

# Florida Agency for Health Care Administration

DRG Payment Implementation

Third Public Meeting

October 11, 2012

Presentation by MGT of America, Inc. and  
Navigant Consulting, Inc.



# Meeting Agenda



Agenda Topic	Time
Introduction	9:00 – 9:05
Progress Since the Last Public Meeting	9:05 – 9:10
Simulation Dataset	9:10 – 9:30
Comparison of National and Florida-Specific DRG Relative Weights	9:30 – 9:40
Characteristics of Simulations	9:40 – 10:00
Results of Simulations	10:00 – 11:00
Recommendations for Next Steps	11:00 – 11:15
Stakeholder Comments	11:15 – 11:55
Wrap-Up	11:55 – 12:00



- » Decisions on provider base rates and DRG payment method parameters have not been finalized.
- » Pricing simulation numbers presented in this presentation are from the first and second simulations run by the DRG project team. Further simulations will be run as the payment method design is refined.

# Progress Since Last Public Meeting



# Progress Since Last Public Meeting



- » Defined the DRG simulation dataset – stays from state psychiatric hospitals still need to be added
- » Selected APR-DRGs
- » Tentatively decided to use national relative weights re-centered to 1.0 for Florida Medicaid hospital stays
- » Tentatively decided to include Medicare wage area adjustments to provider base rate
- » Recommended AHCA inpatient cost-to-charge ratios in the outlier calculations
- » Recommended performing casemix adjustment of the IGT supplemental payments distributed through claim payments

# Simulation Dataset



# Dataset Characteristics



- » Data from state fiscal year 2010/2011
- » Data include Florida Medicaid inpatient fee-for-service claims only
- » Medicare crossover claims are excluded
- » Estimated cost calculated using AHCA inpatient cost-to-charge ratios
- » Charges, cost, allowed amount and reimbursement amount exclude newborn hearing test
- » Baseline payment is allowed amount – before reductions for cost-sharing and other insurance payments
- » “Casemix” is average APR-DRG relative weight

# Simulation Dataset

# Claim Reconciliation



Claim Reconciliation											
Description	Claims	Excluding Newborn Hearing Test					Newborn Hearing Test				
		Covered Days	Charges	Baseline Payment	Reimbursement Amount	Other Insurance Amount	Covered Days	Charges	Baseline Payment	Reimbursement Amount	Other Insurance Amount
Original Dataset from AHCA	1,302,035	6,010,515	\$ 43,040,116,420	\$ 8,786,717,429	\$ 7,842,925,422	\$ 118,741,355	5	\$ 27,015,753	\$ 1,573,563	\$ 1,509,167	\$ -
<b>Claim Data Exclusions:</b>											
Invalid date of admission	348	37,982	\$ 19,053,048	\$ 47,262,041	\$ 7,157,800	\$ 24,099	-	\$ 1,497	\$ 54	\$ 54	\$ -
Non-hospital provider type	138,918	716,452	\$ 1,038,337,985	\$ 151,543,115	\$ 151,273,562	\$ 108,891	-	\$ 49,392	\$ -	\$ -	\$ -
Non-hospital bill type	11	57	\$ 208,920	\$ 3,101	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
Interim Claim	29,847	-	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
Claim for newborn hearing test only	262	-	\$ -	\$ -	\$ -	\$ -	-	\$ 68,088	\$ 6,762	\$ 5,565	\$ -
Allowed amount is zero	10,610	30,126	\$ 248,571,842	\$ -	\$ -	\$ 27,697,974	-	\$ 370,984	\$ 27,005	\$ 24,014	\$ -
Incomplete stay - patient status is 30	10,315	244,952	\$ 2,316,789,255	\$ 485,118,369	\$ 469,091,094	\$ 3,405,158	-	\$ 431,323	\$ 7,481	\$ 7,481	\$ -
Ungroupable	1,988	13,341	\$ 107,406,017	\$ 21,304,441	\$ 18,295,746	\$ 212,496	-	\$ 48,982	\$ 3,460	\$ 3,379	\$ -
<b>Claim Additions:</b>											
Newborn build	251,936	833,825	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
<b>Sub-Total</b>	<b>1,361,672</b>	<b>5,801,430</b>	<b>\$ 39,309,749,354</b>	<b>\$ 8,081,486,362</b>	<b>\$ 7,197,107,219</b>	<b>\$ 87,292,736</b>	<b>5</b>	<b>\$ 26,045,487</b>	<b>\$ 1,528,801</b>	<b>\$ 1,468,673</b>	<b>\$ -</b>
<b>Claim Simulation Exclusions:</b>											
Outside SFY 2010/2011	866,306	3,639,093	\$ 24,459,515,148	\$ 4,873,819,411	\$ 4,403,986,699	\$ 43,805,293	3	\$ 17,085,668	\$ 1,104,234	\$ 1,089,388	\$ -
Managed care encounter claim	76,270	263,880	\$ 2,068,890,810	\$ 387,693,057	\$ 6,906,809	\$ 1,226,916	-	\$ 365,718	\$ 45,430	\$ 539	\$ -
Out-of-state, non-participating hospital	1,061	6,680	\$ 49,935,804	\$ 14,980,371	\$ 14,920,194	\$ 28,345	-	\$ 3,652	\$ -	\$ -	\$ -
<b>Simulation Dataset</b>	<b>418,035</b>	<b>1,891,777</b>	<b>\$ 12,731,407,591</b>	<b>\$ 2,804,993,523</b>	<b>\$ 2,771,293,516</b>	<b>\$ 42,232,182</b>	<b>2</b>	<b>\$ 8,590,448</b>	<b>\$ 379,138</b>	<b>\$ 378,746</b>	<b>\$ -</b>

Notes:  
1) Original data included about three years of inpatient claims.



# Simulation Dataset

## Funding Sources



Funding Sources								
Category	Stays	Covered Days	Charges	Estimated Cost	Baseline Payment from General Revenue and PMATF	Baseline Payment from Automatic IGTs	Baseline Payment from Self-Funded IGTs	Baseline Payment Total
<b>Totals</b>	418,035	1,891,777	\$ 12,731,407,591	\$ 3,388,690,790	\$ 1,579,927,216	\$ 1,008,845,793	\$ 216,220,514	\$ 2,804,993,523
<b>Average Per Stay</b>			\$ 30,455	\$ 8,106	\$ 3,779	\$ 2,413	\$ 517	\$ 6,710
<b>Average Per Covered Day</b>			\$ 6,730	\$ 1,791	\$ 835	\$ 533	\$ 114	\$ 1,483
<b>Pay to Cost</b>					47%	30%	6%	83%

# Summary by Service Line



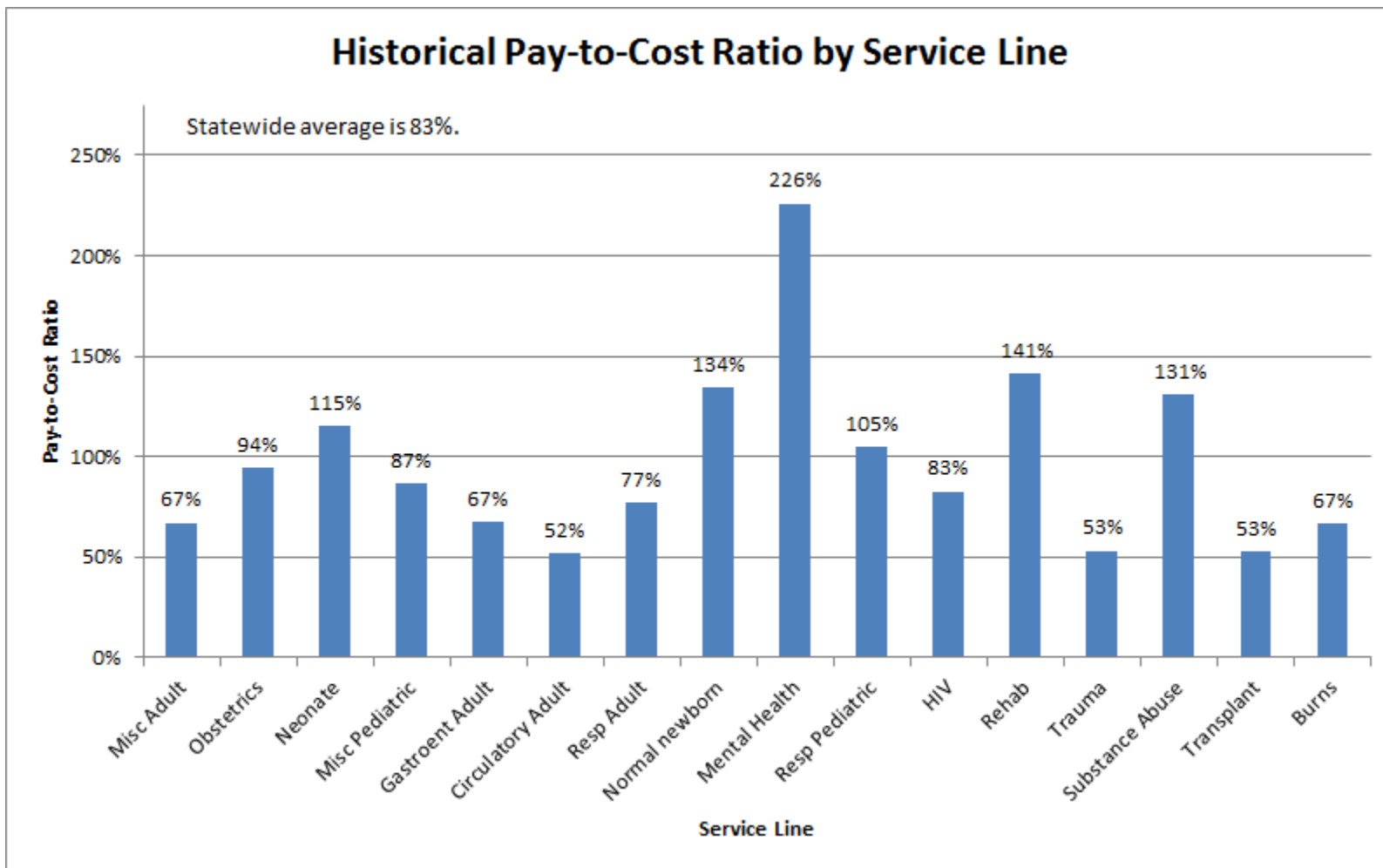
## Historical Claims in DRG Pricing Simulation Dataset Summary by Service Line

