

# REIMBURSEMENT REFORM OASAS CERTIFIED DETOX PROVIDERS

New York State Department of Health  
Office of Health Insurance Programs

Training Dates: November 3, 2008  
November 5, 2008

# FY 2008/09 Budget – Detox Rate Reform

Section 2807-c(4)(l) of the PHL authorizes a new methodology for determining rates of payment for inpatient detoxification and withdrawal services.

- Major Components of Rate Reform:
- Applies to general hospitals certified by OASAS for inpatient detoxification and withdrawal services
- DRGs 743 – 751 (diagnostic category of substance abuse)
- Modifies payment to a Per Diem rate methodology
- Effective for patients discharged on and after December 1, 2008
- Regional Prices (2006 cost base)
- 4 year Phase-In Period to full implementation
- Recognizes 2 levels of inpatient care with different levels of reimbursement
- Observation Period – up to 48 hours
- Length of Stay (LOS) payment reductions

# Detox Per Diem Rate Development

- Operating Cost Component: (Phase-In Period/Blending)
  - Operating cost component of the facility's rate of payment effective for 12/31/2007 (DRG Case Payment rate) adjusted for inflation
  - Regional average per diem cost utilizing 2006 detox costs and statistics from OASAS certified providers, as reported to DOH prior to 2008 and adjusted for inflation

## Phase-In Time Line

<u>Effective Period</u>	<u>2007 DRG Case Payment Rate</u>	<u>2006 Regional Per Diem Cost</u>
12/01/08 – 12/31/09	75%	25%
01/01/10 – 12/31/10	50%	50%
01/01/11 – 12/31/11	25%	75%
01/01/12 Forward	0%	100%

# Detox Per Diem Rate Development (continued)

- Capital Cost Component:
  - Same methodology as applicable for Exempt Unit capital cost determination
  - Budget capital per diem  
*(2008 detox capital per diem = 2008 Exhibit 2-1, Line 35)*
  - Prospective adjustment to reconcile budgeted capital to actual capital cost (in future rate years as actual base year capital cost becomes available)

**SAMPLE RATE SHEET - DRAFT ONLY**  
**NYS OFFICE OF HEALTH INSURANCE PROGRAMS**  
**HOSPITAL MEDICAID RATE CALCULATION SHEET - DETOX**  
**2008 EXHIBIT 2-8**

**REPRESENTATIVE - LONG ISLAND HOSPITAL**  
**OPERATING CERTIFICATE #**  
**REGION: Long Island**  
**EFFECTIVE DATE: 12/01/2008**

<b>1. 2007 PURE DISCHARGE CASE PAYMENT RATE</b> (2007 Exhibit 2-1, Line 26 - Line 26B)	<b>\$ 5,200.00</b>
<b>2. DETOX WEIGHTED CASE MIX INDEX</b> (2007 Medicaid Claims - 2007 SIWs)	<b>0.7951</b>
<b>3. DETOX WEIGHTED 2007 PURE DISCHARGE CASE PAYMENT RATE</b> (Line 1 X Line 2)	<b>\$ 4,134.52</b>
<b>4. NON-MEDICARE ACUTE PATIENT DAYS</b> (2007 Exhibit 2-1 page 2, Intermediate Per Diem Calc Lines C + D. Base year: 2005)	<b>3,800</b>
<b>5. NON-MEDICARE ACUTE PATIENT DISCHARGES</b> (2007 Exhibit 2-1, Line 9 Less Transfer and Short Stay. Base year: 2005)	<b>700</b>
<b>6. 2007 RATE YEAR AVERAGE DAYS PER DISCHARGE</b> (Line 4 / Line 5)	<b>5.43</b>
<b>7. 2007 DETOX WEIGHTED OPERATING COST PER DIEM</b> (Line 3 / Line 6)	<b>\$ 761.42</b>
<b>8. 2007 DETOX WEIGHTED OPERATING COST PER DIEM TRENDED TO 2008</b> (Line 7 X 1.015)	<b>\$ 772.84</b>
<b>9. 2006 DETOX REGIONAL OPERATING COST PRICE PER DIEM</b> (Region: Long Island)	<b>\$ 610.00</b>
<b>10. 2006 DETOX REGIONAL OPERATING COST PRICE PER DIEM TRENDED TO 2008</b> (Line 9 X 1.03632)	<b>\$ 632.16</b>
<b>11. 2008 BUDGETED CAPITAL COST PER DIEM</b> (2008 Exhibit 2-1, Line 35)	<b>\$ 90.00</b>
<b>12. 2008 MEDICALLY MANAGED WITHDRAWAL PER DIEM RATE #</b> ((Line 8 X 0.75) + (Line 10 X 0.25) + Line 11)	<b>\$ 827.67</b>
<b>13. 2008 MEDICALLY SUPERVISED WITHDRAWAL PER DIEM RATE #</b> ((Line 8 X 0.75) + (Line 10 X 0.25) + Line 11)	<b>\$ 827.67</b>

