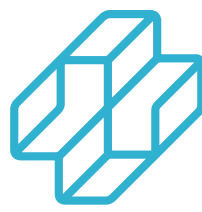


Spring 2006-07



Alabama
Chatter

The Newsletter of the Alabama Chapter
Healthcare Financial Management Association

Winds of Change
In Reimbursement (Installment 2 of 2)

by Joy King, RHIA, CCS

Medical Management Plus, Inc.

www.access.gpo.gov/su_docs/fedreg/frcont06.html

The Final Rule for FY 2007 included a two-part reform, as stated in Installment One. This installment will focus on Part 2, CMS' plan to transition from the current DRG system, in effect since 1983, to a severity-adjusted DRG system on 10/1/07. There was a great deal of public comment generated from the proposed rule about the APR-DRG system developed by 3M. Concerns about the cost and proprietary nature of the 3M system led CMS to state in the Final Rule that they would hire a consultant to evaluate several proposed severity-adjusted systems before making a final decision. However, we will primarily discuss the APR-DRG system in this article for purposes of comparison to the current DRG system.

The current DRGs are basically resource-driven. They compare types of patients treated to resources and costs consumed. The basic premise is that resource-consumption is correlated to severity/complexity. The age of the patient and the presence of a Complication/Comorbidity (CC) can also impact the DRG assignment and reimbursement for a particular case. In the current DRG system, you only get "credit" for one CC in terms of impacting reimbursement. A Case Mix Index (CMI) is assigned to each facility, representing a numerical indicator of the overall severity/complexity of patients treated compared to other facilities in the state or country. A higher CMI indicates that more resources were used, but doesn't necessarily equate to increased severity/mortality risk because of issues discussed in Installment One regarding high markups for ancillary services and high-cost devices. The CMI is very dependent on physician documentation and accurate coding of that documentation. In fact, MedPAC proposed that CMS project the effect of improved documentation/coding on total payments and make an off-setting adjustment to the

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2006-2007

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Publication Schedule

ISSUE	DEADLINE	ISSUE	DEADLINE
June (Summer)	May 20th	December (Winter)	November 20th
September (Fall)	August 20th	March (Spring)	February 20th

The statements and opinions appearing in articles are those of the authors and are not necessarily those of HFMA, the Alabama Chapter, or the editor. The editor strongly encourages submission of material for publication. Articles should be submitted to the editor by the 20th of the month preceding the month of publication. The editor reserves the right to edit materials and accept or reject contributions whether solicited or not. Readers are invited to comment on any of the published material. Letters to the editor must be signed and are subject to condensation and editing. All rights reserved.

President's Message

Founder's Points & Award Series

If someone comes up to you and asks “Will you help me with something?” what is generally your first response? I started pondering this in my mind and so I began to phrase my questions and requests of folks in this way just to see what the responses would be. I was pleasantly surprised. Not one time did someone just come right out and say no. Most responded with one of the following:

“I’ll try.”

“Sure, what do you need?”

“It depends on what you need help.”

No surprises here. I found most people were willing to help a friend or co-worker once they understood that they were needed and specifically what they were being asked to do.

I tried this within our HFMA chapter earlier this year. We were asked to participate in the Region V Volunteer Month which occurred in February. Each chapter was to designate a chairman to coordinate this activity within the chapter. Specifically we were asking our members and their friends and co-workers to volunteer at a nursing home in some way during the month of February. I asked Libby Bailey to help me out with this. I told her that I needed her help. I made sure she knew what her task would be, tried to estimate the time she would need to devote to this project, and put her in touch with the right person who had the tools she would need to be successful. WOW – was she ever successful. Out of 629 Volunteer hours recorded for the entire region, which includes 5 chapter, Alabama posted 443 of those hours (that’s 70%), with 148 volunteers. We had 1.5 times more volunteers from our state than the rest of the region combined.

The Alabama Chapter is a great chapter but

to keep it going as such requires a lot of help from a lot of people. As I look at the other chapters in our region, there is one thing that I see that they have that we are missing: Strong committee structures with a lot of different volunteers. They have done a much better job at sharing the work. I look at our board, officers and committee members and I see a lot of familiar faces around the table. We want and need to share the load and lighten the load.

So here it is:

“(Insert your name here), Will you help us with something?”