Service Line	Stays	Covered Days	Charges	Estimated Cost	Baseline Payment	Reimbursement Amount	APR-DRG Casemix	APR-DRG Casemix Re-centered	Pay / Cost	Average Covered Days	Average Charges	Average Cost	Average Payment
Misc Adult	65,635	377,788	\$ 3,578,337,708	\$ 939,874,316	\$ 630,110,850	\$ 626,227,554	1.24	1.67	67%	5.8	\$ 54,519	\$ 14,320	\$ 9,600
Obstetrics	111,700	304,709	\$ 1,792,391,484	\$ 475,669,361	\$ 447,707,479	\$ 440,446,552	0.42	0.56	94%	2.7	\$ 16,046	\$ 4,258	\$ 4,008
Neonate	11,697	278,811	\$ 1,370,897,176	\$ 386,225,878	\$ 445,320,739	\$ 436,448,032	3.07	4.11	115%	23.8	\$ 117,201	\$ 33,019	\$ 38,071
Misc Pediatric	31,757	135,979	\$ 1,094,069,027	\$ 315,813,740	\$ 274,097,486	\$ 269,293,998	0.88	1.19	87%	4.3	\$ 34,451	\$ 9,945	\$ 8,631
Gastroent Adult	27,907	133,836	\$ 1,278,880,631	\$ 324,529,009	\$ 218,095,098	\$ 217,029,621	1.02	1.36	67%	4.8	\$ 45,827	\$ 11,629	\$ 7,815
Circulatory Adult	24,526	105,509	\$ 1,323,165,831	\$ 330,678,559	\$ 170,504,828	\$ 169,851,320	1.25	1.67	52%	4.3	\$ 53,950	\$ 13,483	\$ 6,952
Resp Adult	18,090	98,903	\$ 800,867,746	\$ 204,090,653	\$ 156,683,845	\$ 155,800,453	0.98	1.32	77%	5.5	\$ 44,271	\$ 11,282	\$ 8,661
Normal newborn	90,615	253,514	\$ 303,864,572	\$ 82,164,916	\$ 110,303,520	\$ 108,720,452	0.12	0.16	134%	2.8	\$ 3,353	\$ 907	\$ 1,217
Mental Health	12,443	62,558	\$ 174,565,409	\$ 44,533,912	\$ 100,644,313	\$ 98,947,281	0.52	0.70	226%	5.0	\$ 14,029	\$ 3,579	\$ 8,088
Resp Pediatric	13,836	52,607	\$ 346,855,177	\$ 95,674,838	\$ 100,304,480	\$ 99,081,133	0.62	0.83	105%	3.8	\$ 25,069	\$ 6,915	\$ 7,250
HIV	2,931	25,492	\$ 204,155,062	\$ 53,222,535	\$ 44,008,545	\$ 43,930,990	1.68	2.26	83%	8.7	\$ 69,654	\$ 18,158	\$ 15,015
Rehab	1,789	25,863	\$ 85,262,020	\$ 27,626,106	\$ 39,040,081	\$ 38,667,506	1.33	1.79	141%	14.5	\$ 47,659	\$ 15,442	\$ 21,822
Trauma	2,241	20,256	\$ 253,483,953	\$ 69,752,852	\$ 37,048,402	\$ 35,771,570	2.61	3.51	53%	9.0	\$ 113,112	\$ 31,126	\$ 16,532
Substance Abuse	2,421	9,414	\$ 46,776,521	\$ 12,092,440	\$ 15,841,570	\$ 15,814,327	0.47	0.63	131%	3.9	\$ 19,321	\$ 4,995	\$ 6,543
Transplant	132	4,109	\$ 52,822,144	\$ 18,729,419	\$ 9,933,404	\$ 9,933,391	9.83	13.19	53%	31.1	\$ 400,168	\$ 141,890	\$ 75,253
Burns	315	2,429	\$ 25,013,129	\$ 8,012,256	\$ 5,348,883	\$ 5,329,338	2.24	3.01	67%	7.7	\$ 79,407	\$ 25,436	\$ 16,981
<b>Total</b>	<b>418,035</b>	<b>1,891,777</b>	<b>\$ 12,731,407,591</b>	<b>\$ 3,388,690,790</b>	<b>\$ 2,804,993,523</b>	<b>\$ 2,771,293,516</b>	<b>0.75</b>	<b>1.00</b>	<b>83%</b>	<b>4.5</b>	<b>\$ 30,455</b>	<b>\$ 8,106</b>	<b>\$ 6,710</b>

### Notes:

- 1) Transplant includes only those cases paid per diem, not through the global period.
- 2) Estimated cost determined using AHCA cost-to-charge ratios from SFY 2010/2011.

# Historical Pay-to-Cost by Service Line



# Summary by Provider Category



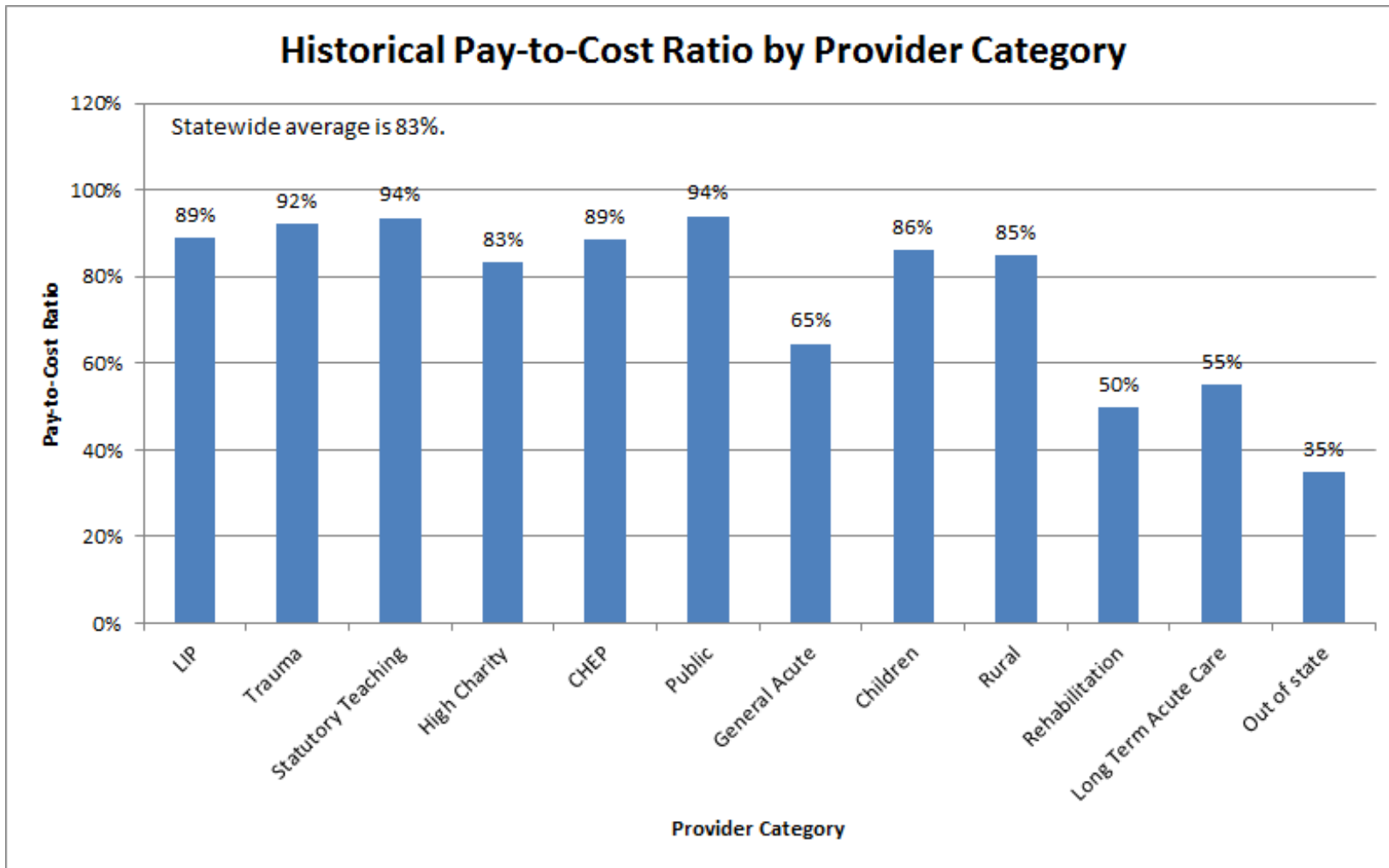
## Historical Claims in DRG Pricing Simulation Dataset Summary by Provider Category

Provider Category	Stays	Covered Days	Charges	Estimated Cost	Baseline Payment	Reimbursement Amount	APR-DRG Casemix	APR-DRG Casemix Re-centered	Pay / Cost	Average Covered Days	Average Charges	Average Cost	Average Payment
LIP	328,736	1,540,648	\$ 10,181,330,305	\$ 2,798,879,934	\$ 2,485,341,806	\$ 2,454,995,053	0.77	1.03	89%	4.7	\$ 30,971	\$ 8,514	\$ 7,560
Trauma	167,965	893,506	\$ 5,730,622,721	\$ 1,715,320,040	\$ 1,579,553,835	\$ 1,556,969,904	0.88	1.18	92%	5.3	\$ 34,118	\$ 10,212	\$ 9,404
Statutory Teaching	98,543	528,060	\$ 3,462,244,849	\$ 1,080,601,335	\$ 1,010,602,636	\$ 998,641,323	0.89	1.19	94%	5.4	\$ 35,134	\$ 10,966	\$ 10,255
High Charity	112,473	497,964	\$ 3,513,858,785	\$ 817,142,294	\$ 680,515,190	\$ 675,045,810	0.68	0.92	83%	4.4	\$ 31,242	\$ 7,265	\$ 6,050
CHEP	75,776	348,200	\$ 2,327,795,750	\$ 575,505,264	\$ 509,567,290	\$ 503,807,613	0.75	1.01	89%	4.6	\$ 30,719	\$ 7,595	\$ 6,725
Public	76,896	349,755	\$ 2,061,451,016	\$ 540,926,386	\$ 508,160,681	\$ 503,615,866	0.71	0.96	94%	4.5	\$ 26,808	\$ 7,035	\$ 6,608
General Acute	123,624	475,689	\$ 3,174,046,478	\$ 782,909,961	\$ 505,436,946	\$ 500,028,571	0.65	0.88	65%	3.8	\$ 25,675	\$ 6,333	\$ 4,089
Children	9,263	66,699	\$ 658,755,899	\$ 199,900,900	\$ 171,966,950	\$ 167,250,171	1.33	1.78	86%	7.2	\$ 71,117	\$ 21,581	\$ 18,565
Rural	11,143	32,333	\$ 141,472,782	\$ 53,768,677	\$ 45,608,998	\$ 44,897,195	0.49	0.66	85%	2.9	\$ 12,696	\$ 4,825	\$ 4,093
Rehabilitation	525	7,547	\$ 16,986,833	\$ 8,381,138	\$ 4,184,588	\$ 4,169,612	1.27	1.71	50%	14.4	\$ 32,356	\$ 15,964	\$ 7,971
Long Term Acute Care	86	1,633	\$ 7,839,316	\$ 2,979,177	\$ 1,641,069	\$ 1,605,119	2.14	2.87	55%	19.0	\$ 91,155	\$ 34,642	\$ 19,082
Out of state	412	1,621	\$ 9,480,132	\$ 3,045,731	\$ 1,064,107	\$ 1,045,239	0.90	1.21	35%	3.9	\$ 23,010	\$ 7,393	\$ 2,583

## Notes:

- 1) Averages are per stay
- 2) Providers may be included in more than one category.
- 3) "High Charity" is any hospital with 11% or more market share from Medicaid and uninsured recipients.
- 4) "General Acute" hospitals are those not otherwise categorized as Childrens, CHP, High Charity, LTAC, Out of state, Rehab, Rural, Teaching or Trauma.
- 5) Estimated cost determined using AHCA cost-to-charge ratios from SFY 2010/2011.

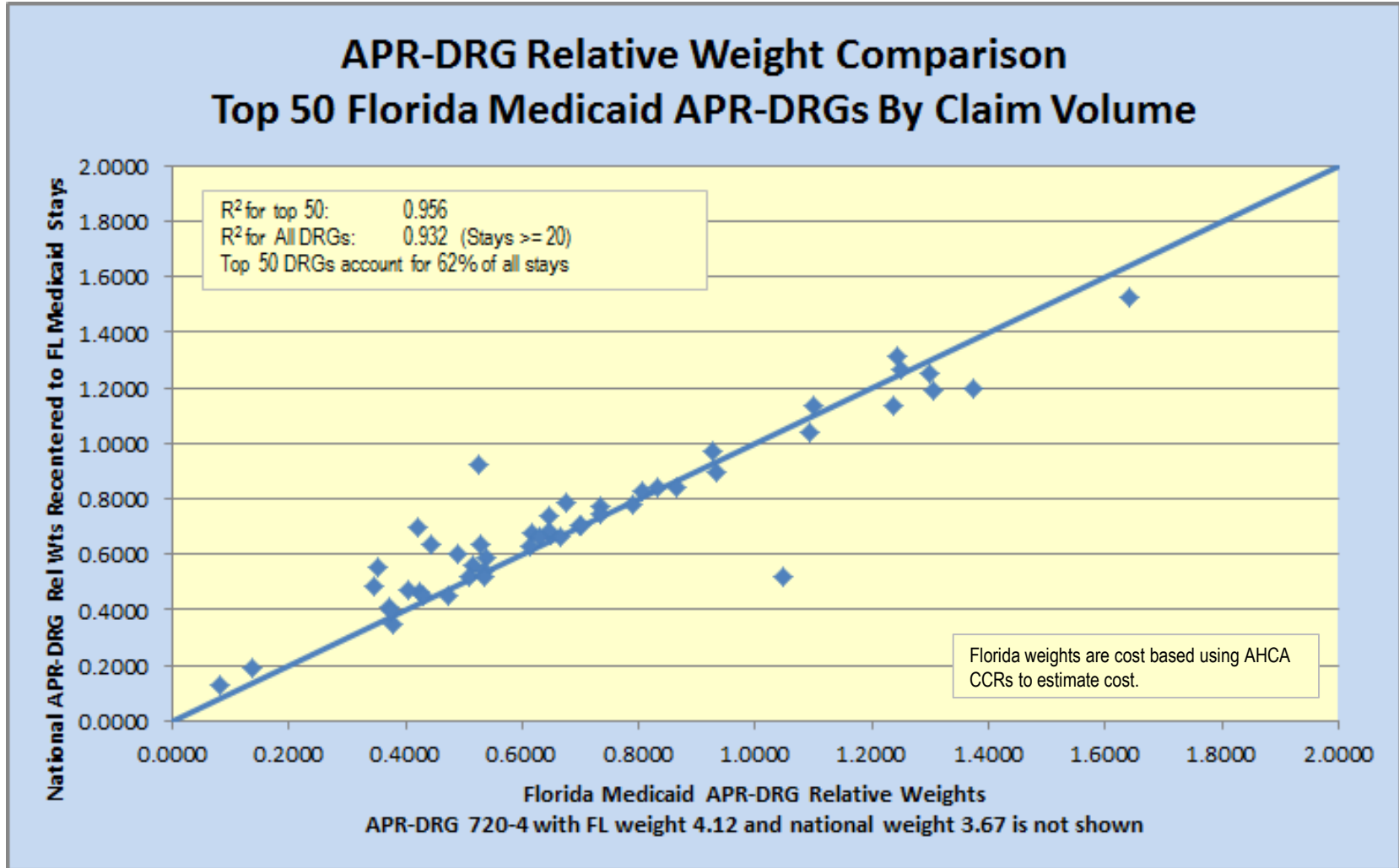
# Historical Pay-to-Cost by Provider Category



