June 5 & June 7, 2018

Medi-Cal SFY 2018-19 DRG Payment

Provider Training

Contents

First, the headlines

- Fee-for-service (FFS) Medi-Cal Diagnosis Related Group (DRG) payment is budget neutral overall
- Actual FFS spending depends upon actual utilization and casemix
- Major policy updates:
  - Added high acuity policy adjustor to increase payment for the sickest patients
  - Adjusted outlier threshold and marginal cost percentage to maintain SFY 2017-18 targeted outlier payment pool
  - Reduced statewide base rate
  - Reduced pediatrics policy adjustor for lower acuity stays
- Hospitals:
  - Not required to change their systems or billing practices
  - Do not need to put the DRG on the claim
  - Should use appropriate year's grouper settings from DHCS DRG website to replicate DRG assignment and estimate pricing
  - Should submit accurate cost reports
- APR-DRGs is an acuity-based payment method that adjusts payment according to the illness severity of each patient
- Protecting the integrity of this acuity adjustment is critical

APR-DRG background

APR-DRG background

DRG refresher training

Medi-Cal Learning Portal

https://learn.medi-cal.ca.gov/Home.aspx

Diagnosis Related Group Year 5 Webinar (05/23/2017 or 06/02/2017)

http://www.dhcs.ca.gov/provgovpart/Documents/DRG/W17-874_CA_Medi-Cal_DRG_Year_5_Provider_Training_2017-05-17.pdf

Diagnosis Related Group Year 4 Webinar (05/26/2016 or 06/02/2016)

http://www.dhcs.ca.gov/provgovpart/Documents/DRG/W726_CA_Medi-Cal_DRG_Year_4_Provider_Training_2016-06-29.pdf

Diagnosis Related Group Year 3 Webinar (06/11/2015 or 06/15/2015)

http://www.dhcs.ca.gov/provgovpart/Documents/DRG/W561_Medicaid_DRG_Year_3_update_training_2015-06-15.pdf

Diagnosis Related Group Year 2 Webinar 07/2014

http://www.dhcs.ca.gov/provgovpart/Documents/DRG/W397_CA_Medicaid_DRG_update_training_2014-06-26.pdf

Diagnosis Related Group Year 1 Overview Webinar 12/2013

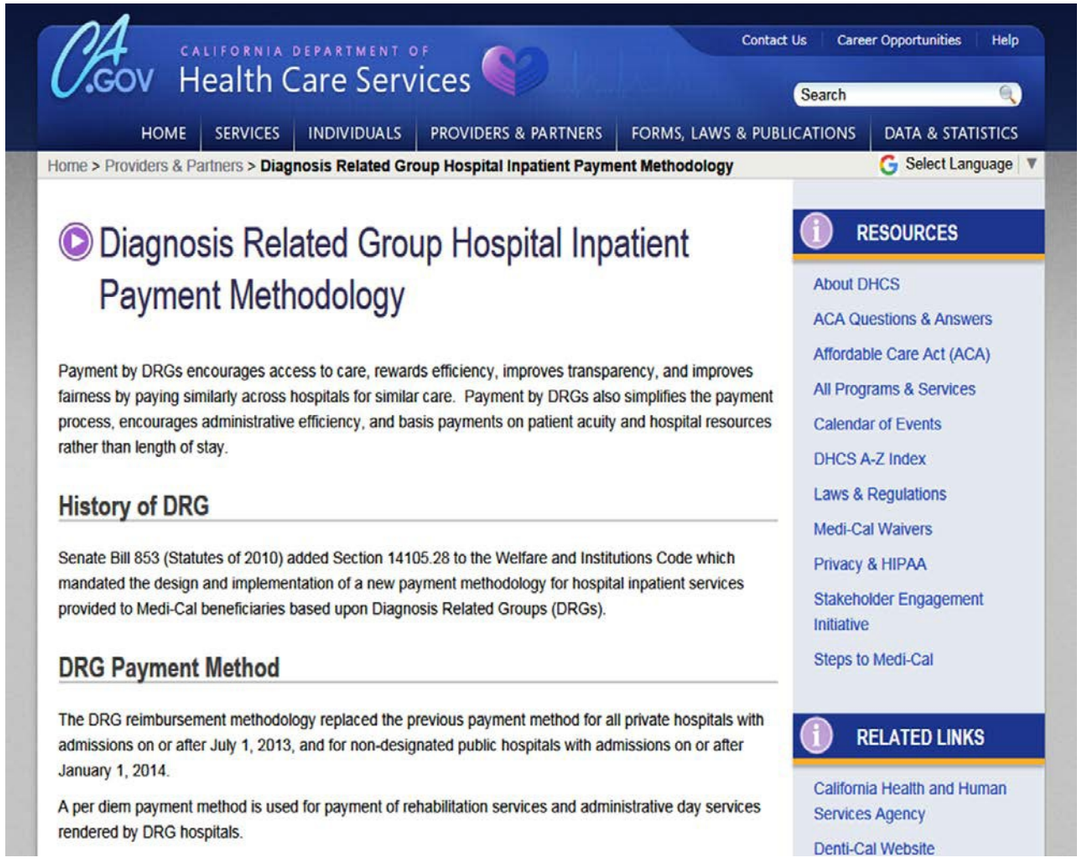
http://www.dhcs.ca.gov/provgovpart/Documents/DRG/W277CADRGProviderTrainingDRGOverview2013-12-4.pdf

Diagnosis Related Group Year 1 Ratesetting Webinar 02/2013

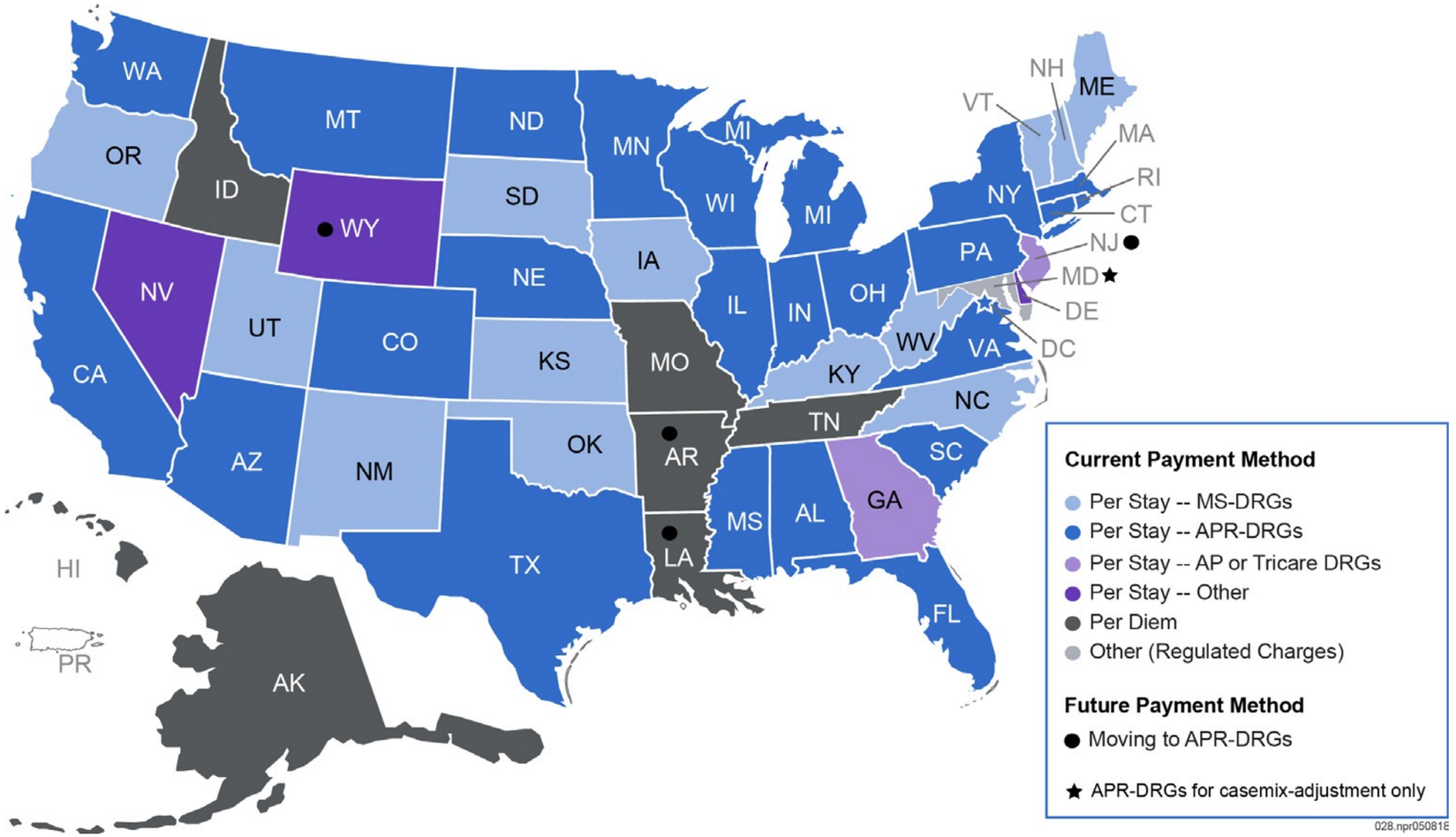
http://www.dhcs.ca.gov/provgovpart/Documents/DRG/W225%20CA%20DRG%20Ratesetting%20Webinar%20NDPH%202013-07-17.pdf

