

INGENIX®

Coding, compliance, and reimbursement management under MS-DRGs

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CMS is Expecting Hospitals to Improve their Coding Practices: The Cost of Not Improving Could be Significant

Hospitals face many new challenges in fiscal year 2008. With the Centers for Medicaid & Medicare Services' (CMS) significant restructuring of the diagnosis-related groups (DRGs) used in the inpatient prospective payment system (IPPS), hospitals must adjust to a payment system overhaul in severity-adjusted DRGs, potential reductions in reimbursement, reporting of hospital-acquired conditions, expanded quality reporting, and pricing changes¹.

By adjusting for severity, many cases without complications or co-morbidities (CCs) will be paid at a lesser rate. Conversely, cases that exhibit major CCs (MCCs) will be paid at a higher rate. Additionally, CMS will pay hospitals less to offset anticipated coding improvements because they predict that, as hospitals pay more attention to coding under severity DRGs, they will more accurately group cases into a higher-severity DRG. To account for the anticipated coding improvement, CMS is proposing a "behavioral offset" that will cut Medicare payments by 4.8 percent over a three-year period. The American Hospital Association (AHA) anticipates that this will cost U.S. hospitals \$1.2 billion in FY2008 alone².

Under this new methodology, CMS will freeze capital DRG rates for urban hospitals, eliminate the 3.0 percent capital payment add-on for large urban hospitals and allow only a 0.8 percent update for rural hospital capital DRG rates. Because CMS believes the MS-DRG system will improve the accuracy of coding and reduce the number of outlier cases, it proposes to reduce the outlier fixed-loss threshold from \$24,485 to \$22,650.

Hospitals that are not evaluating, improving, and investing in education, new tools and capabilities stand to lose significantly under the new rules.

Time for a Transformative Approach

The reimbursement levels for hospitals overall under the final rule vary depending on the analysis. According to CMS, payments as a whole to hospitals under the final rule should increase by nearly \$4 billion, or an average of 3.5 percent, to more than 3,500 acute-care hospitals in fiscal 2008—an increase that is contingent upon hospitals providing quality data to the agency to receive full reimbursement.

However, the AHA disputes those numbers. It argues that the 4.8 percent "behavioral offset" cut—combined with the elimination of the capital payment add-on for large urban hospitals—will reduce payments by \$22 billion over five years³.

Under this newly refined system of diagnosis groups, the determination of "severity" is directly related to the number and complexity of codes placed on the bill. Based on the existing 538 DRGs, CMS is creating 745 MS-DRGs, which will allow hospitals to code their patient encounters based on three levels of complications and co-morbidities, from the previous two. The three levels of severity include: major complications and co-morbidities; complications and co-morbidities; and no MCCs or CCs. Therefore, hospitals that code more completely could get a larger share of the reimbursement pool than those that continue to code based on today's DRG rules.

Even so, the pool of total reimbursement dollars is not increasing, which means there will be "winners" and "losers" as dollars are redistributed under the new system. Hospitals that don't evaluate coding, compliance, and reimbursement practices may be at risk for losing significant revenue.

In order to be efficient and productive, hospitals need to adapt to this new paradigm, efficiently and quickly. "No single strategy is sufficient to meet the challenges being placed upon the industry," says Cheryl D'Amato, Director, Health Information Management, Ingenix. "Success requires

¹CMS Proposes Robust Agenda for the IPPS, Renee S. Leary, Advance Online Editions for Health Information Professionals, June 4, 2007

²CMS final FY 08 Medicare rule will cut \$22 billion in hospital payments. AHA News, Aug. 6, 2007. http://www.ahanews.com/ahanews_app/jsp/display.jsp?dcrpath=AHANews/AHANewsArticle/data/AHA_News_070806_CMS_final&domain=AHANews

³Prevent Backdoor Cuts: Oppose Cuts in the FY 2008 IPPS Proposed Rule. American Hospital Association, August 2007.

a combination of several tactics that need to be employed in unison to achieve the desired benefit.”

Ingenix experts have been supporting the Medicare DRG system since its initial implementation 24 years ago. Ingenix is the market source for severity-adjusted training, implementation, and solutions including Ingenix Web.Strat™, a native Web application that extends coding, compliance, and reimbursement management tools throughout an organization’s enterprise and remote locations.

Tapping into new technology and expert resources may be the difference between a hospital’s financial stability and a cash flow crisis.

Critical Elements for Success

MS-DRGs will redistribute dollars across hospitals. Hospitals that code more completely—and make operational adjustments—will get a larger share of the reimbursement pool than hospitals that continue to code using today’s rules. The key to success under any severity-adjusted DRG system is complete and accurate documentation, coupled with complete and accurate coding. Accurate, efficient, and compliant coding practices are critical to an organization’s success, but such practices are often difficult to achieve and maintain.