# Comparison of National and Florida-Specific DRG Relative Weights



# Florida vs. National APR-DRG Relative Weights

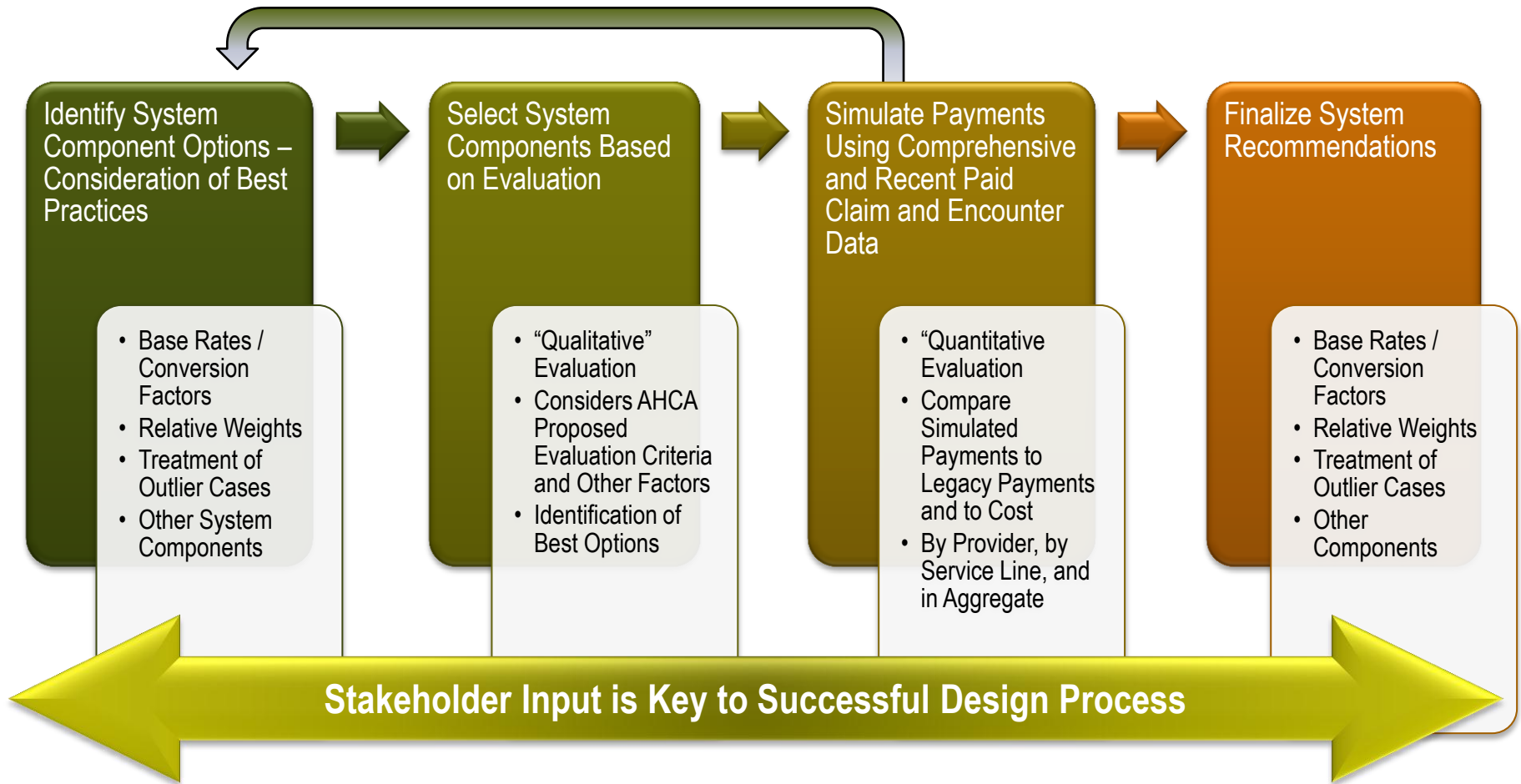


# Characteristics of Simulations





# Overview of Design Framework



# Characteristics of Simulations



Characteristic	Simulation #1	Simulation #2
Base Rates	A single provider base rate adjusted by Medicare wage index	A single provider base rate adjusted by Medicare wage index
Relative Weights	APR-DRG national weights re-centered to 1.0 using Florida Medicaid data	APR-DRG national weights re-centered to 1.0 using Florida Medicaid data
Service-based Policy Adjustors	None	None
Age-based Policy Adjustors	None	None
Provider-based Policy Adjustors	None	Provider policy adjustors for rural, LTAC, and rehabilitation hospitals to reach 95% of cost
Excluded Services or Carve Outs	None	None

# Characteristics of Simulations, cont'd

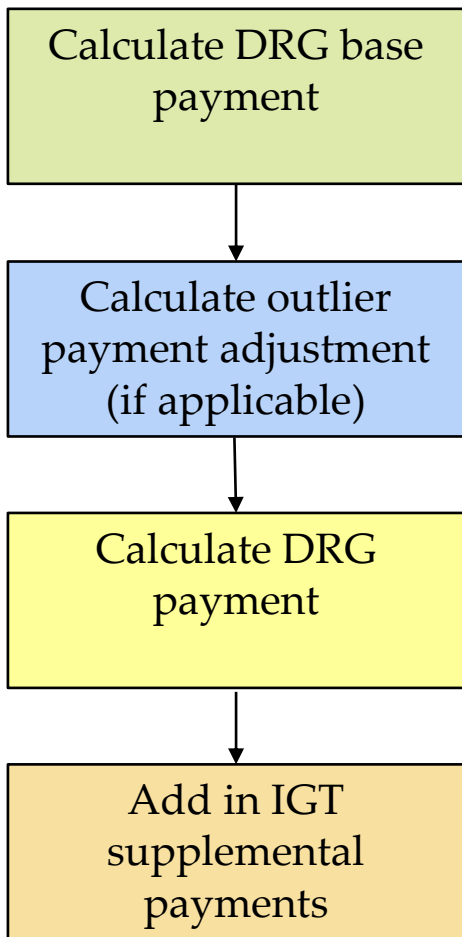


Characteristic	Simulation #1	Simulation #2
High Cost Outliers	High side (provider loss) outlier logic with single stop-loss threshold and single marginal cost percentage.  AHCA cost-to-charge (CCR) values used in outlier calculations.	High side (provider loss) outlier logic with single stop-loss threshold and single marginal cost percentage.  AHCA cost-to-charge (CCR) values used in outlier calculations.
Low Cost Outliers	None	Low side (provider gain) outlier logic, symmetrical with high side
IGT Payment Levels	Two separate payments made per claim (Automatic IGTs and Self-Funded IGTs). Total distribution at same levels for each provider as occurred in SFY 2010/2011.	Two separate payments made per claim (Automatic IGTs and Self-Funded IGTs). Total distribution at same levels for each provider as occurred in SFY 2010/2011.
IGT Payment Method	Equal amount per claim	Amount per claim adjusted for claim relative weight

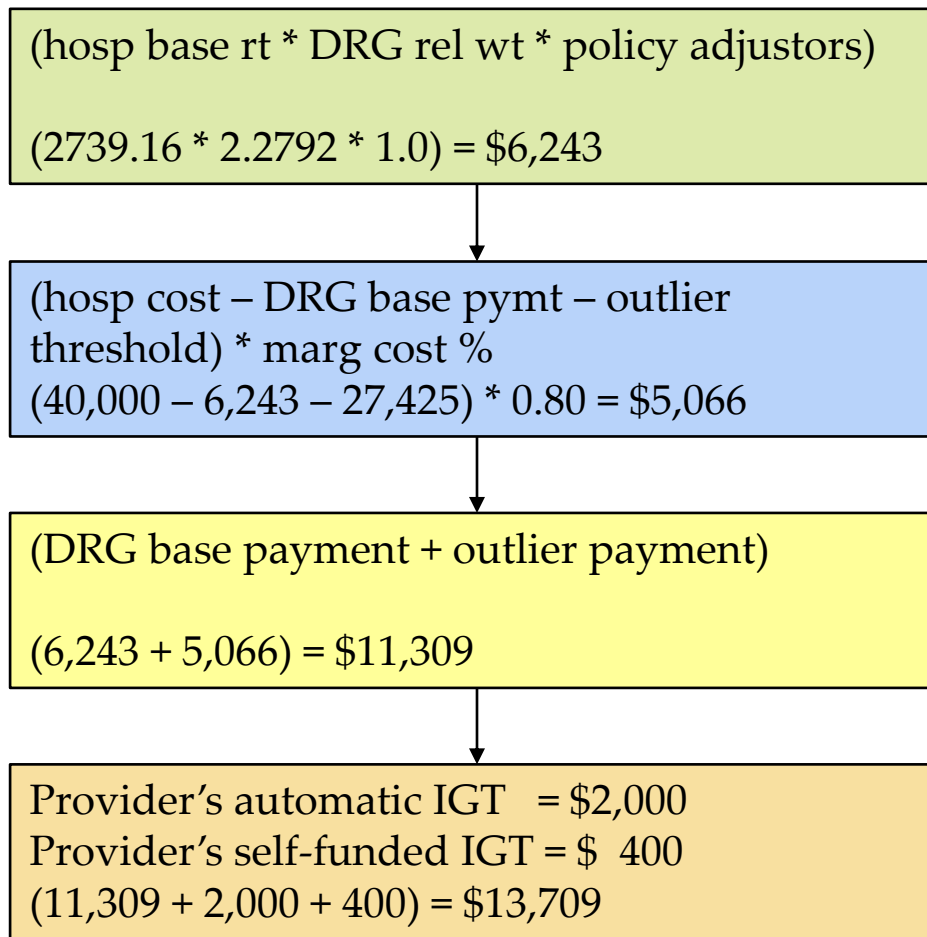
# Example IGT Supplemental Claim Payment



## Current Logic



## Example Claim



# Per Claim IGT Payment Determination Example



- » Example provider receiving **\$5M** from IGT funds during the year
- » Example provider's overall casemix is **0.6**
- » Example provider has **2,500** stays in a year
- » Average per discharge IGT add-on payment equals,  

$$\$5M / 2,500 = \$2,000$$

Simulation #1	Simulation #2
Equal amount per claim	Amount per claim adjusted for claim relative weight
<ul style="list-style-type: none"> <li>» For a claim with casemix equal to 0.75, Per-claim IGT Pymt = \$2,000</li> <li>» For a claim with casemix equal to 0.3, Per-claim IGT Pymt = \$2,000</li> </ul>	<ul style="list-style-type: none"> <li>» For a claim with casemix equal to 0.75, Per-claim IGT Pymt = <math>\\$2,000 * (0.75 / 0.6)</math> = \$2,500</li> <li>» For a claim with casemix equal to 0.3, Per-claim IGT Pymt = <math>\\$2,000 * (0.3 / 0.6)</math> = \$1,000</li> </ul>

# Results of Simulation 1





## Guiding Principles for Evaluating Options

<b>Efficiency</b>	Is the option aligned with incentives for providing efficient care?
<b>Access</b>	Does the option promote access to quality care, consistent with federal requirements?
<b>Equity</b>	Does the option promote equity of payment through appropriate recognition of resource intensity and other factors?
<b>Predictability</b>	Does the option provide predictable and transparent payment for providers and the State?
<b>Transparency and Simplicity</b>	Does the option enhance transparency, and contribute to an overall methodology that is easy to understand and replicate?
<b>Quality</b>	Does the option promote and reward high value, quality-driven healthcare services?