Diagnosis Related Group Billing Webinar July 2013 (on Medi-Cal Learning Portal)

https://learn.medi-cal.ca.gov/_fl55izi/diagnosis_related_group_billing_recorded_webinar.aspx



How states pay for inpatient care



- A majority of states, and the District of Columbia, use or will use APR-DRGs for FFS Medicaid
- All the largest states have implemented APR-DRGs
- APR-DRGs account for 67% of the FFS inpatient Medicaid dollars

APR-DRG background

Principles of DRG payment

- **Value purchasing:** DRGs define “the product of a hospital,” enabling greater understanding of the services provided and purchased
  - DRGs reward better diagnosis and procedure coding, which should be complete, accurate and defensible
- **Fairness:** Statewide base rates with outlier policy for expensive stays
- **Efficiency:** Because payment does not depend on hospital-specific costs or charges, hospitals are rewarded for improving efficiency, such as reductions in lengths of stay
- **Access:** Higher DRG payment for sicker patients encourages access to care across the range of patient conditions
- **Transparency:** Payment methods and calculations are posted on the DRG webpage
- **Administrative ease:** Day-by-day Treatment Authorization Request (TAR) no longer required (except some limited-benefit beneficiaries)
- **Quality:** Sets foundation for improvement of outcomes

APR-DRG background

History of the DRG project

- **Timeline:**
  - July 1, 2013 – official start of DRG payment
  - July 1, 2013 – June 30, 2016: transition to statewide DRG base rates
  - January 1, 2014: Non Designated Public Hospitals (NDPHs) implemented; Medicaid expansion implemented
  - October 1, 2015: International Classification of Diseases Version 10 (ICD-10) implementation
  - July 1, 2016: statewide rates fully implemented
  - July 1, 2017: payment policy change to decrease outlier payment pool and increase DRG-based payments
- **Programs:** Medi-Cal fee-for-service, California Children's Services (CCS) only, Genetically Handicapped Persons Program (GHPP) only
- **Hospitals:** General acute care hospitals, including out-of-state; Medicare-designated Critical Access Hospitals (CAHs) and acute stays at Long-Term Care Hospitals (LTCHs)
- **Excluded hospitals:** Designated public hospitals, psychiatric hospitals (county financed)
- **Excluded services:** Rehabilitation (per diem), admin days (per diem), psychiatric care

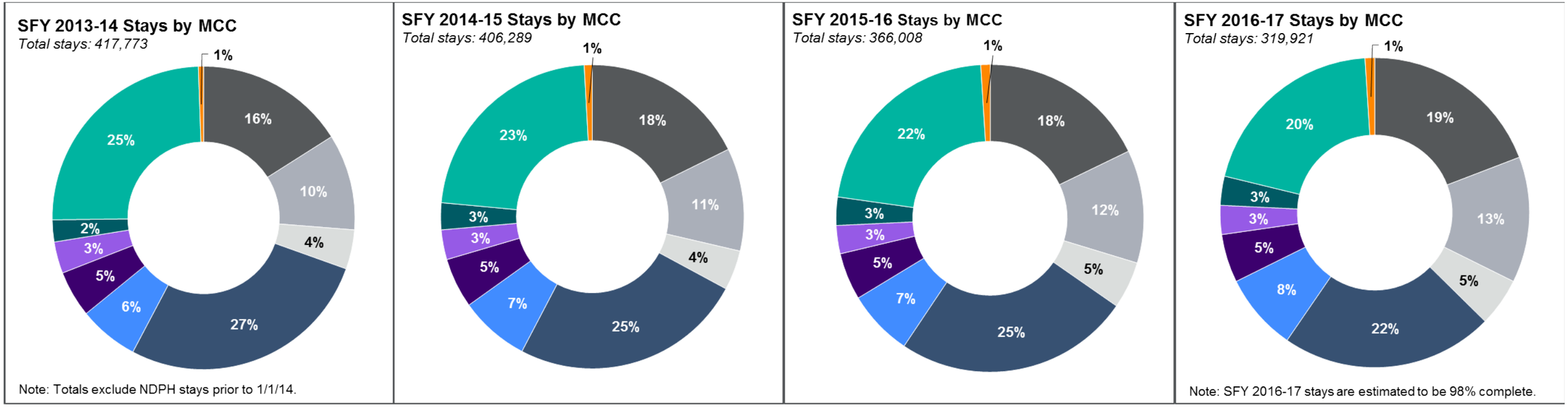
APR-DRG background

Trends and observations

- Stability as a guiding principle for policy decision-making
- Observed steady increase in percentage of payments allocated for outlier cases between SFY 2013-14 and SFY 2016-17
- Generally even distribution of stays and payment across the first four years of the DRG payment methodology
- Effect on FFS volumes and payments going forward depends on interaction of three trends
  - Pace of new Medi-Cal enrollees under ACA Medicaid expansion
  - Pace of transition from FFS to managed care
  - Actual casemix and utilization
- Overall increase in expensive stays
  - Estimated SFY 2016-17 casemix of 0.95 – the highest observed casemix since DRG implementation

