPTUM*

Surgical MS-DRGs

Principal Diagnosis	Secondary Diagnoses	Principal Procedure	Secondary Procedure	MDC	MS-DRG	Relative Weight
M80.051A Age-related osteoporosis with current pathological fracture, right femur, initial encounter	E11.621 Type 2 diabetes mellitus with foot ulcer L97.522 Non-pressure chronic ulcer of other part of left foot with fat layer exposed	OSR9029 Replacement of Right Hip Joint with Metal on Polyethylene Synthetic Substitute, Cemented, Open Approach	0JBR0ZZ Excision of Left Foot Subcutaneous Tissue and Fascia, Open Approach	MDC 08 Diseases & Disorders of the Musculoskeletal System & Connective Tissue	MS-DRG 465 Wound Debridement and Skin Graft Except Hand, for Musculoskeletal and Connective Tissue Disorders without CC/MCC	ş
M80.051A Age-related osteoporosis with current pathological fracture, right femur, initial encounter	E11.621 Type 2 diabetes mellitus with foot ulcer L97.522 Non-pressure chronic ulcer of other part of left foot with fat layer exposed	OSR9029 Replacement of Right Hip Joint with Metal on Polyethylene Synthetic Substitute, Cemented, Open Approach	OJDROZZ Extraction of Left Foot Subcutaneous Tissue and Fascia, Open Approach	MDC 08 Diseases & Disorders of the Musculoskeletal System & Connective Tissue	MS-DRG 470 Major Hip and Knee Joint Replacement or Reattachment of Lower Extremity without MCC	1



Surgical MS-DRGs

If the patient had lumbar spinal fusion for spinal stenosis instead of hip replacement, with an excisional debridement of toe ulcer subcutaneous tissue, the case is assigned to the spinal fusion surgical class in MS-DRGs 459-460, which is higher in the MDC 8 surgical hierarchy than the MS-DRGs for excisional debridement, MS-DRGs 463-465

MDC 8 DISEASES & DISORDERS OF THE MUSCULOSKELETAL SYSTEM & CONNECTIVE TISSUE

Combined anterior/posterior spinal fusion w MCC; w CC; w/o CC/MCC	453-455
Spinal fus exc cerv w spinal curv/malig/infec or 9+ fus w MCC; w CC; w/o CC/MCC	456-458
Spinal fusion except cervical w MCC; w/o MCC	459-460
Bilateral or multiple major joint procs of lower extremity w MCC; w/o MCC	461-462
Wnd debrid & skn graft exc hand, for musculo-conn tiss dis w MCC; w CC; w/o CC/MCC	463-465
Revision of hip or knee replacement w MCC; w CC; w/o CC/MCC	466-468
Major joint replacement or reattachment of lower extremity w MCC; w/o MCC	469-470
Cervical spinal fusion w MCC; w CC; w/o CC/MCC	471-473
Amputation for musculoskeletal sys & conn tissue dis w MCC; w CC; w/o CC/MCC	474-476
Biopsies of musculoskeletal system & connective tissue w MCC; w CC; w/o CC/MCC	477-479
Hip & femur procedures except major joint w MCC; w CC; w/o CC/MCC	480-482
Major joint & limb reattachment procs of upper extremity	483
Knee procedures	485-489
Back & neck proc exc spinal fusion w MCC or disc device/neurostim; w CC; w/o CC/MCC	518-520



Surgical MS-DRGs

Principal Diagnosis	Secondary Diagnoses	Principal Procedure	Secondary Procedure	MDC	MS-DRG	Relative Weight
M48.061 Spinal stenosis, lumbar region without neurogenic claudication	E11.621 Type 2 diabetes mellitus with foot ulcer L97.522 Non-pressure chronic ulcer of other part of left foot with fat layer exposed	OSG0070 Fusion of Lumbar Vertebral Joint with Autologous Tissue Substitute, Anterior Approach, Anterior Column, Open Approach	0JBR0ZZ Excision of Left Foot Subcutaneous Tissue and Fascia, Open Approach	MDC 08 Diseases & Disorders of the Musculoskeleta I System & Connective Tissue	MS-DRG 460 Spinal fusion except fusion without MCC	4.0375



MCCs and CCs



CMS developed lists of conditions that are defined as either major complications or comorbidities (MCCs) or complications or comorbidities (CCs) when used as a secondary diagnosis.

- A complication is a condition that arises during the hospital stay that affects the treatment received and/or prolongs the length of stay.
- A comorbidity is a pre-existing condition that affects the treatment received and/or prolongs the length of stay.



MCCs and CCs

Principal Diagnosis	CC	MCC	MDC	MS-DRG	Relative Weight
J15.8 Pneumonia due to other specified bacteria			MDC 04 Diseases & Disorders of the Respiratory System	DRG 179 Respiratory Infections and Inflammations without CC/MCC	0.9215
J15.8 Pneumonia due to other specified bacteria	I12.0 Hypertensive chronic kidney disease with stage 5 chronic kidney disease or end stage renal disease		MDC 04 Diseases & Disorders of the Respiratory System	DRG 178 Respiratory Infections and Inflammations with CC	1.2744
J15.8 Pneumonia due to other specified bacteria		I50.43 Acute on chronic combined systolic (congestive) and diastolic (congestive) heart failure	MDC 04 Diseases & Disorders of the Respiratory System	DRG 177 Respiratory Infections and Inflammations with MCC	1.8408





MS-DRG Updates

Each year, effective October 1 through September 30, MS-DRG assignments are adjusted based on relative weight (RW), arithmetic mean length of stay (AMLOS), and geometric mean length of stay (GMLOS).