# Results of Simulation 1

## Simulation Parameters



DRG Payment Simulation No. 1		
Simulation Parameters	Value	Comment
Baseline payment, total	\$2,804,993,523	
Baseline payment, general revenue and PMATF	\$1,579,927,216	
Baseline payment, automatic IGTs	\$1,008,845,793	
Baseline payment, self-funded IGTs	\$216,220,514	
Simulation payment goal	\$2,804,993,523	Intention is budget neutrality
Simulation payment, total	\$2,804,992,527	
Difference	-\$995	
Simulation payment, general revenue and PMATF	\$1,579,926,221	
Simulation payment, automatic IGTs	\$1,008,845,793	
Simulation payment, self-funded IGTs	\$216,220,514	
DRG base price	\$2,851.67	
Cost outlier pool	15%	As percentage of total payments
Documentation & coding adjustment	None	
Relative weights	APR v.29 national re-centered to 1.0 for FL Medicaid	
Policy adjustor - DRG	None	
Policy adjustor - Age	None	
Policy adjustor - Provider	None	
Transfer discharge statuses	02, 05, 65, 66	
High side (provider loss) threshold and marginal cost (MC) percentage	\$27,425 80%	
Low side (provider gain) threshold and marginal cost (MC) percentage	None	
Charge Cap	None	
Notes:		
1) Values are for purposes of illustration only and do not represent Navigant recommendations or AHCA decisions.		



# Summary by Service Line



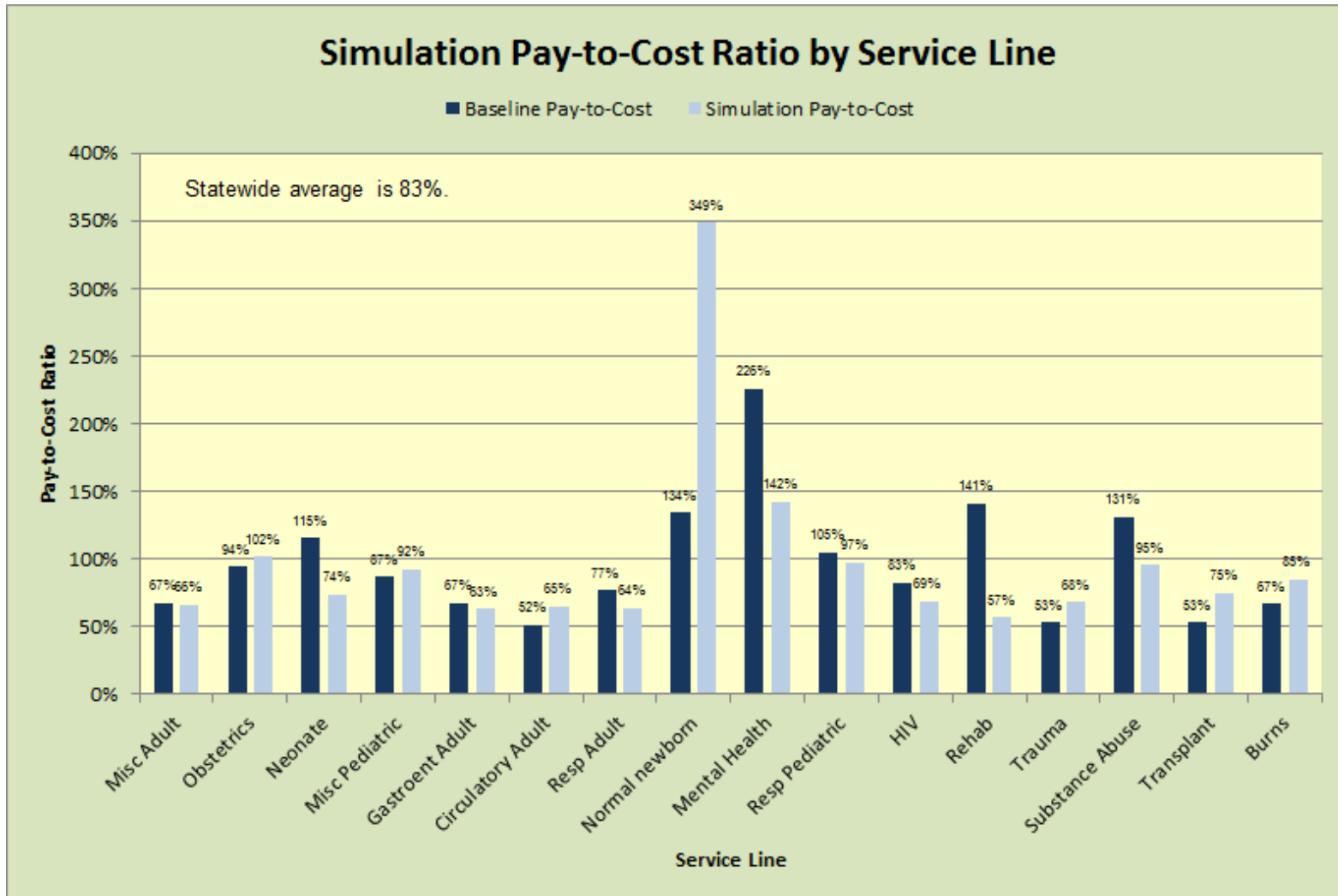
## Summary of Simulation by Service Line

Service Line	Stays	Casemix Recentered	Estimated Cost	Baseline Payment	Simulated Payment	Change	% Change	Baseline Pay / Cost	Simulated Pay / Cost	Simulated Outlier Payment	Sim Outlier % of Pymt
Misc Adult	65,635	1.67	\$ 939,874,316	\$ 630,110,850	\$ 621,503,327	\$ (8,607,523)	-1%	67%	66%	\$ 128,542,586	21%
Obstetrics	111,700	0.56	\$ 475,669,361	\$ 447,707,479	\$ 484,608,098	\$ 36,900,619	8%	94%	102%	\$ 3,923,492	1%
Neonate	11,697	4.11	\$ 386,225,878	\$ 445,320,739	\$ 284,449,265	\$(160,871,473)	-36%	115%	74%	\$ 111,715,900	39%
Misc Pediatric	31,757	1.19	\$ 315,813,740	\$ 274,097,486	\$ 290,480,561	\$ 16,383,074	6%	87%	92%	\$ 57,990,152	20%
Gastroent Adult	27,907	1.36	\$ 324,529,009	\$ 218,095,098	\$ 204,374,915	\$ (13,720,183)	-6%	67%	63%	\$ 24,772,902	12%
Circulatory Adult	24,526	1.67	\$ 330,678,559	\$ 170,504,828	\$ 214,092,466	\$ 43,587,639	26%	52%	65%	\$ 33,858,800	16%
Resp Adult	18,090	1.32	\$ 204,090,653	\$ 156,683,845	\$ 130,416,780	\$ (26,267,064)	-17%	77%	64%	\$ 17,138,513	13%
Normal newborn	90,615	0.16	\$ 82,164,916	\$ 110,303,520	\$ 286,502,417	\$ 176,198,896	160%	134%	349%	\$ 1,338,812	0%
Mental Health	12,443	0.70	\$ 44,533,912	\$ 100,644,313	\$ 63,295,120	\$ (37,349,193)	-37%	226%	142%	\$ 470,870	1%
Resp Pediatric	13,836	0.83	\$ 95,674,838	\$ 100,304,480	\$ 93,271,054	\$ (7,033,426)	-7%	105%	97%	\$ 12,275,838	13%
HIV	2,931	2.26	\$ 53,222,535	\$ 44,008,545	\$ 36,718,658	\$ (7,289,887)	-17%	83%	69%	\$ 8,104,129	22%
Rehab	1,789	1.79	\$ 27,626,106	\$ 39,040,081	\$ 15,637,142	\$ (23,402,939)	-60%	141%	57%	\$ 1,689,024	11%
Trauma	2,241	3.51	\$ 69,752,852	\$ 37,048,402	\$ 47,309,988	\$ 10,261,585	28%	53%	68%	\$ 17,639,505	37%
Substance Abuse	2,421	0.63	\$ 12,092,440	\$ 15,841,570	\$ 11,531,351	\$ (4,310,219)	-27%	131%	95%	\$ 589,261	5%
Transplant	132	13.19	\$ 18,729,419	\$ 9,933,404	\$ 13,983,560	\$ 4,050,156	41%	53%	75%	\$ 8,525,590	61%
Burns	315	3.01	\$ 8,012,256	\$ 5,348,883	\$ 6,817,825	\$ 1,468,942	27%	67%	85%	\$ 2,731,105	40%
<b>Total</b>	<b>418,035</b>	<b>1.00</b>	<b>\$ 3,388,690,790</b>	<b>\$ 2,804,993,523</b>	<b>\$ 2,804,992,527</b>	<b>\$ (995)</b>	<b>0%</b>	<b>83%</b>	<b>83%</b>	<b>\$ 431,306,479</b>	<b>15%</b>

Notes:

- 1) "Transplant" includes only those cases paid per diem, not through the global period.
- 2) Estimated cost determined using AHCA cost-to-charge ratios from SFY 2010/2011.

# Pay-to-Cost by Service Line



# Summary by Provider Category



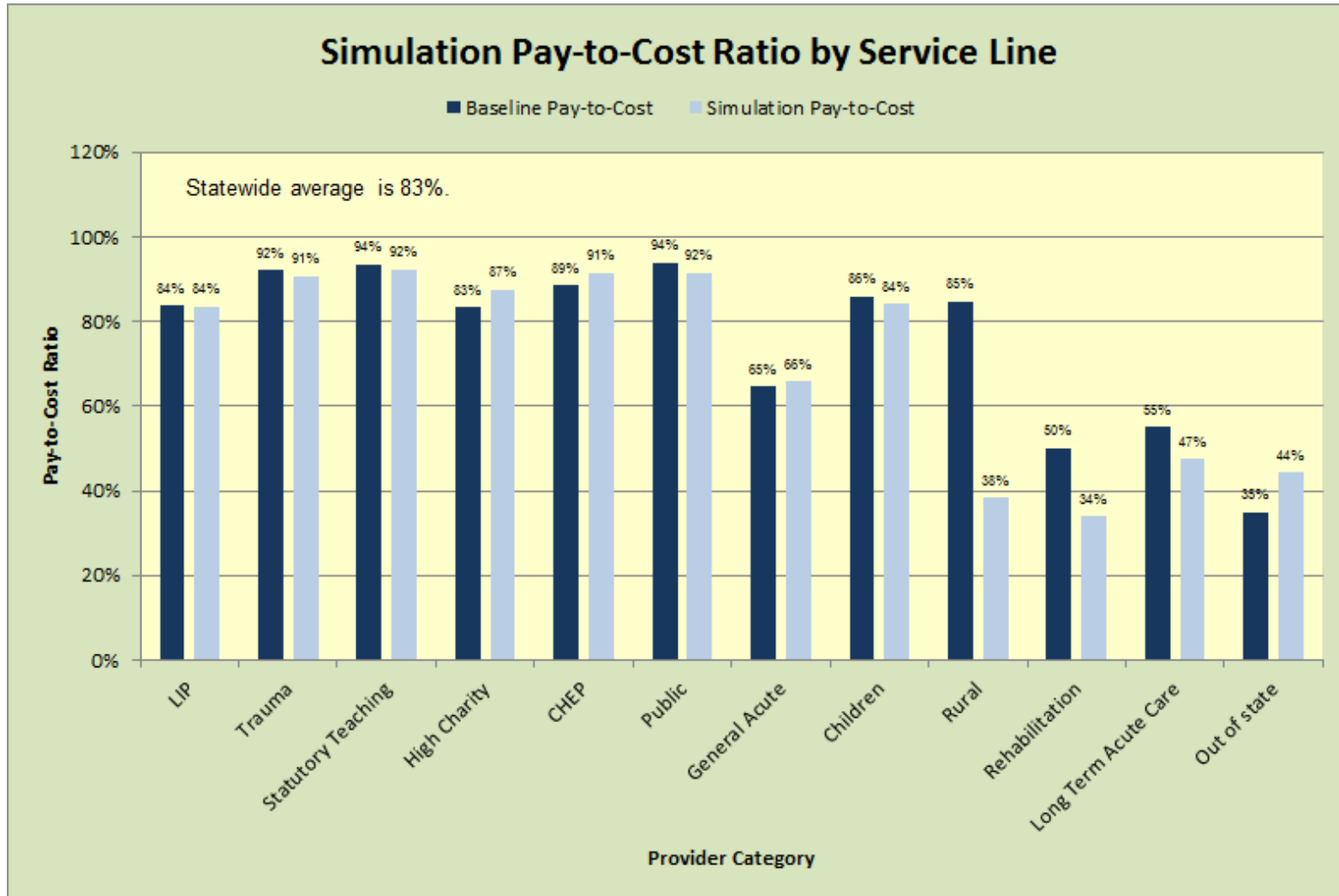
**Summary of Simulation by Provider Category**