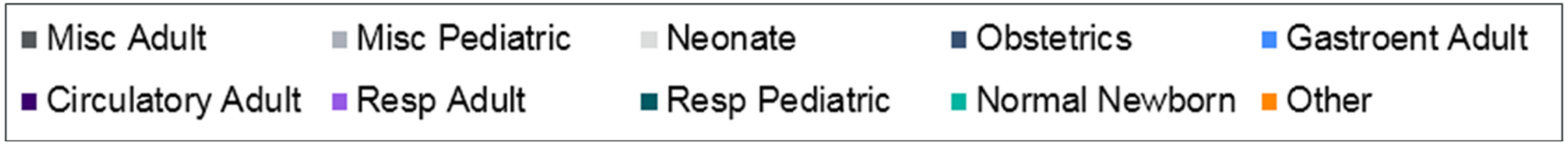
Stays by Medicaid care category

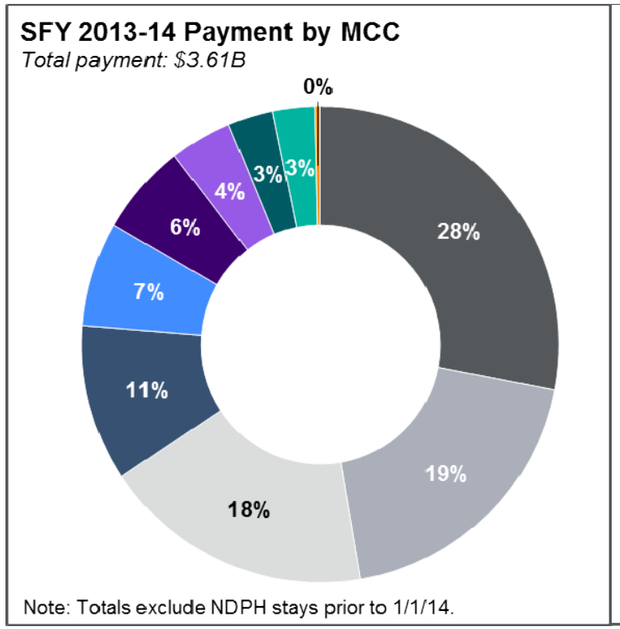
- Proportions of Obstetric and Normal Newborn stays decreasing
- Pediatric stays have been increasing as a share of the total stays

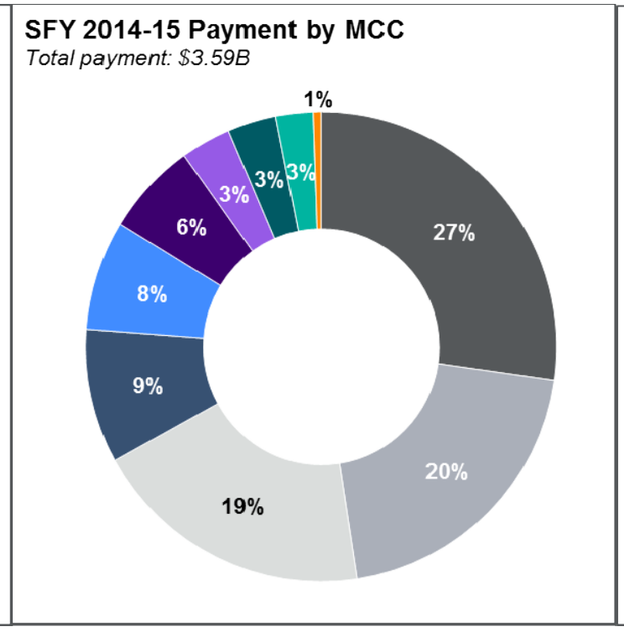


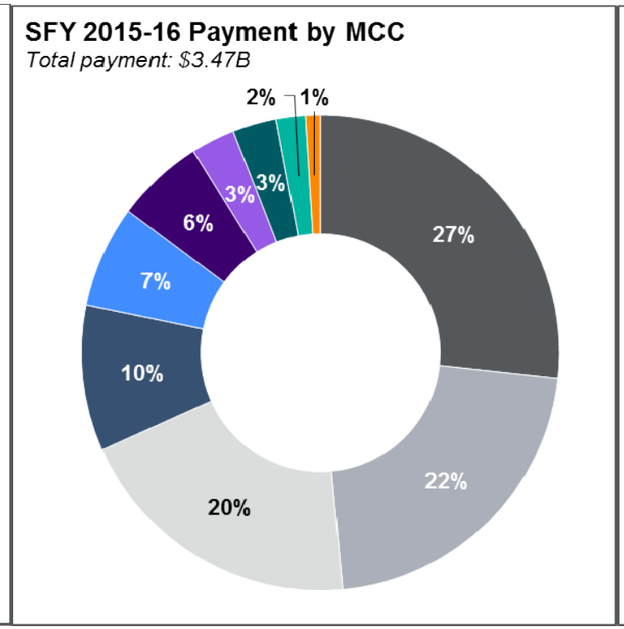
Payment by Medicaid care category

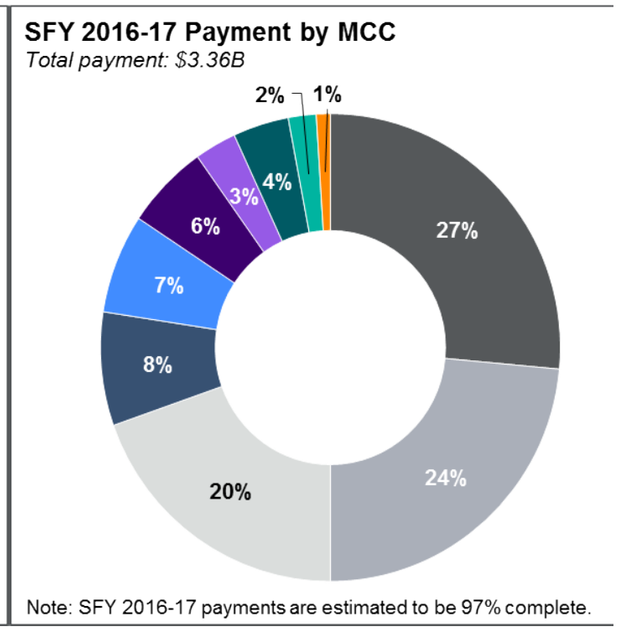
- Payment for Pediatrics has been increasing as a share of the total payments