**# OASAS CERTIFIED DETOX PROVIDER RATES TO BE PUBLISHED EFFECTIVE 12/01/2008**

DRAFT ONLY

# Operating Cost Component:

## A. 2007 DRG Case Payment Rate

1. Determined the 2007 Pure Discharge Case Payment Rate:
  - **2007 Exhibit 2-1, Line 26** *Blended Acute Cost Per Discharge Plus Basic Malp Ins*
  - *Less* **2007 Exhibit 2-1, Line 26B** *Admin & Gen Op Cost Ceiling Adjustment*
2. Determined Facility Specific Detox Weighted Case Mix Index (CMI):
  - **eMedNY Data Warehouse 2007 Medicaid Claims Data**
  - **2007 SIWs**
3. Calculated the Detox Weighted 2007 Pure Discharge Case Payment Rate:  
*(2007 Pure Discharge CP Rate X Detox CMI = Detox Weighted 2007 Discharge CP Rate)*
4. Determined the Non-Medicare Acute Patient Days & Discharges (base year for volume) to Convert Discharge Case Payment Rate to Per Diem Rate:
  - **2007 Exhibit 2-1 page 2, Intermediate Per Diem Calc Lines C + D** *(Patient Days)*
  - **2007 Ex. 2-1, Line 9 (excludes transfer & short stay)** *(Discharges)*
5. Calculated the 2007 Rate Year Average LOS:  
*(Non-Care Patient Days / Non-Care Discharge = Average LOS)*
6. Calculated the 2007 Detox Weighted Operating Cost Per Diem:  
*(Detox Weighted 2007 Pure Discharge CP Rate / 2007 Rate Year Average LOS)*

# Sample CMI Calculation

## 2007 Medicaid Claims

**Facility: ABC Hospital**

<b>DRG Code</b>	<b>Count of Medicaid Discharges</b>	<b>2007 SIWs</b>	<b>2007 SIW Weighted Discharges</b>
<b>743</b>	38	0.8002	30.4076
<b>744</b>	58	1.1413	66.1954
<b>745</b>	145	0.9309	134.9805
<b>746</b>	1	0.6217	0.6217
<b>747</b>	2	1.0067	2.0134
<b>748</b>	4	0.7835	3.1340
<b>749</b>	53	0.4639	24.5867
<b>750</b>	114	0.8335	95.0190
<b>751</b>	<u>125</u>	0.5792	<u>72.4000</u>
	<b>540</b>		<b>429.3583</b>

**2007 SIW Weighted CMI = (429.3583/540) = 0.7951**

# Operating Cost Component:

## B. Regional Average Per Diem Prices

1. 2006 Detox operating cost as reported to the DOH prior to 2008 (*2006 ICR*)
2. Facilities were grouped by Regions (*Section 2807-c (4)(l)(v)(E)*):  
*NYPHRM Regions: NYC, LI, No Metro., NE, Utica, Central, Rochester, Western*
3. Determined the total 2006 alcohol and drug detox operating costs
  - **Alcohol Detox – ICR cost center 221**
  - **Drug Detox – ICR cost center 303**
4. Increased the 2006 operating costs by 6.7% (*Cost Neutral LOS Adjustment*)
5. Determined the total 2006 alcohol and drug detox patient days
  - **2006 ICR Exhibit 30 (cc214/lines 44 + 303)**
6. Calculated the Average Regional Detox Cost Per Diem:  
*(Total Regional LOS Adjusted 2006 Detox Op Cost / Total Regional Patient Days)*

# Cost Neutral LOS Adjustment

In establishing the Regional Average Per Diem Prices, allowable base year 2006 detox operating costs were increased by 6.7% to adjust for LOS reductions in payment required after day 5 of the patient's stay. This LOS adjustment was necessary to maintain reimbursement to providers at the 2006 cost level (fiscally neutral).

## **Methodology:**

- Analyzed 2006 Medicaid DRG 743-751 claims data for OASAS certified detox providers (days per discharge)
- Determined total days for all discharges
- Determined total reimbursable days:
  - Allowable days at 100% reimbursement plus (0 – 5 days)
  - Allowable days at 50% reimbursement divided by 2 (6 – 10 days)
- Calculated Cost Neutral LOS Adjustment:  
*(Total Days / Total Reimbursable Days – 1 = Cost Neutral LOS Adjustment)*

# Operating Cost Component Of The Detox Per Diem Rate

## Regional Price Phase-In Period: \*

<i>Phase-In Period</i>	<i>Facility's 2007 DRG CP Rate</i>	<b>+</b>	<i>2006 Avg. Regional Cost</i>	<b>=</b>	<i>Operating Per Diem</i>
<b>12/01/08 - 12/31/09</b>	<b>75%</b>	<b>+</b>	<b>25%</b>	<b>=</b>	<b>12/08- 2009 Op Cost</b>
<b>01/01/10 - 12/31/10</b>	<b>50%</b>	<b>+</b>	<b>50%</b>	<b>=</b>	<b>2010 Op Cost</b>
<b>01/01/11 - 12/31/11</b>	<b>25%</b>	<b>+</b>	<b>75%</b>	<b>=</b>	<b>2011 Op Cost</b>
<b>01/01/12 Forward</b>	<b>---</b>		<b>100%</b>	<b>=</b>	<b>2012 &gt; Op Cost</b>