With these pressing challenges, hospitals need a multifaceted tool with the functionality to automatically deliver precisely the information needed in real time. To navigate a new methodology, hospitals need detailed information on regulatory updates, new codes and code combinations, clinical documentation to help bridge past and present coding practices, and reimbursement information to minimize guesswork. Web.Strat has the capability to do all this and more.

Web.Strat is a scalable, Web-based encoding solution that offers both book- and logic-based coding, as well as automated regulatory content updates. Web.Strat’s Web-based deployment allows the same coding policies and guidelines to be followed by every staff member, eliminating inconsistencies and reducing compliance risks. The solution’s browser-based architecture also means that regulatory updates are cascaded automatically to users by Ingenix,

reducing IT workloads and providing staff members with the most recent information. In addition, Web.Strat supports more than 30 state/payer-specific payment systems.

In anticipation of the MS-DRG implementation, Ingenix experts have expanded Web.Strat’s already impressive functionality to meet the needs of this new methodology.

Interactive Prompt Alerts Coders to Additional DRGs Based on Codes Already Assigned

Web.Strat features an interactive prompt that automatically displays on the screen, suggesting MS-DRGs and a code or codes that can place the case in a potentially higher severity bracket if documented in the medical record.

Compliance Module Facilitates Coding Adjustments

Web.Strat includes a compliance module that assists managers in evaluating coding compliance before claims are submitted. The Web.Strat Compliance Module’s real-time compliance edits can help coders achieve improved accuracy during each coding session. User-defined edits identify potential coding, compliance and/or quality problems, and coders are notified of potential problems during the coding process. Edits can be created using a combination of available clinical information.

After coding, but prior to billing, completed records can be processed through Ingenix Compliance Audit Triggers (CATs). Ingenix provides customers with a robust and comprehensive quarterly CATs library, which includes the most current coding, compliance, and regulatory rules. Like user-defined edits, CATs define potential coding, compliance and/or quality problems using combinations of available clinical information; they can be facility, coder and date-specific and can be modified over time.

Web.Strat’s Compliance Module is critical for successfully maximizing coding completeness; ensuring coding accuracy and compliance with regulatory requirements; and identifying and improving coder productivity and efficiency.

Clinical References

The CC/MCC list is very different in the MS-DRGs system than in CMS V24 DRGs, so Web.Strat features a reference tool that coders can use to identify the list of MS-DRG CC/MCCs. Web.Strat also includes a crosswalk between V24 and V25 DRGs.



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Because DRGs have been totally re-numbered, this crosswalk will help educate and ease coders into the new methodology.

Reimbursement Alerts

Reimbursement alerts are included in Web.Strat and suggest to the coder what additions/modifications to the case may affect reimbursement. In addition to the Ingenix supplied alerts, the user has the ability to create their own customized reimbursement alerts.

Trace Reports

During a coding session, a user can initiate a trace report to get more information or to research a general coding question. The tool automatically records the session. So, rather than trying to remember the selections made, the coder initiates the trace report and submits the questions. Ingenix coding experts review the trace report and provide feedback in a meaningful, written format within 24 hours. This efficient knowledge transfer helps improve productivity.

Conclusion

CMS is anticipating that facilities will improve their documentation and coding practices to maximize reimbursement under the new severity-adjustment system. These higher reimbursement levels may not necessarily reflect real changes in case mix, CMS has stated, which is why the agency has proposed to implement the “behavioral offset” cut to compensate for the increased reimbursement. As a result, facilities that are not prepared to change their coding practices can expect to lose 1.2 percent in revenue in FY2008 and another 1.8 percent in both FY2009 and FY2010⁴. Hospitals that don’t adopt new coding procedures may lose twice: first, from lower Medicare payments due to the “behavioral offset,” and second, from lower severity assignment by the new MS-DRG Grouper.

In the current hospital environment, the only thing constant is change. Be informed and be proactive to ensure you can meet the challenges of MS-DRGs.

About the Company

By integrating a diverse suite of products and services, Ingenix helps its clients increase revenue, enhance productivity, and simplify complex administrative and financial processes with powerful data, software, consulting, and outsourcing solutions. Consistent capital investment, stability of resources, and continual innovation have made Ingenix one of the largest and fastest-growing U.S. health care information companies.

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⁴“Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal year 2008 Rates,” p 230. Centers for Medicare & Medicaid Services. Aug. 1, 2007.
<http://www.cms.hhs.gov/AcuteInpatientPPS/downloads/CMS-1533-FC.pdf>