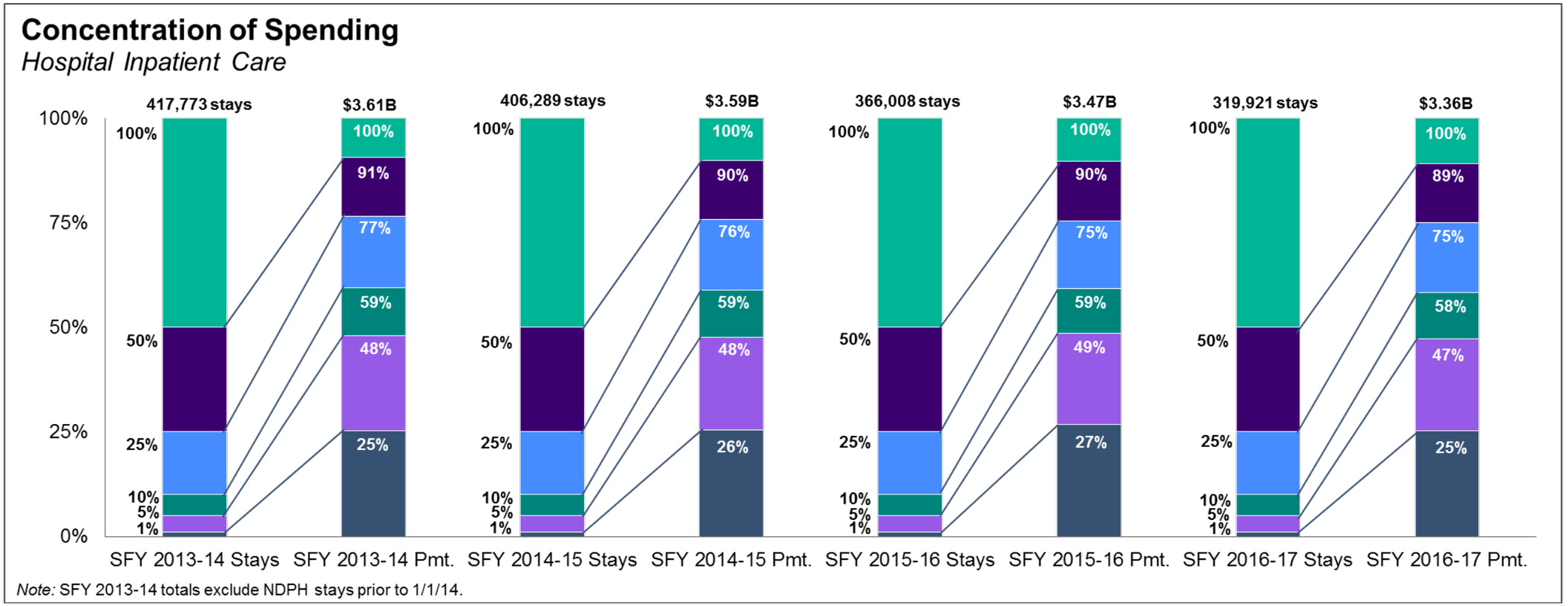






Concentration of spending

- 5% of stays account for almost half of payments

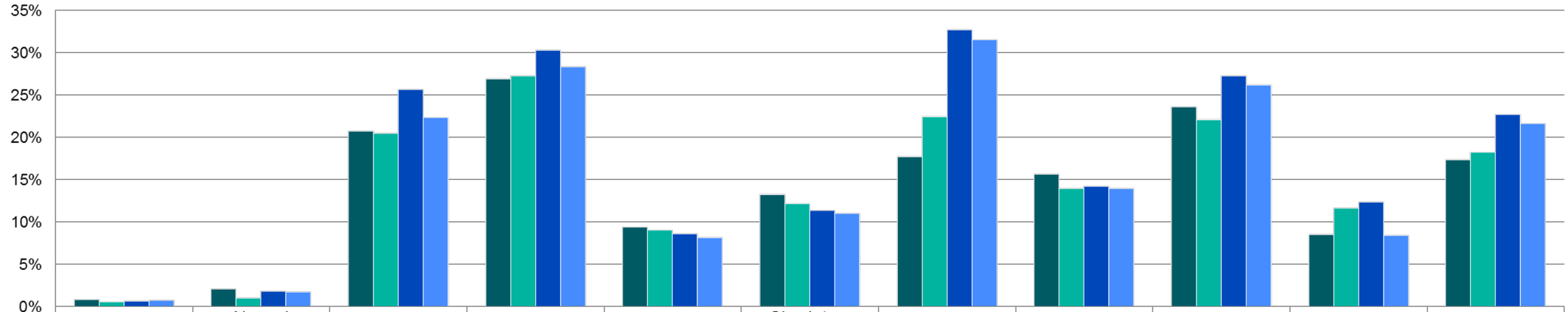


APR-DRG background

Outlier percentage

- Outlier payments for neonates increased from 18% in SFY 2013-14 to 32% in SFY 2016-17
- Total outlier payment continues to increase from 17% in SFY 2013-14 to 22% in SFY 2016-17

Outlier Percentage by Medicaid Care Category



	Obstetrics	Normal Newborn	Misc Adult	Misc Pediatric	Gastroent Adult	Circulatory Adult	Neonate	Resp Adult	Resp Pediatric	Other	Total
SFY 2013-14	1%	2%	21%	27%	9%	13%	18%	16%	24%	9%	17%
SFY 2014-15	1%	1%	20%	27%	9%	12%	22%	14%	22%	12%	18%
SFY 2015-16	1%	2%	26%	30%	9%	11%	33%	14%	27%	12%	23%
SFY 2016-17	1%	2%	22%	28%	8%	11%	32%	14%	26%	8%	22%

SFY 2017-18 APR-DRG experience

SFY 2017-18 policy change summary

- Reduce outlier payments, pay more through DRG policy
- Outlier payment pool target was reduced to 14% to realign DRG payment incentives

Regular annual updates:

- Budget neutral overall
- Updates to DRG software
- Updates to national wage areas
- Wage area neutrality factor
- HSRV relative weights

Changes for SFY 2017-18

- Increase statewide base rate to $6,760
- Increase pediatric policy adjustor to 1.45
- Raise outlier threshold to $60,000
- Lower marginal rate to 50%
- Remove tier 2 outliers

SFY 2017-18 APR-DRG experience

Outlier payments, SFY 2017-18

On July 1, 2017, the outlier payment policy was revised:

- Shift more money into base payments through increasing the statewide base rate and pediatric policy adjustors
- Reduce the amount paid as outliers

Preliminary analysis:

- Stays from 7/1/2016 – 9/30/2017, aggregated quarterly, six months runout for each quarter
- Stays: 97% complete
- Payments: 93% complete

Preliminary results for SFY 2017-18:

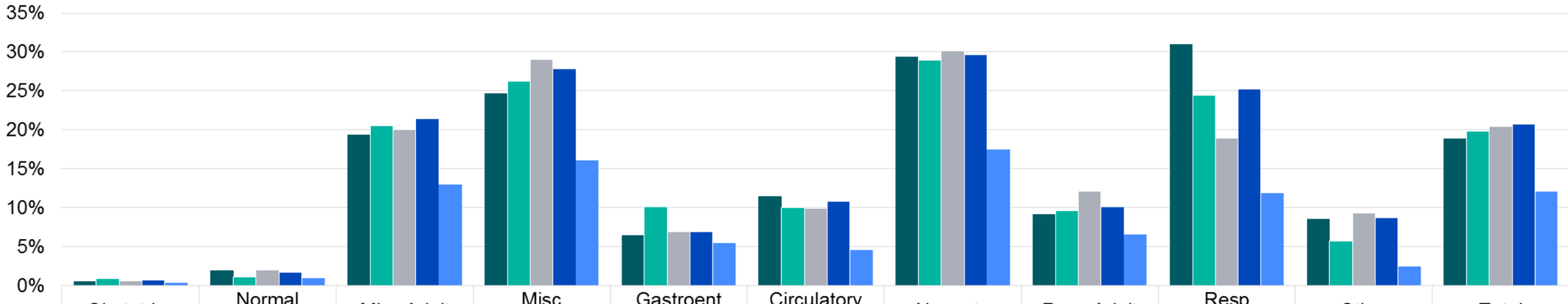
- Casemix-adjusted average payments have increased
- The number of claims that qualify for outlier payments has dropped by approximately 23% compared to the same quarter of the previous year, as expected due to the increase in the outlier threshold

SFY 2017-18 APR-DRG experience

Outlier payment levels

- The outlier policy change reduced relative outlier payment levels: outlier payments in Q1 of SFY 2017-18 (July 2017 – Sept. 2017) dropped by 36% compared to Q1 of SFY 2016-17 (July 2016 – Sept. 2016)
- Outlier payments are expected to be approximately 13.2% with 12 months of runout