\* *2007 payment rates and 2006 regional prices will be trended to the applicable rate year.*

# Medically Managed Detoxification Rate

**Facility Specific 2007 DRG CP Rate Per Diem**  
*(trended & phased-out)*

+

**2006 Regional Detox Per Diem Price**  
*(trended & phased-in)*

+

**Detox Capital Cost Per Diem**

=

***Medically Managed Detoxification Rate***

# Medically Supervised Withdrawal Rate

- **12/01/08 – 12/31/09:**

*Medically Supervised Withdrawal Rate =*

**100%** of the Prevailing Total Operating Cost Component of the Medically Managed Detox Rate + Detox Capital Cost Per Diem  
( = *Medically Managed Detox Rate* )

- **01/01/10 and Forward:**

*Medically Supervised Withdrawal Rate =*

**75%** of the Prevailing Total Operating Cost Component of the Medically Managed Detox Rate + Detox Capital Cost Per Diem

# Observation Beds / Period Payment

- Observation period of up to 48 hours is allowed to determine the appropriate level of care needed by the patient (medically managed, medically supervised, outpatient).
- From a treatment perspective:
  - *Observation Period Level of Care = Medically Managed Level of Care*
- From a payment perspective:
  - *Observation Period Payment = Medically Managed Detoxification Rate*
- No discrete rate/rate code is being established for the Observation Bed/Period.
- The payment rate applicable to the Observation Bed/Period is:
  - *100 % of the Prevailing Medically Managed Detoxification Rate.*

# Reduced Payments For LOS

Effective 12/01/2008, payments under the Medically Managed and Medically Supervised Detox Withdrawal Per Diem Rate Methodology will reflect reductions for LOS as follows:

- **0 – 5 days @ 100% of the applicable rate**
  - **6 – 10 days @ 50% of the applicable rate**
  - **> 10 days @ 0%**
- 
- *Observation days are included in the count*

# eMedNY Rate Code Assignment

- **12/01/2008 – 12/31/2009:**
  - **Rate Code 4800:** Medically Managed Detox
  - **Rate Code 4801:** Medically Supervised Detox
- **01/01/10 and Forward (*in development*):**
  - **Rate Code 4800:** Medically Managed Detox
  - **Rate Code 4801:** Medically Supervised Detox
  - *Rate Code or Qualifier for Medically Supervised w/1 day OBS*
    - *(MMD rate for day 1, MSD rate for days 2 thru 10)*
  - *Rate Code or Qualifier for Medically Supervised w/2 days OBS*
    - *(MMD rate for days 1 & 2, MSD rate for days 3 thru 10)*

# Billing Instructions:

1. **Claims are to be submitted on a per discharge basis.** The eMedNY claims processing system will calculate payment, with applicable LOS reductions, based on the total number of days for the patient's stay.
2. Determine the patient's level of care status on the day of discharge.  
*(Medically Managed or Medically Supervised)*
3. If the patient's level of care status on discharge is Medically Supervised, determine if they were initially admitted to an Observation Bed for a 1 or 2 day Observation Period.
4. Select the applicable Rate Code as follows:
  - **Rate Code 4800** – Medically Managed on discharge, with or without OBS days
  - **Rate Code 4801** – Medically Supervised on discharge, without OBS days\*
  - *Rate Code/Qualifier – Medically Supervised on discharge, w/1 day OBS (after 1/1/10)*
  - *Rate Code/Qualifier – Medically Supervised on discharge, w/2 days OBS (after 1/1/10)*

\* For 12/01/08 – 12/31/09: RC 4801 to be billed with or without OBS days during the stay.

## Q & A:

1. If CMS approval of the new detox per diem rate methodology is not received by 12/1/08, how should I submit claims for payment on the DRG 743-751 detox services I provide?
  - **ANS:** If CMS approval is not in place by 12/1/08, you will need to continue using your DRG rate code for claims submission and be reimbursed for detox services under the current DRG case payment rate methodology.
2. If CMS approval is received after 12/1/08, will the new detox per diem rates be effective retroactive to 12/1/08? If so, will I be required to void out previously submitted DRG claims and re-submit using the new detox rate codes?
  - **ANS:** Upon CMS approval, implementation of the new detox rates/methodology will be retroactive to 12/1/08. To be correctly reimbursed under the new methodology, you will need to submit *adjustment claims* for any DRG payments you received for discharges on and after 12/1/08 in order to have the reimbursement reconciled to the new detox per diem payment amounts due.
3. My facility is a merger of 2 hospitals. One site is OASAS certified for inpatient detox, the other site is not. How will my non-OASAS certified site be reimbursed for services that fall into the diagnostic category of substance abuse?
  - **ANS:** The detox per diem rates are specific to your OASAS certified beds; hence the rates will be posted only to the LOC that pertains to your OASAS certified program. Inpatient detox services (DRGs 743 – 571) provided at the non-certified site will continue to be billed and reimbursed under the DRG case payment rate methodology.