

Expected Impacts on Hospital Billing and Operations as a result of APR-DRG Payment for Inpatient Stays

Table 1 summarizes the impacts of the change in inpatient payment to APR-DRGs on hospital operations and finances.

Table 1 Expected Impacts on Hospital Billing and Operations (Listed in approximate declining order of impact)	
Item	Comment
Treatment Authorization Request process	TAR/SAR no longer required on length of stay for the vast majority of days; TAR on the admission is still required. SAR is specific to CCS and GHPP recipients. Please see Table 2 below for details.
Payment is per stay	Payment is no longer per day. APR-DRG makes one payment for the hospital stay.
Increased importance of diagnosis and procedure coding	Assignment of base APR-DRG and level of severity is driven by the number, nature and interaction of diagnoses and comorbidities as well as procedure codes.
Mother and newborn to be billed on separate claims	Separate payment will be made for each stay.
Newborns with long lengths of stay and multiple claims must be billed with the same Medicaid number on each claim, preferably the baby's number. (i.e. sick newborns)	Because payment will be by stay, submission of the mother's beneficiary number on some claims and the baby's beneficiary number on other claims would be problematic.
Newborn weight can be coded using diagnosis codes when applicable. This is important where birth weight is a critical indicator of care.	ICD-9-CM classification uses the 5 th digit to indicate birth weight for diagnoses 764 and 765.0-765.1.
Interim bill types 112, 113, and discharge status 30 only accepted for stays exceeding 29 days. Interim bill type 114 not accepted.	When the patient is discharged, a single admit-through-discharge claim should be submitted. For those claims with extended stays (greater than 29 days) and a discharge status code 30, providers will be allowed to submit an interim bill that will be paid at a per diem rate currently being developed by DHCS. Submission of interim claim(s) is voluntary and not mandatory under any circumstance. Upon discharge, submit a final claim containing the full length of stay, all diagnosis and surgical procedure codes, and all the charges for the entire stay which will be priced using the APR-DRG method. All previous interim payments will be deducted from the assigned APR-DRG pricing on the final claim.
Administrative days	A new administrative day level 2 (revenue codes 190, 199) will be created for sub-acute level care. Administrative day level 2 care is defined as care that is less intensive than acute care, and more intensive than the existing administrative day care, which is referred to as administrative day level 1. Administrative day level 2 revenue codes 190 and 199 will be available for payment only to DRG hospitals. Administrative day level 2 claims will flow through the same pricing policy as used for administrative day level 1 (revenue code 169) claims. This existing policy pays a per diem amount which is being developed by DHCS for these specific revenue codes and pays additionally for specific ancillary services. Level 2 administrative day claims will be identified by the presence of one or more lines with revenue code 190 (sub-acute pediatric) or 199 (sub-acute adult). Administrative day level 2 will require a TAR.
Four-byte APR-DRG code	Impact depends on how the hospital's billing system is configured. APR-DRG = three-bytes for the base DRG and 1 byte for level of severity (format 123-4).
Rehabilitation stays	A new per diem payment method will be implemented for payment of rehabilitation claims. Rehabilitation claims will be identified by the presence of revenue codes 118, 128, 138, 148, and/or 158 on one or more service lines on the claim, as well as claims grouped to APR-DRG 860. Rehabilitation claims will be paid a per diem rate currently being developed by DHCS. The per diem will be multiplied by the number of days submitted on the claim.

Table 1 Expected Impacts on Hospital Billing and Operations (Listed in approximate declining order of impact)	
Item	Comment
Present-on-admission indicator	Submit claims with a valid present-on-admission value for each diagnosis (except for exempt diagnosis codes).
Separately payable services, supplies and devices	In the few situations where separate payment is allowed, a separate outpatient claim should be submitted for bone marrow search and acquisition as well as blood factors.
Late charges (bill type 115) not accepted	Submit a claim adjustment instead.
Erroneous surgeries	Erroneous surgeries should be billed with the appropriate E code. Hospitals are asked to show this code in the first secondary diagnosis field.
Hospital Acquired Conditions	Payment will be reduced for Hospital Acquired Conditions.
Physician services bundled into SPCP per diem rates	For some hospitals, specific physician services (e.g., laboratory and pathology) were bundled into the inpatient hospital per diem. This will no longer apply. All physician services should be billed as professional claims (i.e., CMS-1500, 837P).
Split Paper Bills (Split Claims)	All diagnosis and procedure codes should be completely recorded on each page. Codes on the first page will be recorded and used to pay the claim.
<i>Note:</i> These impacts are anticipated as of July 2013, but hospitals should wait for official notification from DHCS before making any changes in claims submission.	

Changes to the TAR process are bold in table 2.

Table 2 TAR/SAR Entry Business Requirements for Inpatient Claims after DRG Pricing is Implemented			
Type of Stay	TAR/SAR Approach Current	TAR/SAR Approach New	Paid under DRGs
General Acute Care - Full Scope			
General acute care inpatient stay – complete stay	TAR every day	TAR admission only	Yes
General acute care inpatient stay – interim claim	TAR every day	TAR admission only	Paid per diem (until final claim is submitted), then paid by DRG for final payment
CCS and GHPP			
CCS and GHPP beneficiaries – complete stay	SAR every day	SAR admission only	Yes
CCS and GHPP beneficiaries – interim claim	SAR every day	SAR admission only	Paid per diem (until final claim is submitted), then paid by DRG for final payment.
General Acute Care- Restricted Aid Codes			
General acute care inpatient stay – complete stay	TAR every day, including review to ensure all services are emergency services.	No change; TAR every day, including review to ensure all services are emergency services.	Yes – With review for potential payment cutback if any days are denied.

Table 2

TAR/SAR Entry Business Requirements for Inpatient Claims after DRG Pricing is Implemented

Type of Stay	TAR/SAR Approach Current	TAR/SAR Approach New	Paid under DRGs
General acute care inpatient stay – interim claim	TAR every day, including review to ensure all services are emergency services.	No change; TAR every day, including review to ensure all services are emergency services.	Paid per diem (until final claim is submitted), then paid by DRG for final payment. With review for potential payment cutback if any days are denied.
Obstetrics (OB) with Delivery – Full Scope or Restricted			
OB admission with Delivery	No TAR required	No TAR required	Yes
OB admission with induction day before delivery	TAR every day	No TAR required	Yes
OB prolonged stays with delivery - vaginal 2 days; c-sect 4 days	TAR every day	No TAR required	Yes
Obstetrics (OB) non-Delivery			
OB admission non-Delivery – Full scope	TAR everyday	TAR admission only	Yes
OB admission non-delivery with Restricted Aid Codes	TAR everyday	TAR every day	Yes
Other			
Normal newborn stays admission – Full Scope and Restricted Aid Codes (Maternal Aid Codes Used)		No TAR required	Yes
Neonate (sick newborn) stays admission – Full Scope and Restricted Aid Codes (Maternal Aid Codes Used)	TAR everyday	TAR admission only	Yes
Designated Public Hospitals	Separate process	Continue separate process	No
Administrative day level 1	TAR every day	TAR every day	No – Paid Per Diem
Administrative day level 2 (currently referred to as subacute)	TAR every day (Acute Days currently given)	TAR every day	No – Paid Per Diem
Rehabilitation stays – Acute Intensive Inpatient Rehab (AIIR)	TAR every day	TAR every day	No – Paid Per Diem

Notes:

1. The SAR system is a DHCS-supported system and system modifications are the responsibility of DHCS staff.
2. Outliers will be monitored using an analytical oversight process. DHCS may decide to focus TAR review for outliers as the findings indicate.