Annually, new ICD-10 codes will be incorporated into the existing MS-DRGs or new MS-DRGs will be added for the next fiscal year.



CMS issues its Final Rule on changes to the hospital inpatient prospective payment system (IPPS) and fiscal year rates in the Federal Register, each year in August. The updated MS-DRGs are are effective for discharges occurring on or after October 1 of that year.



Centers for Medicare and Medicaid Services (CMS) issued the FY 2020 Inpatient Prospective Payment System Rule (IPPS) Proposed Rule on April 23, 2019



Severity Change	# of codes
MCC to No Severity Level	17
CC to No Severity Level	1159
No Severity Level to CC	258
MCC to CC	136
CC to MCC	8
Total Changes	1570



207	RESPIRATORY SYSTEM DIAGNOSIS W VENTILATOR SUPPORT >96 HOURS OR PERIPHERAL EXTRACORPOREAL MEMBRANE OXYGENATION (ECMO)	Revised
291	HEART FAILURE & SHOCK W MCC OR PERIPHERAL EXTRACORPOREAL MEMBRANE OXYGENATION (ECMO)	Revised
296	CARDIAC ARREST, UNEXPLAINED W MCC OR PERIPHERAL EXTRACORPOREAL MEMBRANE OXYGENATION (ECMO)	Revised
870	SEPTICEMIA OR SEVERE SEPSIS W MV >96 HOURS OR PERIPHERAL EXTRACORPOREAL MEMBRANE OXYGENATION (ECMO)	Revised



691	URINARY STONES W ESW LITHOTRIPSY W CC/MCC	Deleted
692	URINARY STONES W ESW LITHOTRIPSY W/O CC/MCC	Deleted
693	URINARY STONES W/O ESW LITHOTRIPSY W MCC	Revised
694	URINARY STONES W/O ESW LITHOTRIPSY W/O MCC	Revised

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PULMONARY EMBOLISM W MCC OR ACUTE COR PULMONALE

Revised



266	ENDOVASCULAR CARDIAC VALVE REPLACEMENT & SUPPLEMENT PROCEDURES W MCC	Revised
267	ENDOVASCULAR CARDIAC VALVE REPLACEMENT & SUPPLEMENT PROCEDURES W/O MCC	Revised
319	OTHER ENDOVASCULAR CARDIAC VALVE PROCEDURES W MCC	New
320	OTHER ENDOVASCULAR CARDIAC VALVE PROCEDURES W/O MCC	New



Insertion of Feeding Device	
Basilic Vein Reposition in Chronic Kidney Disease	
Colon Resection with Fistula	
Stage 3 Pressure Ulcers of the Hip	
Gastrointestinal Stromal Tumor	
Finger Cellulitis	
Gastric Band Procedure Complications or Infections	
Peritoneal Dialysis Catheters	
Occlusion of Left Renal Vein	
Bronchoalveolar Lavage	
Percutaneous Drainage of Pelvic Cavity	
Percutaneous Removal of Drainage Device	
Percutaneous Occlusion of Gastric Artery	



References

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<u>pdf</u>

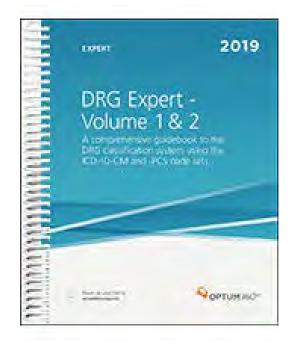
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Resources





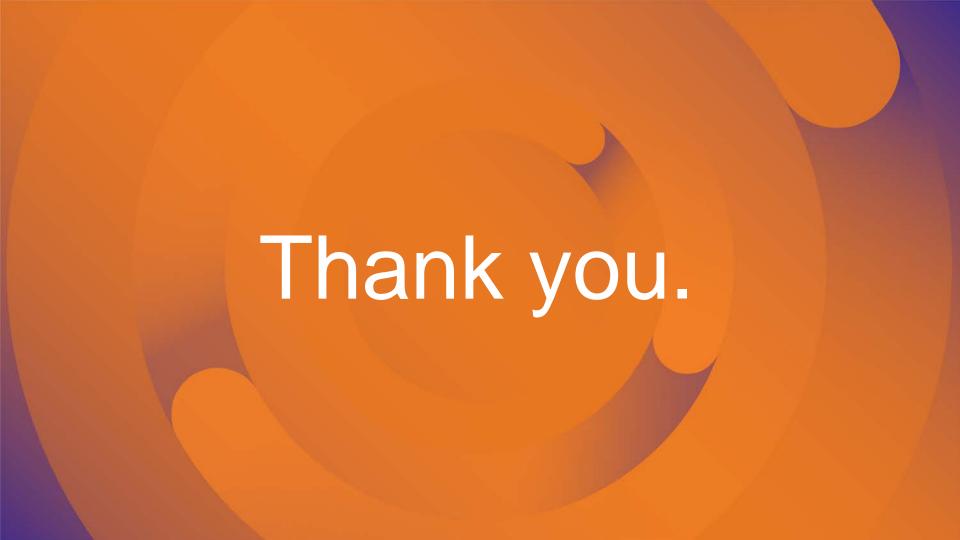
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