Service Line	Stays	Casemix Recentered	Estimated Cost	Baseline Payment	Simulated Payment	Change	% Change	Baseline Pay / Cost	Simulated Pay / Cost	Simulated Outlier Payment	Sim Outlier % of Pymt
LIP	404,649	0.99	\$ 3,276,516,038	\$ 2,741,173,463	\$ 2,738,566,728	\$ (2,606,735)	0%	84%	84%	\$ 421,156,475	15%
Trauma	167,965	1.18	\$ 1,715,320,040	\$ 1,579,553,835	\$ 1,557,529,090	\$ (22,024,745)	-1%	92%	91%	\$ 297,822,847	19%
Statutory Teaching	98,543	1.19	\$ 1,080,601,335	\$ 1,010,602,636	\$ 995,784,851	\$ (14,817,785)	-1%	94%	92%	\$ 186,074,578	19%
High Charity	112,473	0.92	\$ 817,142,294	\$ 680,515,190	\$ 714,324,063	\$ 33,808,873	5%	83%	87%	\$ 86,108,420	12%
CHEP	75,776	1.01	\$ 575,505,264	\$ 509,567,290	\$ 526,497,756	\$ 16,930,466	3%	89%	91%	\$ 60,123,246	11%
Public	76,896	0.96	\$ 540,926,386	\$ 508,160,681	\$ 495,053,254	\$ (13,107,426)	-3%	94%	92%	\$ 61,634,818	12%
General Acute	123,624	0.88	\$ 782,909,961	\$ 505,436,946	\$ 515,394,175	\$ 9,957,229	2%	65%	66%	\$ 53,930,876	10%
Children	9,263	1.78	\$ 199,900,900	\$ 171,966,950	\$ 168,012,799	\$ (3,954,151)	-2%	86%	84%	\$ 63,778,098	38%
Rural	11,143	0.66	\$ 53,768,677	\$ 45,608,998	\$ 20,567,902	\$ (25,041,096)	-55%	85%	38%	\$ 1,240,832	6%
Rehabilitation	525	1.71	\$ 8,381,138	\$ 4,184,588	\$ 2,847,567	\$ (1,337,021)	-32%	50%	34%	\$ 505,899	18%
Long Term Acute Care	86	2.87	\$ 2,979,177	\$ 1,641,069	\$ 1,412,981	\$ (228,088)	-14%	55%	47%	\$ 631,558	45%
Out of state	412	1.21	\$ 3,045,731	\$ 1,064,107	\$ 1,349,815	\$ 285,708	27%	35%	44%	\$ 96,138	7%

**Notes:**

- 1) Providers may be included in more than one category.
- 2) "High Charity" is any hospital with 11% or more market share from Medicaid and uninsured recipients.
- 3) "General Acute" hospitals are those not otherwise categorized as Childrens, CHP, High Charity, LTAC, Out of state, Rehab, Rural, Teaching or Trauma.
- 4) Estimated cost determined using AHCA cost-to-charge ratios from SFY 2010/2011.

# Pay-to-Cost by Provider Category



# Results of Simulation 2





# Results of Simulation 2

## Simulation Parameters



DRG Payment Simulation 2					
Simulation Parameters	Value - Overall	Value - All Other Hospitals	Value - Rural Hospitals	Value - LTAC Hospitals	Value - Rehab Hospitals
Baseline payment, total	\$2,804,993,523	\$2,753,558,867	\$45,608,998	\$1,641,069	\$4,184,588
Baseline payment, general revenue and PMATF	\$1,579,927,216	\$1,528,622,979	\$45,608,998	\$1,510,651	\$4,184,588
Baseline payment, automatic IGTs	\$1,008,845,793	\$1,008,803,087	\$0	\$42,706	\$0
Baseline payment, self-funded IGTs	\$216,220,514	\$216,132,801	\$0	\$87,713	\$0
Simulation payment goal	\$2,804,993,523	\$2,743,120,980	\$51,080,243	\$2,830,219	\$7,962,081
Simulation payment, result	\$2,804,986,717	\$2,743,121,234	\$51,074,177	\$2,829,946	\$7,961,360
Difference	-\$6,806	\$254	-\$6,066	-\$273	-\$721
Simulation payment, general revenue and PMATF	\$1,579,927,514	\$1,518,184,745	\$51,080,535	\$2,699,682	\$7,962,552
Simulation payment, automatic IGTs	\$1,008,845,793	\$1,008,803,087	\$0	\$42,706	\$0
Simulation payment, self-funded IGTs	\$216,220,514	\$216,132,801	\$0	\$87,713	\$0
DRG base price	\$2,739.16	\$2,739.16	\$2,739.16	\$2,739.16	\$2,739.16
Cost outlier pool (percentage of total payments)	16%	16%	2%	14%	3%
Policy adjustor - Provider	n/a	None	2.707	3.670	3.432
Policy adjustor - DRG	None				
Policy adjustor - Age	None				
Documentation & coding adjustment	None				
Relative weights	APR v.29 national re-centered to 1.0 for FL Medicaid				
Transfer discharge statuses	02, 05, 65, 66				
High side (provider loss) threshold and marginal cost (MC) percentage	\$27,425 80%				
Low side (provider gain) threshold and marginal cost (MC) percentage	\$27,425 80%				
Charge Cap	None				
Notes:					
1) Values are for purposes of illustration only and do not represent Navigant recommendations or AHCA decisions.					

## Summary by Service Line - Total



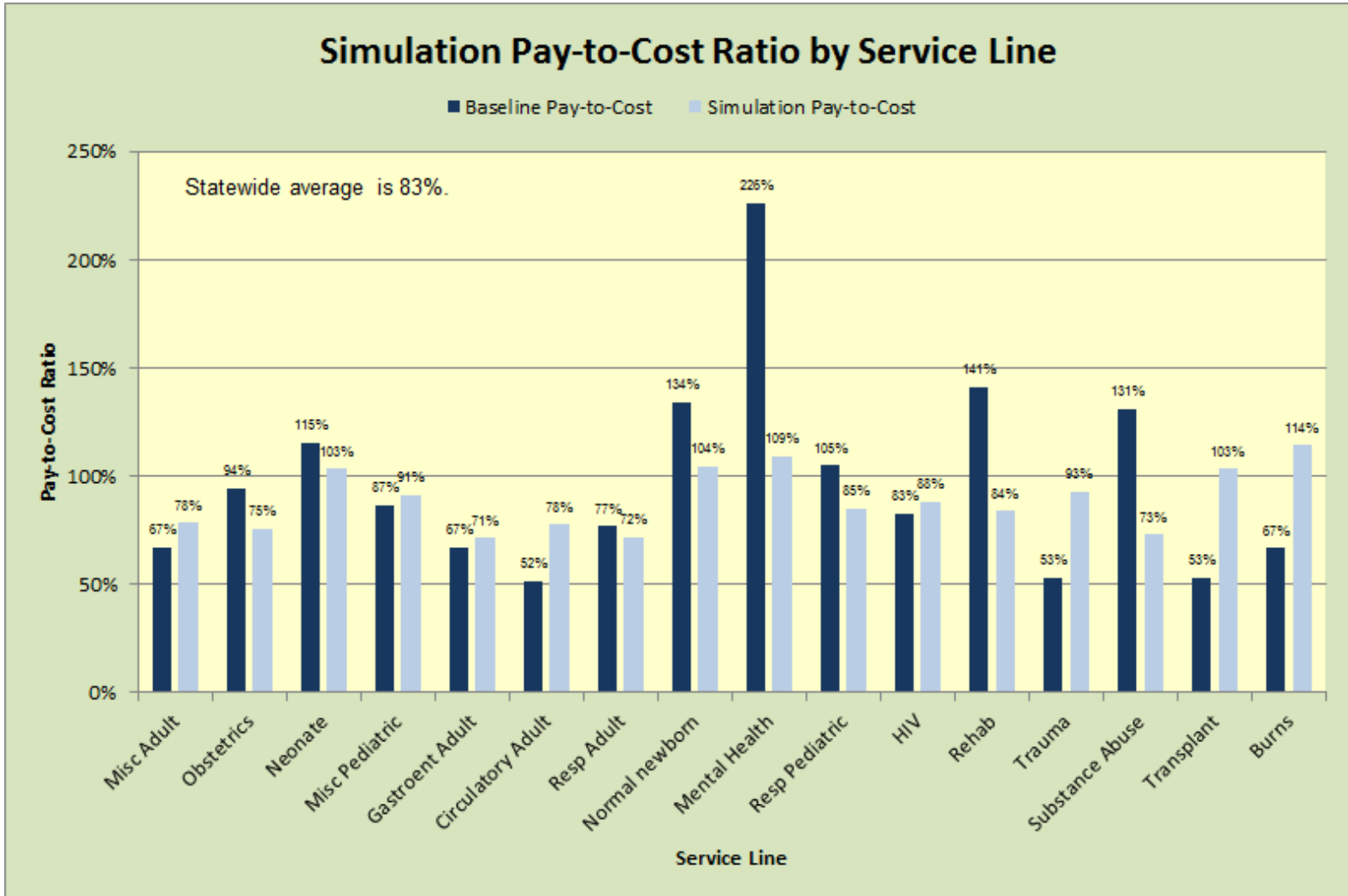
Summary of Simulation by Service Line											
Service Line	Stays	Casemix Recentered	Estimated Cost	Baseline Payment	Simulated Payment	Change	Percent Change	Baseline Pay / Cost	Simulated Pay / Cost	Simulated Outlier Payment	Sim Outlier % of Pymt
Misc Adult	65,635	1.67	\$ 939,874,316	\$ 630,110,850	\$ 737,556,545	\$ 107,445,695	17%	67%	78%	\$ 130,477,657	18%
Obstetrics	111,700	0.56	\$ 475,669,361	\$ 447,707,479	\$ 358,843,613	\$ (88,863,866)	-20%	94%	75%	\$ 3,951,047	1%
Neonate	11,697	4.11	\$ 386,225,878	\$ 445,320,739	\$ 399,240,619	\$ (46,080,120)	-10%	115%	103%	\$ 114,248,193	29%
Misc Pediatric	31,757	1.19	\$ 315,813,740	\$ 274,097,486	\$ 287,377,546	\$ 13,280,060	5%	87%	91%	\$ 58,528,234	20%
Gastroent Adult	27,907	1.36	\$ 324,529,009	\$ 218,095,098	\$ 231,522,889	\$ 13,427,791	6%	67%	71%	\$ 25,012,319	11%
Circulatory Adult	24,526	1.67	\$ 330,678,559	\$ 170,504,828	\$ 256,617,822	\$ 86,112,994	51%	52%	78%	\$ 34,570,045	13%
Resp Adult	18,090	1.32	\$ 204,090,653	\$ 156,683,845	\$ 146,213,033	\$ (10,470,812)	-7%	77%	72%	\$ 17,201,967	12%
Normal newborn	90,615	0.16	\$ 82,164,916	\$ 110,303,520	\$ 85,701,042	\$ (24,602,478)	-22%	134%	104%	\$ 1,339,695	2%
Mental Health	12,443	0.70	\$ 44,533,912	\$ 100,644,313	\$ 48,517,000	\$ (52,127,313)	-52%	226%	109%	\$ 474,727	1%
Resp Pediatric	13,836	0.83	\$ 95,674,838	\$ 100,304,480	\$ 81,300,041	\$ (19,004,439)	-19%	105%	85%	\$ 12,380,491	15%
HIV	2,931	2.26	\$ 53,222,535	\$ 44,008,545	\$ 46,941,370	\$ 2,932,825	7%	83%	88%	\$ 8,204,989	17%
Rehab	1,789	1.79	\$ 27,626,106	\$ 39,040,081	\$ 23,157,661	\$ (15,882,420)	-41%	141%	84%	\$ 1,442,210	6%
Trauma	2,241	3.51	\$ 69,752,852	\$ 37,048,402	\$ 64,677,451	\$ 27,629,048	75%	53%	93%	\$ 17,937,591	28%
Substance Abuse	2,421	0.63	\$ 12,092,440	\$ 15,841,570	\$ 8,813,915	\$ (7,027,655)	-44%	131%	73%	\$ 592,113	7%
Transplant	132	13.19	\$ 18,729,419	\$ 9,933,404	\$ 19,353,804	\$ 9,420,400	95%	53%	103%	\$ 8,657,037	45%
Burns	315	3.01	\$ 8,012,256	\$ 5,348,883	\$ 9,152,366	\$ 3,803,483	71%	67%	114%	\$ 2,770,999	30%
<b>Total</b>	<b>418,035</b>	<b>1.00</b>	<b>\$ 3,388,690,790</b>	<b>\$ 2,804,993,523</b>	<b>\$ 2,804,986,717</b>	<b>\$ (6,806)</b>	<b>0%</b>	<b>83%</b>	<b>83%</b>	<b>\$ 437,789,315</b>	<b>16%</b>

## Notes:

- 1) "Transplant" includes only those cases paid per diem, not through the global period.
- 2) Estimated cost determined using AHCA cost-to-charge ratios from SFY 2010/2011.



