



RICK SCOTT  
GOVERNOR

*Better Health Care for all Floridians*

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SECRETARY

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**Agency Unveils Recommendations for Transforming Medicaid Payment System**

*—Recommendations focus on efficient and high quality health care; equality in hospital reimbursements—*

**Tallahassee, Fla.** – The Agency for Health Care Administration (Agency) unveiled its proposed recommendations for transformation of the hospital inpatient payment system through the implementation of Diagnosis Related Groups (DRGs) to determine Medicaid reimbursement. Converting to DRGs will incentivize every hospital in the state to continue to provide high quality services, while at the same time giving each hospital powerful incentives to provide services as efficiently as possible. This dynamic – high quality at a better price – will ensure that Floridians get top value out of their Medicaid hospital services.

“The Agency is thankful for Governor Scott’s leadership in helping us put forward a roadmap for transforming the way hospital inpatient services are paid for in Florida,” said Liz Dudek, Agency Secretary. “Converting to a DRG system promotes quality—it’s designed to reward high value, quality-driven health care services.”

“Complex federal rules have resulted over time in a Medicaid payment system that many would find irrational,” said Alan Levine, HMA Senior Vice President and Florida Group President. “Governor Scott and Secretary Dudek are clearly attempting to modernize this system, and we stand ready to work with them and the legislature. We applaud the Governor and AHCA for taking this step, and for taking the appropriate caution to ensure implementation is done in a methodical way so as to avoid any unintended consequences.”

Under the current payment system, a hospital receives money based upon its own cost structure and is paid a daily reimbursement rate, called a per diem, regardless of what care it provides. This means that every hospital in Florida is paid a different daily rate, while taxpayers pay a fixed per diem amount regardless of whether a person is treated for a relatively minor injury, such as a sprained ankle, or if someone is treated for a major medical emergency, such as a heart attack. A DRG payment system will ensure all hospitals receive the same payment for rendering the same service, thereby incentivizing hospitals to perform every service with maximum efficiency.

“The Florida Association of Health Plans (FAHP) applauds the Agency’s diligent work on implementing a new hospital payment methodology (DRGs) for Medicaid,” said Michael Garner, President and CEO of FAHP. “We look forward to working with the Agency and our hospital partners in putting the new system in place in a way that creates greater transparency in hospital pricing and helps to lower overall Medicaid costs, consistent with the intent of the Governor and Florida Legislature.”

“The Agency is pleased to present these thoughtful recommendations that will simplify the Medicaid payment system and improve efficiency, predictability and transparency for Florida hospitals and taxpayers,” said Justin Senior, Medicaid Director. “Releasing these recommendations is the next step toward achieving the Agency’s goal of having a simpler payment system that rewards cost effective treatment, and where the reimbursement reflects the care the patient receives.”

The recommendations are based on a comprehensive study and incorporated input from four public meetings that occurred between June and December, 2012. The final report and recommendations will be discussed at the final DRG stakeholder meeting January 8, 2013. The Agency plans to begin using the new DRG payment system July 1, 2013.



The report is available on the Agency's website at [http://ahca.myflorida.com/Medicaid/cost\\_reim/index.shtml](http://ahca.myflorida.com/Medicaid/cost_reim/index.shtml) or by clicking [here](#).

*The Agency for Health Care Administration is committed to better health care for all Floridians. The Agency administers Florida's Medicaid program, licenses and regulates more than 40,000 health care facilities and 37 health maintenance organizations, and publishes health care data and statistics at [www.FloridaHealthFinder.gov](http://www.FloridaHealthFinder.gov).*

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