Percent of Payment Paid as Outliers



	Obstetrics	Normal Newborn	Misc Adult	Misc Pediatric	Gastroent Adult	Circulatory Adult	Neonate	Resp Adult	Resp Pediatric	Other	Total
SFY 2016-17, Q1	0.5%	1.9%	19.4%	24.7%	6.4%	11.4%	29.4%	9.2%	31.0%	8.5%	18.9%
SFY 2016-17, Q2	0.9%	1.0%	20.5%	26.3%	10.1%	10.0%	29.0%	9.6%	24.4%	5.6%	19.9%
SFY 2016-17, Q3	0.5%	2.0%	20.1%	29.1%	6.9%	9.9%	30.1%	12.1%	18.9%	9.3%	20.4%
SFY 2016-17, Q4	0.6%	1.6%	21.4%	27.9%	6.8%	10.8%	29.7%	10.1%	25.2%	8.7%	20.8%
SFY 2017-18, Q1	0.3%	0.9%	13.0%	16.1%	5.4%	4.6%	17.5%	6.5%	11.9%	2.4%	12.1%

SFY 2018-19 updates

SFY 2018-19 policy summary

Budget neutral overall and no changes in pricing structure

Regular annual updates:

- APR-DRG software, HSRV relative weights
- National wage areas and labor share
- CCRs
- Wage area neutrality factor

Policy changes from SFY 2017-18 to 2018-19*

- Added high acuity policy adjustor
- Outlier payment calculation
  - Outlier threshold will decrease to $57,000
  - Marginal cost percentage will increase to 60%
- Statewide base rate (includes border hospitals): $6,507
  - $253 (4%) decrease
- Pediatric policy adjustor for low acuity stays returned to 1.25

Impacts on individual hospitals will depend on actual utilization and casemix

*Subject to federal approval

SFY 2018-19 updates

Rationale for policy changes

- The goal is to increase payments for the most resource-intensive stays and maintain outlier payment pool between 13% and 14% of total DRG payments
- SFY 2018-19 policy would:
  - Increase policy adjustor for the most resource intensive Pediatric, Neonate, Adult, and Obstetric stays (severity of illness = 4)

SFY 2018-19 Policy Adjustor Changes				
	Severity of Illness 1-3		Severity of Illness 4	
Policy Adjustor	SFY 2017-18	SFY 2018-19	SFY 2017-18	SFY 2018-19
Pediatric	1.45	1.25	1.45	1.75
Neonate at other NICU	1.25	1.25	1.25	1.75
Neonate at designated NICU	1.75	1.75	1.75	2.45
Adult	1.00	1.00	1.00	1.10
Obstetric	1.06	1.06	1.06	1.17

Note:

1. Normal newborn and Other stays do not receive policy adjustors.
2. Rounding occurs during payment calculations; in cases of difference, CAMMIS is correct.

SFY 2018-19 updates

Rationale for policy changes (Continued)

Benefits of high acuity policy adjustor:

1. **Reward efficiency** by paying more claims through DRG payments to be consistent with the original purpose of DRG payment nationwide
2. **Reduce vulnerability** to CCR volatility (year to year and between submitted and audited CCRs) and efforts to supplement payments with targeted charge increases
3. **Retain access** for complex high severity patients

Other policy changes:

- Outlier adjustments
  - More high acuity stays will pay through DRG payments
  - Maintaining the outlier payment pool at 13-14% requires reducing the outlier threshold and increasing the marginal rate
- Reduction in base rate; money is reallocated to the high acuity policy adjustor
- Shift money from low acuity to high acuity pediatric stays by reducing the low acuity pediatric policy adjustor to 1.25

SFY 2018-19 updates

Update to APR-DRG V.35

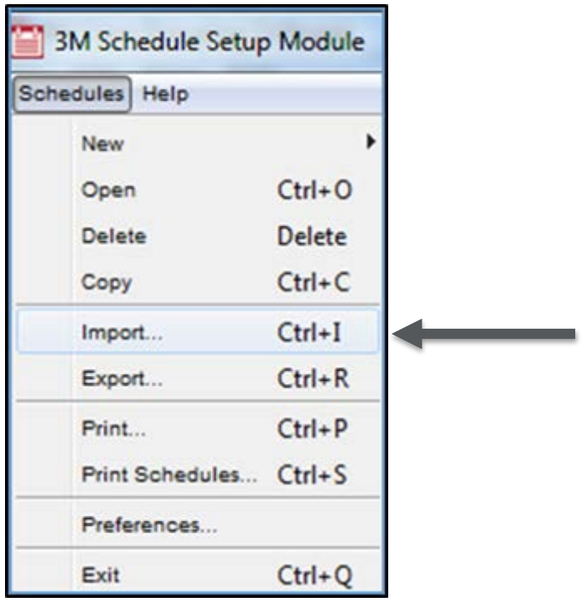
V.35 HSRV weights result in minor changes:

- Measured casemix changes using SFY 2016-17 stays (10/1/2016 through 3/31/2017, paid through 9/25/2017), comparing V.34 and V.35
  - Overall measured casemix decreased from 0.95 to 0.94, varied by MCC
  - Total payments decreased 0.03%

Impact of V.35 Grouper on Casemix and Payment							
Medicaid Care Category	Stays V.34	Stays V.35	Average Casemix V.34	Average Casemix V.35	V.34 Payments	V.35 Payments	% Diff in Payments
Obstetrics	34,421	34,448	0.44	0.44	$138,922,427	$139,255,514	0.24%
Normal newborn	31,192	31,259	0.12	0.12	$32,878,399	$32,357,164	-1.59%
Misc adult	30,016	29,899	1.44	1.43	$417,874,601	$413,153,938	-1.13%
Misc pediatric	20,274	20,175	1.42	1.41	$405,740,609	$400,393,092	-1.32%
Gastroent adult	11,945	11,960	1.04	1.06	$111,404,777	$113,496,175	1.88%
Circulatory adult	8,914	8,910	1.38	1.38	$108,703,716	$108,539,244	-0.15%
Neonate	7,695	7,637	2.76	2.80	$303,725,843	$304,593,831	0.29%
Resp pediatric	6,477	6,563	0.85	0.89	$74,271,749	$79,140,244	6.55%
Resp adult	5,286	5,365	1.06	1.07	$51,049,644	$52,843,744	3.51%
Other	1,523	1,527	0.60	0.61	$8,190,798	$8,432,407	2.95%
Total	**157,743**	**157,743**	**0.95**	**0.94**	**$1,652,762,563**	**$1,652,205,352**	**-0.03%**

SFY 2018-19 grouper software settings

- Hospitals do not need to buy APR-DRG software or put the DRG on the claim
- Hospitals that try to mimic Medi-Cal DRG pricing must be sure to use the appropriate software settings based on the admission date of the hospital stay
- SFY 2018-19 settings are similar to SFY 2017-18 settings
- For ease of use, a CSV file will be available for import on the DRG webpage:
  - Instructions for importing the CSV file into the 3M core grouping software will be available as well
  - The CSV file will expedite installation of the new settings, instead of adding them manually
- The October mapper update date is to be determined; please watch provider bulletins for when this upgrade is effective