# Pay-to-Cost by Service Line - Total



# Relating Payment Change to Casemix



Relating Payment Change to Casemix							
Service Line	Stays	Casemix Recentered	ALOS	Baseline Payment	Simulated Payment	Change	% Change in Payment
Transplant	132	13.19	31.1	\$ 9,933,404	\$ 19,353,804	\$ 9,420,400	95%
Neonate	11,697	4.11	23.8	\$ 445,320,739	\$ 399,240,619	\$ (46,080,120)	-10%
Trauma	2,241	3.51	9.0	\$ 37,048,402	\$ 64,677,451	\$ 27,629,048	75%
Burns	315	3.01	7.7	\$ 5,348,883	\$ 9,152,366	\$ 3,803,483	71%
HIV	2,931	2.26	8.7	\$ 44,008,545	\$ 46,941,370	\$ 2,932,825	7%
Rehab	1,789	1.79	14.5	\$ 39,040,081	\$ 23,157,661	\$ (15,882,420)	-41%
Circulatory Adult	24,526	1.67	4.3	\$ 170,504,828	\$ 256,617,822	\$ 86,112,994	51%
Misc Adult	65,635	1.67	5.8	\$ 630,110,850	\$ 737,556,545	\$ 107,445,695	17%
Gastroent Adult	27,907	1.36	4.8	\$ 218,095,098	\$ 231,522,889	\$ 13,427,791	6%
Resp Adult	18,090	1.32	5.5	\$ 156,683,845	\$ 146,213,033	\$ (10,470,812)	-7%
Misc Pediatric	31,757	1.19	4.3	\$ 274,097,486	\$ 287,377,546	\$ 13,280,060	5%
Resp Pediatric	13,836	0.83	3.8	\$ 100,304,480	\$ 81,300,041	\$ (19,004,439)	-19%
Mental Health	12,443	0.70	5.0	\$ 100,644,313	\$ 48,517,000	\$ (52,127,313)	-52%
Substance Abuse	2,421	0.63	3.9	\$ 15,841,570	\$ 8,813,915	\$ (7,027,655)	-44%
Obstetrics	111,700	0.56	2.7	\$ 447,707,479	\$ 358,843,613	\$ (88,863,866)	-20%
Normal newborn	90,615	0.16	2.8	\$ 110,303,520	\$ 85,701,042	\$ (24,602,478)	-22%
<b>Total</b>	<b>418,035</b>	<b>1.00</b>	<b>4.5</b>	<b>\$ 2,804,993,523</b>	<b>\$ 2,804,986,717</b>	<b>\$ (6,806)</b>	<b>0%</b>
<i>Notes:</i>							
1) "Transplant" includes only those cases paid per diem, not through the global period.							

## Summary by Service Line – GR &amp; PMATF Only



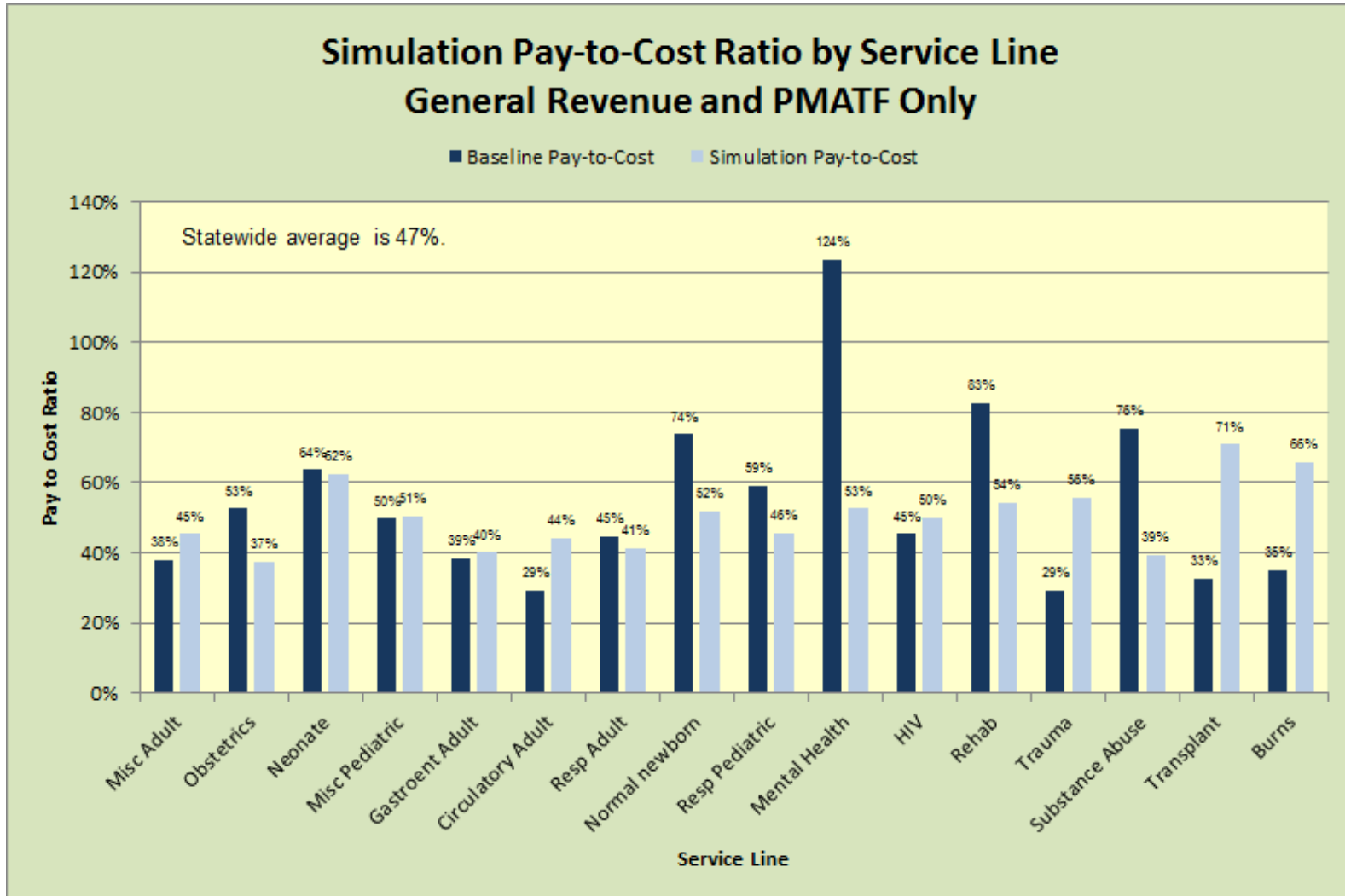
## Summary of Simulation by Service Line - GR and PMATF Only

Service Line	Stays	Casemix Recentered	Estimated Cost	Baseline Payment	Simulated Payment	Change	Percent Change	Baseline Pay / Cost	Simulated Pay / Cost	Simulated Outlier Payment	Sim Outlier % of Pymt
Misc Adult	65,635	1.67	\$ 939,874,316	\$ 355,618,102	\$ 427,500,350	\$ 71,882,247	20%	38%	45%	\$ 130,477,657	31%
Obstetrics	111,700	0.56	\$ 475,669,361	\$ 250,158,251	\$ 178,046,935	\$ (72,111,316)	-29%	53%	37%	\$ 3,951,047	2%
Neonate	11,697	4.11	\$ 386,225,878	\$ 246,130,723	\$ 240,928,334	\$ (5,202,389)	-2%	64%	62%	\$ 114,248,193	47%
Misc Pediatric	31,757	1.19	\$ 315,813,740	\$ 157,199,848	\$ 159,551,567	\$ 2,351,719	1%	50%	51%	\$ 58,528,234	37%
Gastroent Adult	27,907	1.36	\$ 324,529,009	\$ 124,991,439	\$ 130,077,792	\$ 5,086,353	4%	39%	40%	\$ 25,012,319	19%
Circulatory Adult	24,526	1.67	\$ 330,678,559	\$ 96,498,536	\$ 145,803,358	\$ 49,304,823	51%	29%	44%	\$ 34,570,045	24%
Resp Adult	18,090	1.32	\$ 204,090,653	\$ 91,535,772	\$ 84,492,830	\$ (7,042,941)	-8%	45%	41%	\$ 17,201,967	20%
Normal newborn	90,615	0.16	\$ 82,164,916	\$ 60,661,948	\$ 42,685,380	\$ (17,976,568)	-30%	74%	52%	\$ 1,339,695	3%
Resp Pediatric	13,836	0.83	\$ 95,674,838	\$ 56,541,922	\$ 43,651,576	\$ (12,890,346)	-23%	59%	46%	\$ 12,380,491	28%
Mental Health	12,443	0.70	\$ 44,533,912	\$ 55,073,700	\$ 23,407,811	\$ (31,665,889)	-57%	124%	53%	\$ 474,727	2%
HIV	2,931	2.26	\$ 53,222,535	\$ 24,199,182	\$ 26,652,574	\$ 2,453,392	10%	45%	50%	\$ 8,204,989	31%
Rehab	1,789	1.79	\$ 27,626,106	\$ 22,852,281	\$ 14,991,372	\$ (7,860,909)	-34%	83%	54%	\$ 1,442,210	10%
Trauma	2,241	3.51	\$ 69,752,852	\$ 20,403,781	\$ 38,812,836	\$ 18,409,055	90%	29%	56%	\$ 17,937,591	46%
Substance Abuse	2,421	0.63	\$ 12,092,440	\$ 9,140,192	\$ 4,763,604	\$ (4,376,587)	-48%	76%	39%	\$ 592,113	12%
Transplant	132	13.19	\$ 18,729,419	\$ 6,112,081	\$ 13,266,425	\$ 7,154,344	117%	33%	71%	\$ 8,657,037	65%
Burns	315	3.01	\$ 8,012,256	\$ 2,809,459	\$ 5,287,665	\$ 2,478,206	88%	35%	66%	\$ 2,770,999	52%
<b>Total</b>	<b>418,035</b>	<b>1.00</b>	<b>\$ 3,388,690,790</b>	<b>\$ 1,579,927,216</b>	<b>\$ 1,579,920,410</b>	<b>\$ (6,806)</b>	<b>0%</b>	<b>47%</b>	<b>47%</b>	<b>\$ 437,789,315</b>	<b>28%</b>

