Proposed Medicaid Hospital Outpatient Prospective Payment System

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Project Overview
Specific Appropriation 186 of the 2016 General Appropriations Act

SFY 2015/16 General Appropriations Act ...

“... the Agency for Health Care Administration to contract with an independent consultant to develop a plan to convert Medicaid payments for outpatient services from a cost based reimbursement methodology to a prospective payment system. The study shall identify steps necessary for the transition to be completed in a budget neutral manner. The report shall be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives no later than November 30, 2015.”
Development of Report Submitted in December 2015

• 5 meetings held with an internal AHCA “Governance Committee” comprised of executives from AHCA and representatives from Navigant Healthcare

• 4 public stakeholder meetings with phone and webinar external access were held to review and solicit feedback from the provider community for recommendations defined by the Governance Committee

• Minutes from the AHCA “Governance Committee” meetings and recordings of the public meetings were published on the AHCA website

• Report submitted to the Legislature on November 30, 2015
Specific Appropriation 186 of the 2016 General Appropriations Act

Section 9, ch. 2016-65, amended Florida Statute section 409.905 (6)(b), effective July 1, 2017, to read:

(b) The agency shall implement a prospective payment methodology for establishing reimbursement rates for outpatient hospital services. Rates shall be calculated annually and take effect July 1, 2017, and July 1 of each year thereafter. The methodology shall categorize the amount and type of services used in various ambulatory visits which group together procedures and medical visits that share similar characteristics and resource utilization.
AHCA EAPG Outreach Strategy: Phased Approach

• Phase One and Two:
  – November 2016 – January 2017:
    • Developed and launched informational webpage and notified providers about EAPG pricing
    • New procedure code systems change implemented
      – Notified providers and began monitoring for claim errors.

• Phase Three:
  – March - April 2017: Provider Training Activities: Includes on-site visits, web based training, and provider workshops.

• Phase Four: Post-implementation Support
  – July 2017: Provide ongoing post-implementation support to providers and health plans.
Description of New Outpatient Prospective Payment System (OPPS)
Report Recommendations

• The recommended new payment method uses Enhanced Ambulatory Patient Groups (EAPGs), which are a product of 3M Health Information Systems

• Reimburses for use of the facility, nursing staff, drugs, materials, and administration (separate payment is made for physician services) for outpatient services
  – Outpatient services – a.k.a. ambulatory care – patient is not admitted – examples include Emergency Department, chemotherapy, lab, MRI, therapy

• Will be applied to all outpatient services provided in acute care hospitals and in Ambulatory Surgical Centers (ASCs)

• Will not be applied to free-standing laboratories and free-standing dialysis centers
Comparison of current and Proposed payment methods

Current Method - Hospitals
- Hospital-specific cost-based rates
- The same, “flat” rate is paid for all non-lab services, independent of complexity
- Lab services paid via a fee schedule
- Payments are retroactively cost-settled
- More services equates to more payment

Proposed Method
- Payment is visit-based and considers full range of services performed in an outpatient setting
- Payment is better aligned with cost of care for different types of services
- Creates incentives to avoid performing unnecessary services
- Provides the same payment for the same service across all facilities with similar characteristics
- Hospitals and ASCs paid under the same method (but amounts may vary)
- Payment is prospective – cost settlements are no longer necessary

Current Method – Ambulatory Surgical Centers (ASCs)
- ASCs are paid based on a limited fee schedule which groups each procedure into one of 14 different rates
- Secondary procedures are generally discounted
Details of the Payment Method

• Utilize two EAPG base rates – one for hospitals and one for ASCs
• Apply a provider policy adjustor for hospitals with an unusually high percentage of their outpatient utilization coming from Medicaid recipients
• Apply a provider policy adjustor for rural hospitals
• Apply automatic rate enhancements through supplemental payments (outside the base rate) similar to the method used for hospital inpatient payments
• Implement a 5% documentation and coding improvement adjustment for hospitals; no adjustment for ASCs
Governor’s Recommended General Appropriations Act for SFY 2017/18

• From the funds in Specific Appropriation 203, the Agency for Health Care Administration shall implement an Enhanced Ambulatory Patient Grouping reimbursement methodology for hospital outpatient services as directed in section 409.905(6)(b), Florida Statutes.
  – Separate base rates for hospitals and ASCs
  – Rural Hospital Provider Adjustor
  – High Medicaid and High Outlier Hospital Adjustor
  – Documentation and Coding Adjustment 5%

• By February 28, 2018, the agency shall perform a reconciliation and apply positive or negative adjustments to the reimbursements. … No recalculation of managed care capitation payments will be made based upon these adjustments.

Note: Governor’s Recommended simulation does not include all hospitals as the outpatient claims data needed for the simulation was not complete from all hospitals.
**Estimated Impact to Hospitals**

* Model built in January 2016; newer models will be ready at end of February, 2017

**OPPS Simulation 14 - Hospital Payment Changes**

<table>
<thead>
<tr>
<th>Percent Change in Medicaid Reimbursement</th>
<th>Number of Hospitals</th>
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</thead>
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<tr>
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<td>36</td>
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<tr>
<td>Increase 50%+</td>
<td>13</td>
</tr>
</tbody>
</table>

**In-State Hospitals**

12
Estimated Impact to Ambulatory Surgical Centers*

* Model built in January 2016; newer models will be ready at end of February, 2017
Other Possible Policy Adjustors

- Reduction of EAPG payment for therapy services (physical, speech, and occupational); current models show payment for these services increasing by 154%.
- Redefine existing provider category policy adjustors, add new categories, or remove categories
- Apply an adjustor based on patient age
- Implement some type of transition period which will limit changes in Medicaid outpatient reimbursement to individual facilities for a limited period of time
- Implement a 5% documentation and coding improvement adjustment for hospitals; no adjustment for ASCs
Questions?
Appendix
Enhanced Ambulatory Patient Groups

- EAPGs are designed to balance fair payment with incentives to control cost of care and avoid providing unnecessary services.
- Payment is calculated for individual services performed with consideration given to the set of services included in the outpatient visit.
- In most cases, the majority of payment is applied to the primary service provided in the outpatient visit and payment for secondary services is bundled or discounted.
- EAPGs support calculation of payment for the full range of services offered in an outpatient setting.
- EAPGs are designed for use with any population.