SFY 2018-19 updates

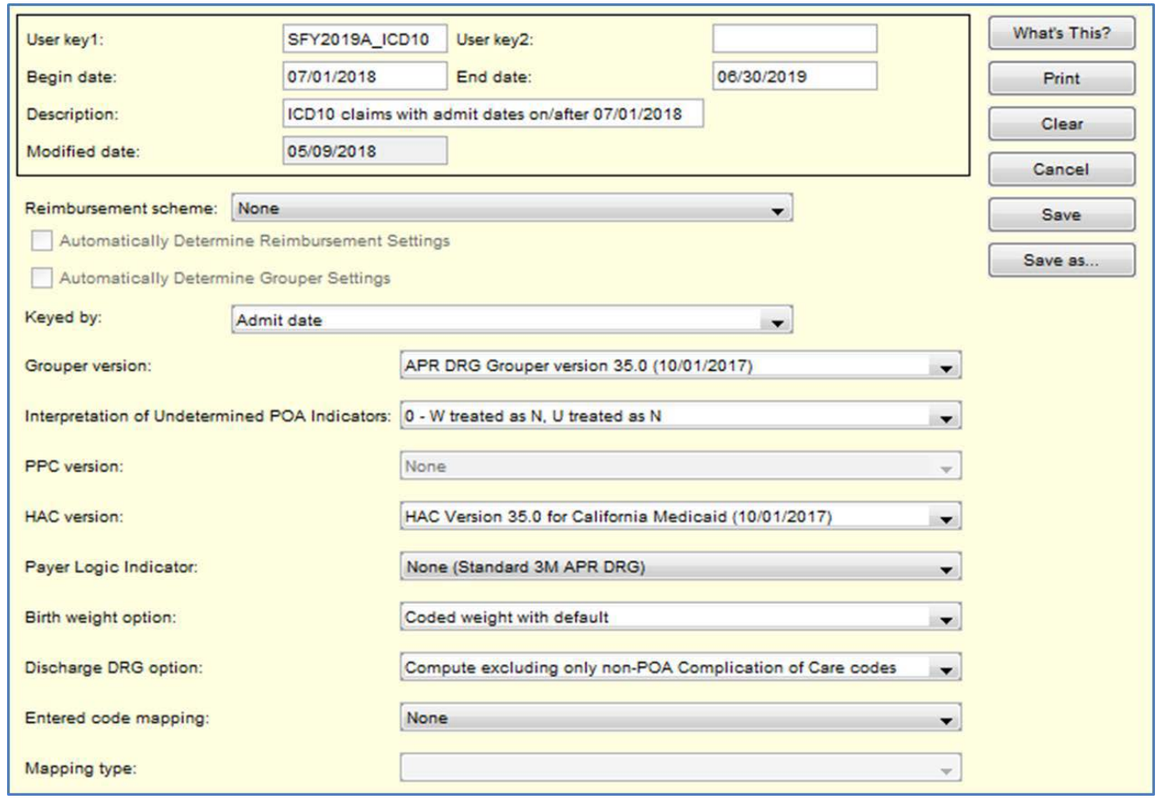
SFY 2018-19 grouper settings software

- For claims with admission dates on or after July 1, 2018, use:
  - Grouper V.35
  - HAC V.35 for California Medicaid
  - Entered Code Mapping: No code mapping is required until V.36 Mapper is implemented in October
  - Mapping Type: None until V.36 Mapper is implemented
  - Grouper ICD Version Qualifier: The ICD Version Qualifier should be set to “0 ICD-10” in the grouper
- ICD version indicator should be set to “0” on the claim record for ICD-10 claims

SFY 2018-19 Medi-Cal DRG Claims Grouper Setting Scenarios				
Scenario	**Date**	**Mapping**	**ICD Version**	**Comments**
A	Admit on or after 7/1/2018	No mapping required	ICD-10 (0)	Grouper v. 35 and HAC V. 35 for California Medicaid
B	Discharge on or after 10/1/2018	Historical mapping	ICD-10 (0)	Grouper v. 35 and HAC V. 36 for California Medicaid Discharge dates after 10/1/2018 will require historical mapping

SFY 2018-19 grouper software settings

SFY 2018-19 DRGs admit date on or after 7/1/18



Note: After the October 2018 V.36 mapper is installed:

- The end date in this screenshot will be updated
- Another screenshot will be added for claims submitted after the update

The complete SFY 2018-19 Grouper Software Settings document is available on the DRG webpage

Cost reporting

Cost report submission

Cost report submission requirements:

1. Cover letter (Includes the detail of special circumstances, contact personnel, etc.)
2. Signed copy of CMS 2552-10
3. Signed copy of DHCS 3092
4. CPA audited financial statements
5. Working trial balance
6. Working papers (A-6 reclass and A-8 adjustment) used to prepare the CMS 2552-10 and DHCS 3092
7. Email cost report submissions to Acute.Submissions@dhcs.ca.gov (Cost report tracking section (CRTS) (formerly ARAS))

Common causes for cost report rejection

1. Not reporting on the correct CMS 2552-10 Title schedules
   - DRG hospitals must be reported on Title V
   - DPH hospitals must be reported on Title XIX
   - Administrative day data must be reported under Title XIX
2. Reporting freestanding FQHCs and RHCs on the CMS 2552-10
   - Only Medicare Certified Provider-Based Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) can be reported on the CMS 2552-10
3. Not all the schedules on the CMS 2552-10 have the same run date and time
   - The schedules on the CMS 2552-10 must be from the same cost report run
4. Schedules on the CMS 2552-10 are not complete, mathematically accurate and/or flow from schedule to schedule
5. The Quality Assurance Fees (QAF) must be clearly identified and completely eliminated from the CMS 2552-10 schedule A-8

Cost reporting

CCR review and correction

- CCR (cost-to-charge ratio) calculation
  - Total Medi-Cal Costs (W/S E-3, Part VII, Column 1, Line 7) / Total Medi-Cal Charges (W/S E-3, Part VII, Column 1, Line 12)
- CCRs for FYE 2016 are provided to SNFD in October 2017 and used for rate setting for SFY 18/19
- Review of CCR changes from the prior year
  - Less than 5% difference – No further review
  - Greater than 5% difference – CCR narrative should be completed to identify cause such as:
    - Reporting error in prior or current year.
    - Changes in services provided
    - Changes in utilization
- If reporting error(s), CRTS may request resubmission of cost report to correct the error(s); applies to already accepted prior year cost report as well
  - If resubmitted by December 31, CRTS will forward revised CCR to SNFD for inclusion in the rate setting for the next fiscal year

Common reasons for cost report audit adjustments

1. Overstating costs or including non-reimbursable costs on Schedule A
2. Miscellaneous revenue being offset against non-reimbursable cost centers on Schedule A-8
3. Excluding statistics for non-reimbursable cost centers on Schedule B-1
4. Not including observation bed days or misreporting the census for total patient days on Schedule D-1
5. Misreporting Medi-Cal Days and Ancillary Charges on Schedules D-1 and D-3
6. Not including all Medi-Cal Charges on Schedule E-3

Further information

Further information

Reminders for accurate billing and pricing

- Diagnosis and procedure coding must be accurate, complete and defensible; continue to include POA codes as appropriate
- Reference the Hospital Characteristics File on the DRG website for your hospital-specific base rate and CCR
- Use the year-specific pricing resources such as the DRG Pricing Calculators and FAQs on the DRG website to understand pricing and predict payment
  - The calculator is intended to be helpful to users to estimate pricing, but it cannot capture all the editing and pricing complexity of the Medicaid claims processing system
  - In cases of difference, the claims processing system is correct
- Meet treatment authorization requirements
- Reference the Medi-Cal Provider Manual
- Reference provider bulletins regarding claims processing often
- Reference Medi-Cal Inpatient Claims Processing Update at http://www.dhcs.ca.gov/provgovpart/Pages/DRG-Provider-Edu.aspx for DRG billing updates

Further information

Looking ahead

1. SFY 2019-20 policy review and technical changes (APR-DRG V.36)
    a. Update system changes
    b. Re-evaluate policy
    c. Monitoring of payment policy changes
2. Monitor legislation
3. Continued monitoring and reporting of DRG payment
4. Review evidence on hospital documentation and coding changes
5. Quality: Continue review of potentially preventable readmissions and complications
6. DRG payment integrity
    a. DRG validation
    b. DRG outlier recalculation
    c. High-dollar claim review

Further information

DRG resources

1. DHCS DRG webpage devoted to APR-DRG information www.dhcs.ca.gov/provgovpart/Pages/DRG.aspx
   - Provider bulletins at http://files.medi-cal.ca.gov/pubsdoco/Bulletins_menu.asp
2. Join DRG listserv by emailing drg@dhcs.ca.gov
3. Policy questions (DO NOT email patient-specific information) to drg@dhcs.ca.gov
4. Medi-Cal Learning Portal: https://learn.medi-cal.ca.gov/Training/TrainingCalendar.aspx
5. Medi-Cal Telephone Service Center

   1-800-541-5555 from 8 a.m. to 5 p.m. PST

Further information

Stay in touch

To find out about DRG specific information, please select from the pages below.