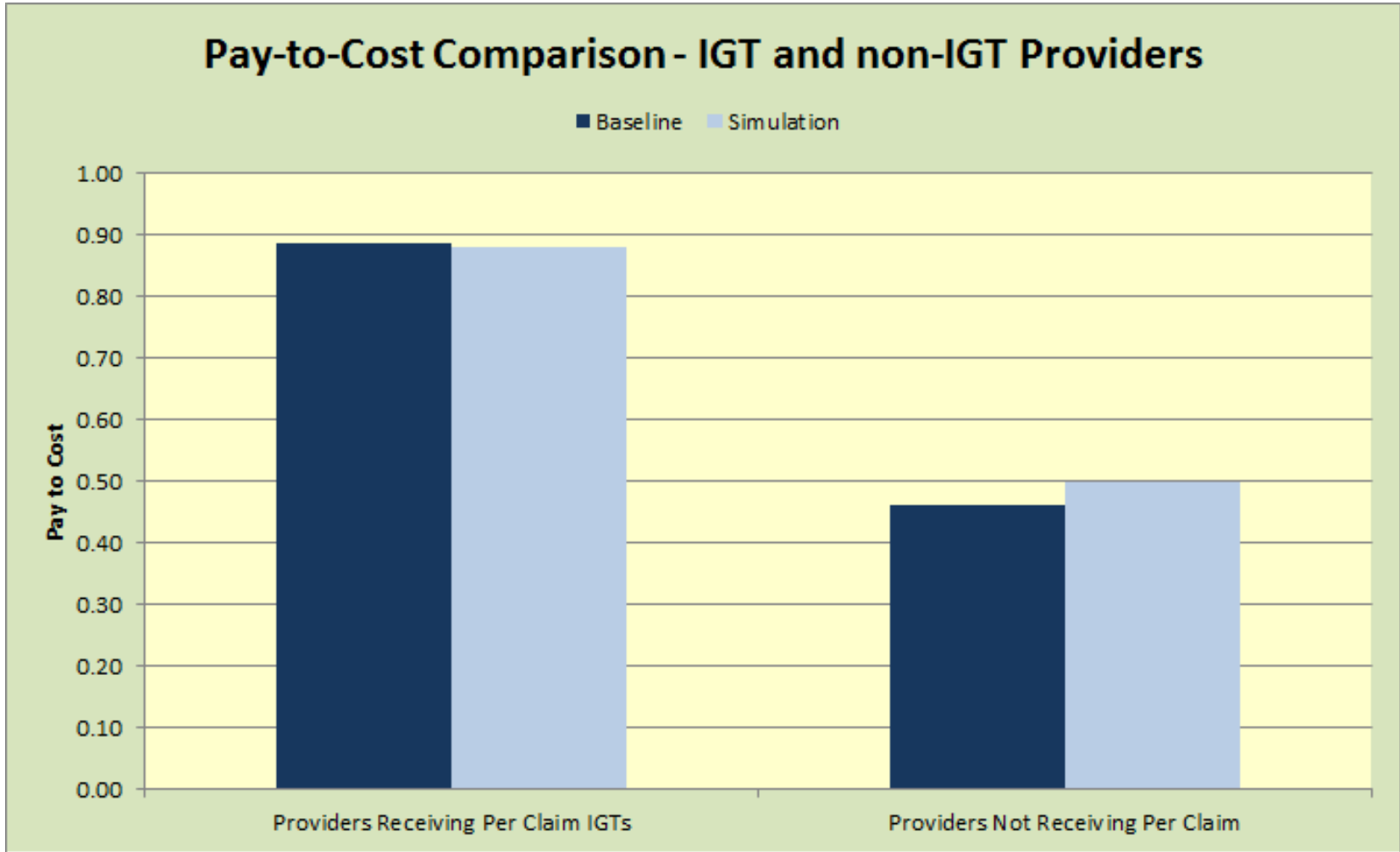
## Notes:

- 1) "Transplant" includes only those cases paid per diem, not through the global period.
- 2) Estimated cost determined using AHCA cost-to-charge ratios from SFY 2010/2011.

# Pay-to-Cost by Service Line – GR & PMATF Only



# Pay-to-Cost Comparison – IGT vs. non-IGT Providers



## Summary by Provider Category



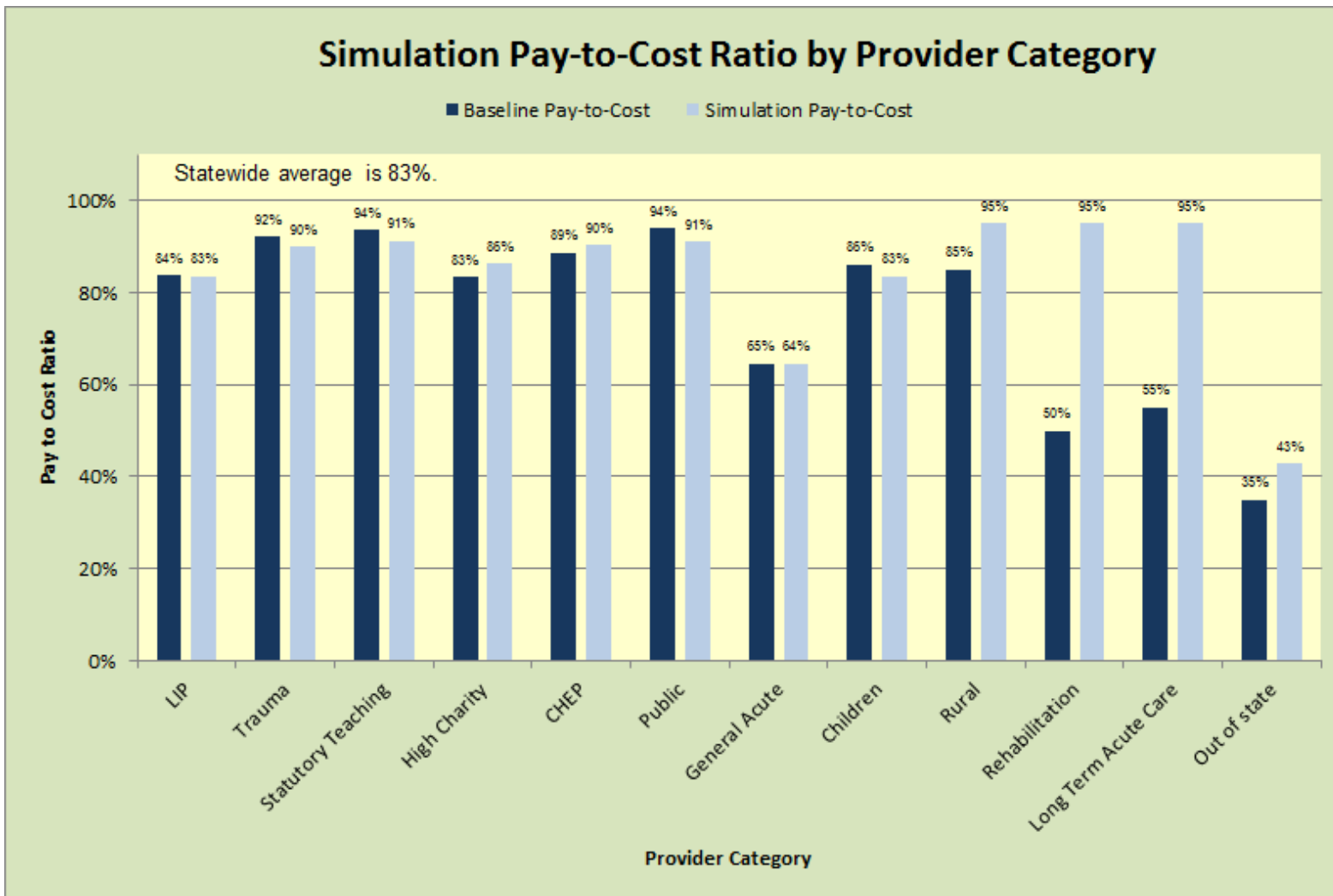
### Summary of Simulation by Provider Category

Provider Category	Stays	Casemix Recentered	Estimated Cost	Baseline Payment	Simulated Payment	Change	Percent Change	Baseline Pay / Cost	Simulated Pay / Cost	Simulated Outlier Payment	Sim Outlier % of Pymt
LIP	404,649	0.99	\$ 3,276,516,038	\$ 2,741,173,463	\$ 2,733,403,178	\$ (7,770,285)	0%	84%	83%	\$ 427,962,322	16%
Trauma	167,965	1.18	\$ 1,715,320,040	\$ 1,579,553,835	\$ 1,540,897,865	\$ (38,655,971)	-2%	92%	90%	\$ 302,791,406	20%
Statutory Teaching	98,543	1.19	\$ 1,080,601,335	\$ 1,010,602,636	\$ 986,053,770	\$ (24,548,866)	-2%	94%	91%	\$ 189,100,749	19%
High Charity	112,473	0.92	\$ 817,142,294	\$ 680,515,190	\$ 704,575,611	\$ 24,060,421	4%	83%	86%	\$ 87,806,145	12%
CHEP	75,776	1.01	\$ 575,505,264	\$ 509,567,290	\$ 519,377,023	\$ 9,809,733	2%	89%	90%	\$ 61,313,317	12%
Public	76,896	0.96	\$ 540,926,386	\$ 508,160,681	\$ 492,340,080	\$ (15,820,600)	-3%	94%	91%	\$ 62,755,194	13%
General Acute	123,624	0.88	\$ 782,909,961	\$ 505,436,946	\$ 504,857,343	\$ (579,603)	0%	65%	64%	\$ 55,025,714	11%
Children	9,263	1.78	\$ 199,900,900	\$ 171,966,950	\$ 166,885,479	\$ (5,081,472)	-3%	86%	83%	\$ 64,438,371	39%
Rural	11,143	0.66	\$ 53,768,677	\$ 45,608,998	\$ 51,074,177	\$ 5,465,178	12%	85%	95%	\$ 819,943	2%
Rehabilitation	525	1.71	\$ 8,381,138	\$ 4,184,588	\$ 7,961,360	\$ 3,776,772	90%	50%	95%	\$ 241,832	3%
Long Term Acute Care	86	2.87	\$ 2,979,177	\$ 1,641,069	\$ 2,829,946	\$ 1,188,877	72%	55%	95%	\$ 404,603	14%
Out of state	412	1.21	\$ 3,045,731	\$ 1,064,107	\$ 1,303,265	\$ 239,158	22%	35%	43%	\$ 99,051	8%

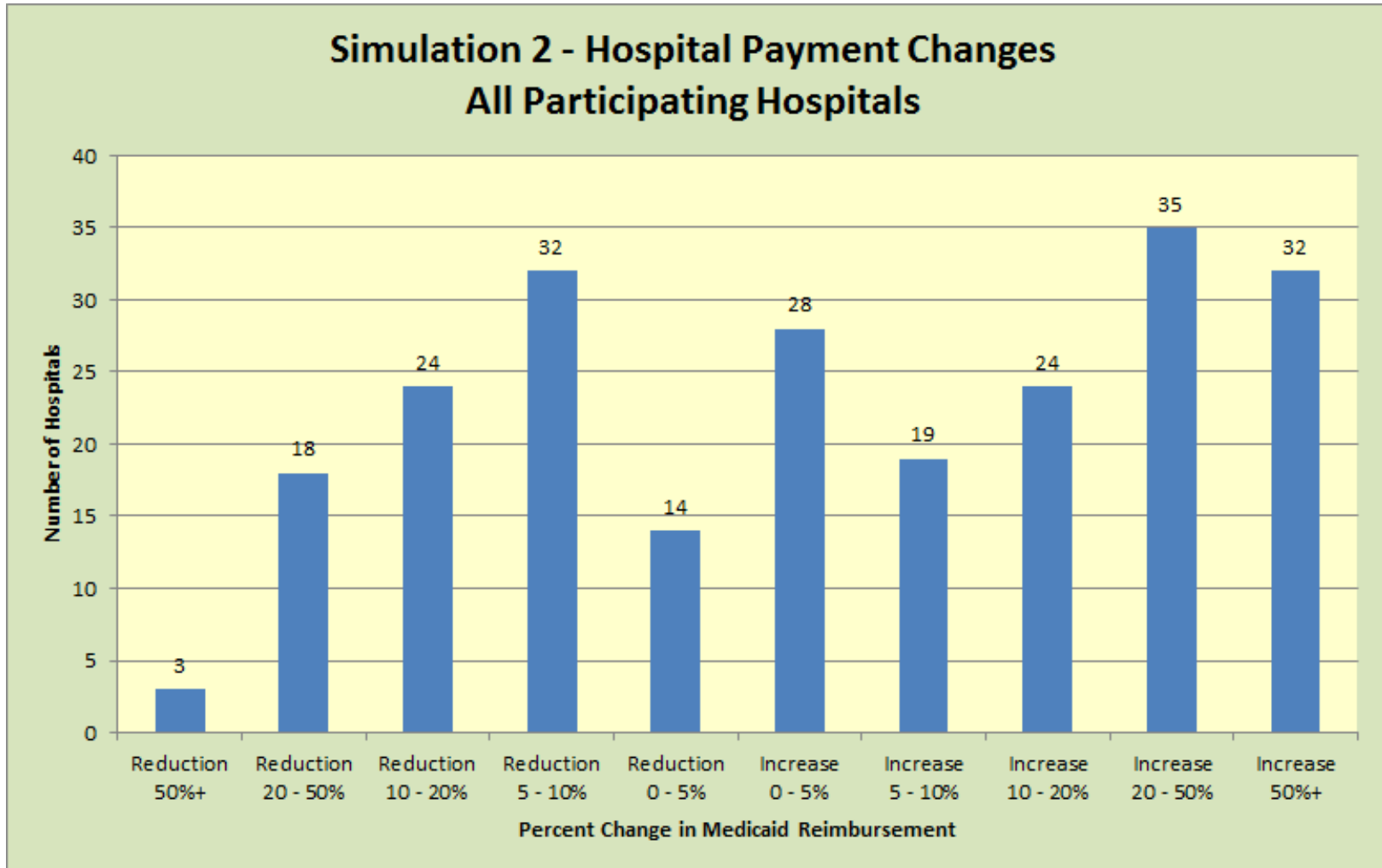
**Notes:**

- 1) Providers may be included in more than one category.
- 2) "High Charity" is any hospital with 11% or more market share from Medicaid and uninsured recipients.
- 3) "General Acute" hospitals are those not otherwise categorized as Childrens, CHP, High Charity, LTAC, Out of state, Rehab, Rural, Teaching or Trauma.
- 4) Estimated cost determined using AHCA cost-to-charge ratios from SFY 2010/2011.