Contact Information	Pricing Resources: SFY 2013/14
Important Information	Pricing Resources: SFY 2014/15
Provider Education and Bulletins	Pricing Resources: SFY 2015/16
Billing and TAR Changes	Pricing Resources: SFY 2016/17
	Pricing Resources: SFY 2017/18

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Appendix

Appendix

Payment policy changes summary

Summary of Recent Three Years of DRG Payment Policies			
Payment Policy	**SFY 2016-17**	**SFY 2017-18**	**SFY 2018-19**
DRG Base Rates			
DRG base rate, statewide	$6,320	$6,760	$6,507
DRG base rate, statewide (remote rural hospitals)	$12,832 (Set at 95% of aggregate cost)	$12,832 (Set at 95% of aggregate cost)	$12,832 (Set at 95% of aggregate cost)
Adjustment for wage area values	Adjusted for Medicare FFY 2016 wage area values and the 0.9690 wage area neutrality factor to neutralize CA changes compared to U.S.; labor share of 69.6% applied	Adjusted for Medicare FFY 2017 wage area values and the 0.9792 wage area neutrality factor to neutralize CA changes compared to U.S.; labor share of 69.6% applied	Adjusted for Medicare FFY 2018 wage area values and the 0.9771 wage area neutrality factor to neutralize CA changes compared to U.S.; labor share of 68.3% applied
Adjustment to base rates for improved documentation, coding and capture of diagnoses and procedures	None	None	None
Border hospitals	Subject to SPA 15-020 and Asante court judgment	Subject to SPA 15-020 and Asante court judgment	Subject to SPA 15-020 and Asante court judgment

Appendix

Payment policy changes summary (continued)

Summary of Recent Three Years of DRG Payment Policies			
Payment Policy	**SFY 2016-17**	**SFY 2017-18**	**SFY 2018-19**
DRG Grouper			
DRG version	APR-DRG V.33	APR-DRG V.34	APR-DRG V.35
DRG relative weights	APR-DRG V.33 national HSRV weights are unchanged from V.32	APR-DRG V.34 national HSRV weights	APR-DRG V.35 national HSRV weights
National average length of stay benchmarks (used in calculating transfer adjustments)	APR-DRG V.33 (arithmetic, untrimmed), unchanged from V.32	APR-DRG V.34 (arithmetic, untrimmed)	APR-DRG V.35 (arithmetic, untrimmed)
Outlier Policy Factors			
Hospital-specific cost-to-charge ratios (CCR)	FYE 2014 cost report (some exceptions may apply)	FYE 2015 cost report (some exceptions may apply)	FYE 2016 cost report (some exceptions may apply)
High side (provider loss) tiers and marginal cost (MCost) percentages	$0-$46,800: no outlier payment	$0-$60,000: no outlier payment	$0-$57,000: no outlier payment
	$46,801 to $150,800: MCost = 0.60	> $60,000: MCost = 0.50	>$57,000: MCost = 0.60
	>$150,800: MCost = 0.80	Only 1 tier for outlier payments	Only tier 1 for outlier payments
Low side (provider gain) tiers and marginal cost percentages	$0-$46,800: no outlier reduction	$0-$60,000: no outlier reduction	$0-$57,000: no outlier reduction
	>$46,800: MCost = 0.60	>$60,000: MCost = 0.50	>$57,000: MCost = 0.60

Appendix

Payment policy changes summary (continued)

Summary of Recent Three Years of DRG Payment Policies			
Payment Policy	**SFY 2016-17**	**SFY 2017-18**	**SFY 2018-19**
Policy adjustor – neonate at designated NICU (SOI=1-3)	1.75 (No change)	1.75 (No change)	1.75 (No change)
Policy adjustor – neonate at designated NICU (SOI=4)	1.75 (No change)	1.75 (No change)	2.45
Policy adjustor – neonate at other NICU (SOI=1-3)	1.25 (No change)	1.25 (No change)	1.25 (No change)
Policy adjustor – neonate at other NICU (SOI=4)	1.25 (No change)	1.25 (No change)	1.75
Policy adjustor – obstetric (SOI=1-3)	1.06 (No change)	1.06 (No change)	1.06 (No change)
Policy adjustor – obstetric (SOI=4)	1.06 (No change)	1.06 (No change)	1.17
Policy adjustor – pediatric misc, pediatric resp (SOI=1-3)	1.25 (No change)	1.45	1.25
Policy adjustor – pediatric misc, pediatric resp (SOI=4)	1.25 (No change)	1.45	1.75
Policy adjustor – adult misc, adult gastroent, adult resp, adult circ (SOI=4)	None	None	1.10
Pediatric age cutoff	<21 (No change)	<21 (No change)	<21 (No change)
Discharge status values for the transfer adjustment	02, 05, 63, 65, 66, 82, 85, 91, 93, and 94 (No change)	02, 05, 63, 65, 66, 82, 85, 91, 93, and 94 (No change)	02, 05, 63, 65, 66, 82, 85, 91, 93, and 94 (No change)

Notes:

1. For hospital-specific DRG base rates, see the Hospital Characteristics File under each year's Pricing Resources page at www.dhcs.ca.gov/provgovpart/Pages/DRG.aspx.

2. For details of the pricing logic, APR-DRG groups, and relative weights, see the DRG Pricing Calculators specific to each year of DRG payment at www.dhcs.ca.gov/provgovpart/Pages/DRG.aspx.

3. SOI = Severity of Illness, assigned as part of the APR-DRG code

Appendix

Update wage area and index values

- Medi-Cal policy is to follow Medicare; updates posted by Medicare in August of one year are implemented by Medi-Cal the following July 1
- Starting in SFY 2016-17, applies to all hospitals, including border hospitals
- Labor portion of cost for wage index > 1.0000 changed from SFY 2017-18 (69.6%) to SFY 2018-19 (68.3%); labor share of cost for wage index value ≤ 1.0000 is 62%
- Each year, the Medicare Impact File updates wage area assignments and index values for Medicare prospective payment hospitals
  - www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html
  - For children's hospitals, Medicare critical access hospitals and others not listed on the Medicare Impact file, we assign wage areas and index values by geographic location
- Wage area neutrality adjustor applied to remove impact of changes in CA wage areas relative to rest of U.S.
  - SFY 2015-16: applied CA wage area neutrality adjustor of 0.9797
  - SFY 2016-17: applied CA wage area neutrality adjustor of 0.9690
  - SFY 2017-18: applied CA wage area neutrality adjustor of 0.9792
  - SFY 2018-19: applied CA wage area neutrality adjustor of 0.9771

Appendix

Wage area index values

Wage Area Index Values							
		SFY 2016-17		SFY 2017-18		SFY 2018-19	
CBSA Number	CBSA Name	FFY 2016 Wage Index	CA Neutral Adj. Wage Index (0.9690)	FFY 2017 Wage Index	CA Neutral Adj. Wage Index (0.9792)	FFY 2018 Wage Index	CA Neutral Adj. Wage Index (0.9771)
05	California (Rural)	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
11244	Anaheim-Santa Ana-Irvine, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
12540	Bakersfield, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
17020	Chico, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
20940	El Centro, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
23420	Fresno, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
25260	Hanford-Corcoran, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
31084	Los Angeles-Long Beach-Glendale, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
31460	Madera, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
32900	Merced, CA	1.3016	1.2613	1.2870	1.2602	1.2778	1.2485
33700	Modesto, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
33700	Modesto, CA -- reclassified hospitals	N/A	N/A	N/A	N/A	1.3169	1.2867
34900	Napa, CA	1.5291	1.4817	1.5355	1.5036	1.5186	1.4838
36084	Oakland-Hayward-Berkeley, CA	1.6893	1.6369	1.7206	1.6848	1.6620	1.6239
36084	Oakland-Hayward-Berkeley, CA -- reclassified hospitals	1.6737	1.6218	1.7063	1.6708	1.6505	1.6127
37100	Oxnard-Thousand Oaks-Ventura, CA	1.3012	1.2609	1.3279	1.3003	1.3851	1.3534
39820	Redding, CA	1.4364	1.3919	1.4485	1.4184	1.4291	1.3964
39820	Redding, CA -- reclassified hospitals	1.4127	1.3689	1.4165	1.3870	1.3890	1.3572
40140	Riverside-San Bernardino-Ontario, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
40900	Sacramento--Roseville--Arden-Arcade, CA	1.5686	1.5200	1.5957	1.5625	1.5801	1.5439
41500	Salinas, CA	1.6032	1.5535	1.6962	1.6609	1.6901	1.6514
41740	San Diego-Carlsbad, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
41884	San Francisco-Redwood City-South San Francisco, CA	1.6798	1.6277	1.7143	1.6786	1.7172	1.6779

Appendix

Wage area index values (continued)

Wage Area Index Values							
		SFY 2016-17		SFY 2017-18		SFY 2018-19	
CBSA Number	CBSA Name	FFY 2016 Wage Index	CA Neutral Adj. Wage Index (0.9690)	FFY 2017 Wage Index	CA Neutral Adj. Wage Index (0.9792)	FFY 2018 Wage Index	CA Neutral Adj. Wage Index (0.9771)
41940	San Jose-Sunnyvale-Santa Clara, CA	1.7175	1.6643	1.7374	1.7013	1.7312	1.6916
41940	San Jose-Sunnyvale-Santa Clara, CA -- reclassified hospitals	N/A	N/A	N/A	N/A	1.6961	1.6573
42020	San Luis Obispo-Paso Robles-Arroyo Grande, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
42020	San Luis Obispo-Paso Robles-Arroyo Grande, CA -- reclassified hospitals	N/A	N/A	N/A	N/A	N/A	N/A
42034	San Rafael, CA	1.7202	1.6669	1.7555	1.7190	1.7741	1.7335
42100	Santa Cruz-Watsonville, CA	1.7771	1.7220	1.8017	1.7642	1.7931	1.7520
42100	Santa Cruz-Watsonville, CA -- reclassified hospitals	1.7056	1.6527	1.7226	1.6868	N/A	N/A
42200	Santa Maria-Santa Barbara, CA	1.3012	1.2609	1.2766	1.2500	1.3343	1.3037
42220	Santa Rosa, CA	1.6314	1.5808	1.5937	1.5606	1.6505	1.6127
44700	Stockton-Lodi, CA	1.3012	1.2609	1.4007	1.3716	1.4539	1.4206
46700	Vallejo-Fairfield, CA	1.6268	1.5764	1.6972	1.6619	1.6764	1.6380
47300	Visalia-Porterville, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485
49700	Yuba City, CA	1.3012	1.2609	1.2766	1.2500	1.2778	1.2485

Notes:

1. CBSA = Core Based Statistical Area
2. The wage area index values Medi-Cal uses to calculate DRG base rates are derived from the current federal fiscal year's Medicare Impact File.
3. The California wage area neutrality factor was calculated because wage area index values in California increased relative to the rest of the U.S. In SFY 2015-16, Medi-Cal adjusted wage area index values by a factor of 0.9797. Wage area index values were adjusted by 0.9690 in SFY 2016-17. Wage area index values were adjusted by 0.9792 in SFY 2017-18 and will be adjusted by 0.9771 in SFY 2018-19.
4. For hospitals with a wage index above 1.0000, 69.6% of the base rate is adjusted for labor share prior to SFY 2018-19. For SFY 2018-19 the labor share decreased to 68.3%. All California hospitals are above wage index value of 1.000.

Appendix

Inpatient claims processing information

See provider bulletins for claims instructions

http://www.dhcs.ca.gov/provgovpart/Pages/DRG-Provider-Edu.aspx

Provider Bulletins

- DRG Billing and Reimbursement Update for AIIR Services February 2017 (PDF)
- Obstetric Policy Adjustor on DRG Claims Will Be Reprocessed June 2016 (PDF)
- Update DRG Claims Denied with RAD Code 0314 May Be Reprocessed May 2016 (PDF)
- Medi-Cal Inpatient Claims Processing Update April 2017 (PDF)
- Update to Emergency Services and Inpatient Admission Reimbursement Policy May 2016 (PDF)
- Fee-For-Service Eligibility Determines DRG Inpatient Service Dates May 2016 (PDF)
- Final and Interim Claim Update for Hospitals April 2016 (PDF)
- Update to Timeliness Date Extended for Resubmission of DRG Claims Over 22 Lines August 2016 (PDF)
- DRG Claims Erroneously Denied with RAD Code 9953 Resolved January 2016 (PDF)
- Reimbursement Instructions for DRG Claims with New Patient Status Codes January 2016 (PDF)
- Update DRG Claims Erroneously Grouping to APR-DRG 951 and 952 September2016 (PDF)
- Update RTDs for DRG Organ Procurement Claims November 2015 (PDF)
- MCP and Fee-For-Service Billing for Inpatient Stays at DRG Hospitals September 2015 (PDF)
- DRG Claims Erroneously Denied with RAD Code 0314 August 2015 (PDF)
- Rehabilitation and Admin Level 2 (PDF)
- CCRs and SARs May 2013 (PDF)
- Updates to Web Page April 2013 (PDF)
- OB/Newborn Services February 2013 (PDF)
- 2009 Datasets January 2013 (PDF)
- Contract/HFPA Changes 11/2012 (PDF)

Appendix

Acronyms/abbreviations

A&I	DHCS Audits and Investigation
ACA	Affordable Care Act
APR-DRG	All Patient Refined Diagnosis Related Groups
CAH	Critical Access Hospital
CBSA	Core Based Statistical Area
CCR	Cost-to-Charge Ratio
CCS	California Children's Services
CMS	Centers for Medicare & Medicaid Services
CSV	Comma Separated Values
DHCS	CA Department of Healthcare Services
DRG	Diagnosis Related Groups
FFS	Fee-For-Service
FFY	Federal Fiscal Year
FYE	Fiscal Year End
GHPP	Genetically Handicapped Persons Program
HAC	Hospital-Acquired Condition
HSRV	Hospital-Specific Relative Value
ICD-10	International Classification of Diseases Version 10
LTCH	Long-Term Care Hospital
MCC	Medicaid Care Category
NDPH	Non Designated Public Hospitals
NICU	Neonatal Intensive Care Unit
OB	Obstetric
POA	Present on Admission
SFY	State Fiscal Year (July-June)
SPA	State Plan Amendment
TAR	Treatment Authorization Request