# Pay-to-Cost by Provider Category

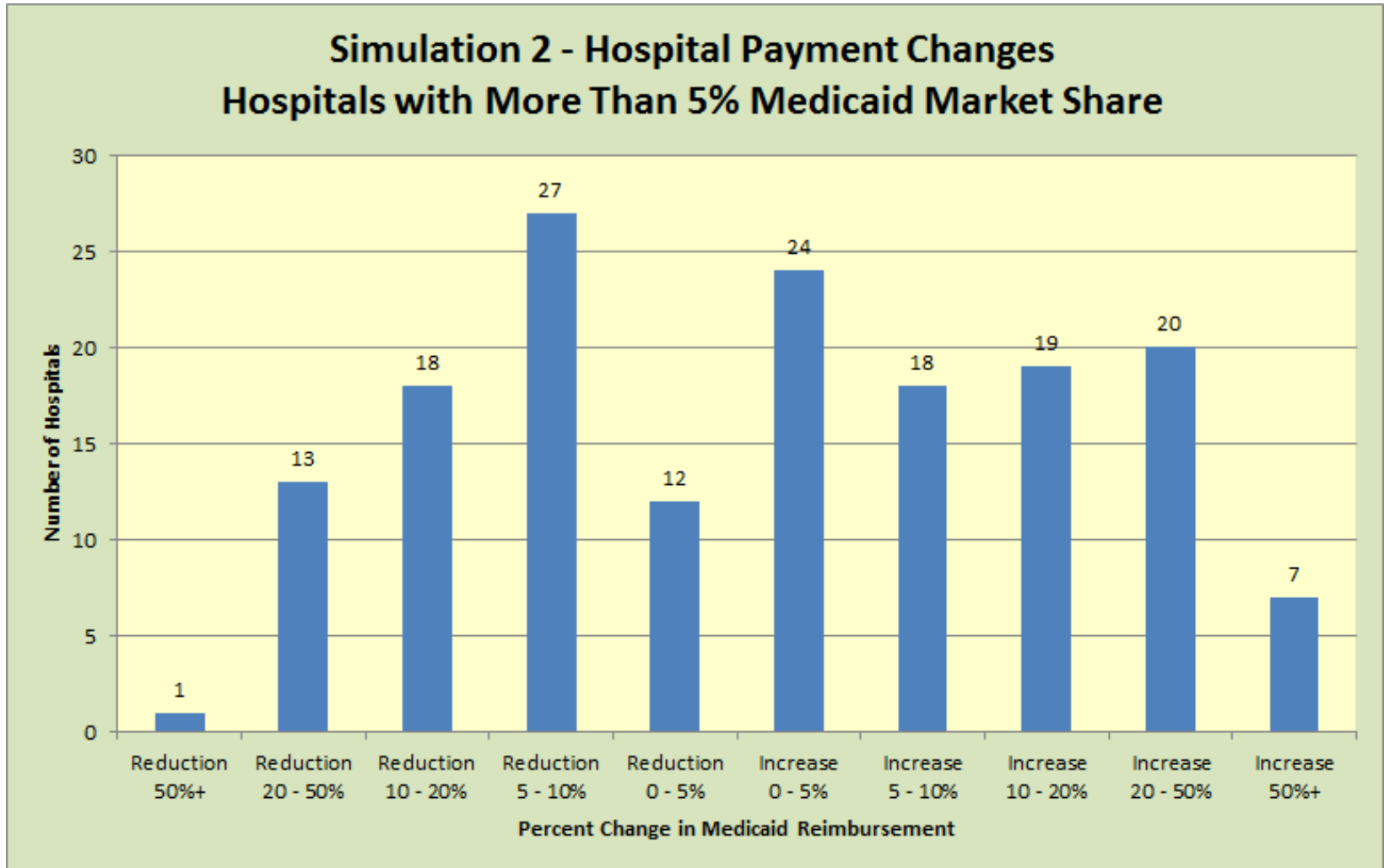


# Provider Impact – All Hospitals

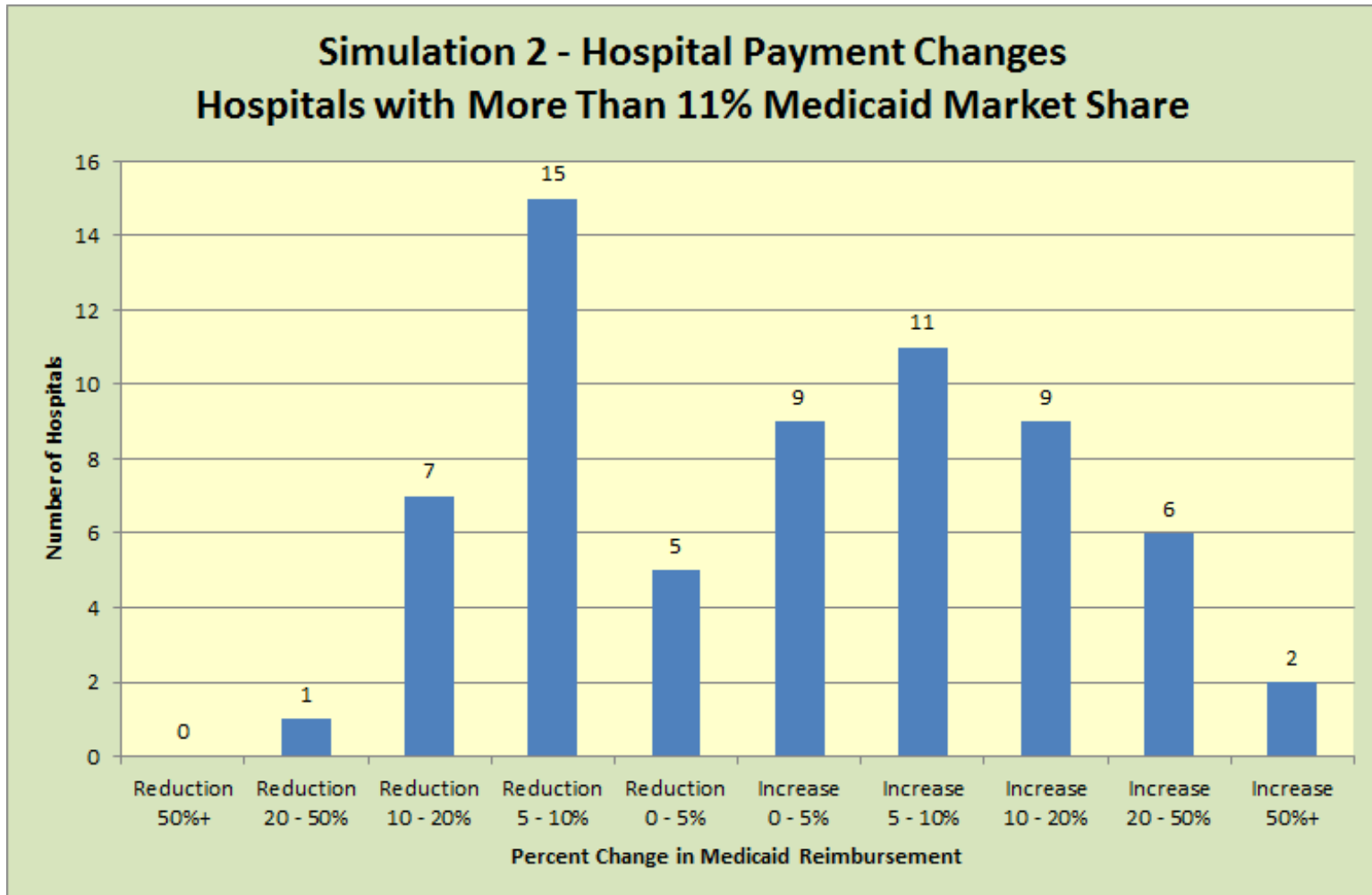




# Provider Impact – Hospitals with > 5% Medicaid



# Provider Impact – Hospitals with > 11% Medicaid



# Recommendations for Next Steps



# Recommendations for Next Steps

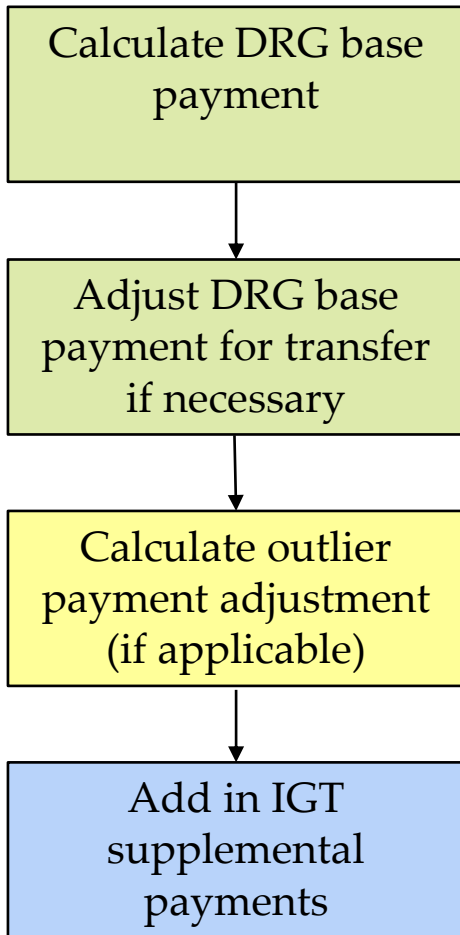


- » Reduce percentage paid as outlier
  - › Apply IGT payments before calculating outlier amount
  - › Reduce marginal cost percentage
- » Complete development of detailed cost numbers
- » Adjust the pay-to-cost goals for some or all of the provider categories – rural, LTAC, and rehab
- » Add policy adjustor for obstetrics

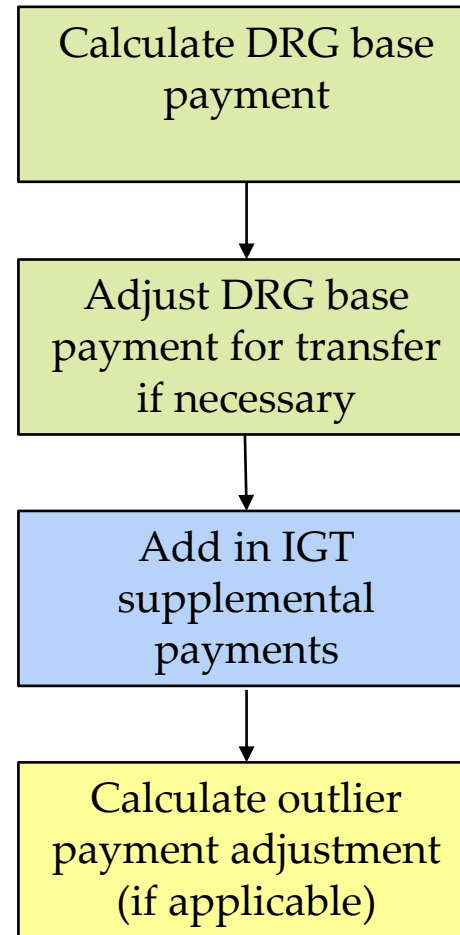
# Possibly Apply Add-Ons Before Calculating Outlier



## Current Logic



## Suggested New Logic



# Stakeholder Comments



# Wrap-Up





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