Who is us? The chapter, its members, its officers and committee chairman. What do we need help with? Just about everything – from CPAR to Certification, from education planning to sponsorship, from registration to membership.

When you received your official ballot on March 2, it included a list of committees to become involved with. Review this and consider getting involved with one of them. And don’t make excuses because I’ve heard



*Dawn H. Walton, CPA,
President
Alabama Chapter HFMA*

them all. Most of all, don’t ever say that you haven’t been asked because this is the “Official Ask”. We, as officers and chairmen, have not tried to make it hard for anyone to get involved and this is certainly not an exclusive club. We simply have not been good at delegating in the past and sharing the load. Sometimes it seems easier and quicker to do it yourself, but that plan backfires when years later you are still doing it yourself and you realize you haven’t trained the next generation of leaders for our chapter. Some of you may have tried to volunteer in the past and you never heard anything or weren’t given a specific job. Don’t let that stop you – please step up again and make your desire

President's Message continued

known. Most of all, don't complain when the education isn't what you wanted or needed, or that the speakers or the food weren't to your liking, do something about it and get involved. (That way you know your favorites will be served next time.)

Many thanks to all of the volunteers who helped me make it through this year and the years past. Being President has been a great experience and I have enjoyed my association with this chapter and its people. You can't fully appreciate all of the work that goes on behind the scenes until you are standing back there as the director. Thank you for allowing me the opportunity to volunteer to lead this great Chapter! I got involved simply because someone asked me to and I've never regretted it.



Dawn Walton

Winds of Change In Reimbursement, continued

national average base rate when the severity-adjusted system is implemented. Their argument was that improvements in documentation/coding don't necessarily reflect real changes in case mix. That proposal is still being considered.

CMS has already begun the transition to severity-adjusted DRGs over the past two fiscal years, by subdividing some of the current DRGs to more accurately reflect severity. This year, for example, DRGs 475 (vent) and 416 (sepsis) were eliminated and replaced by two DRGs each, subdivided by the length of time the patient was on a vent. CMS feels that a severity-adjusted system more appropriately reflects complexity of patients treated and costs incurred, more accurately predicts expected outcomes and identifies potential quality problems.

The current CMS DRGs and the APR-DRGs have roughly the same number of base DRGs (around 300), but the APR-DRG system subdivides each into 4 severity levels, with age factored into the severity level assigned. The severity levels are: 1 minor, 2 moderate, 3 major, 4 extreme. The reimbursement increases as the severity level increases. Assignment of the severity level subgroup is disease-specific; high severity depends on interaction of multiple diseases, especially when multiple organ systems are involved. The APR-DRG system, therefore, incorporates the impact of multiple CC's. Also, some non-OR procedures can increase the severity level when combined with certain diagnoses. For example, Nephritis is normally considered a minor condition, but is increased to a moderate severity level when combined with Dialysis. A Transfusion can increase the severity level for a patient on Coumadin—fresh frozen plasma will increase severity over packed red cells. It is felt these procedures reflect not only resource consumption but also where the disease is on the continuum of severity. At the same time, secondary diagnoses closely related to the principal diagnosis will not usually increase the severity level.

Following is a comparison of the CHF DRG (DRG 127) using FY 2006 relative weights:

CONGESTIVE HEART FAILURE

<u>CMS DRG</u>	<u>CS DRGs</u>
127, r.w. 1.0345	265, SOI 1, r.w. 0.6452
	266, SOI 2, r.w. 0.8900
	267, SOI 3, r.w. 1.4278
	252, SOI 4, r.w. 2.8007

In the proposed rule, CMS consolidated many of the DRGs that don't apply to the Medicare population (such as NB and OB), as well as consolidating some of the severity levels. They found that level 4 was fairly similar in terms of costs and outcomes across both Medical & Surgical DRGs, so many of those were consolidated.

What a severity-adjusted system means in terms of documentation and coding is major. If the APR-DRG system originally proposed by CMS is adopted, it is a very complex and costly system. The state of Maryland, which is the only state currently being reimbursed for Medicare patients based on APR-DRGs experienced an outlay of approximately \$20,000 per hospital for the APR-DRG grouper, and a loss of productivity of about 40%, down to one to two records per hour coded. This was primarily due to coders having to read a wider range of documentation in the medical record, as well as dealing with a system that was totally different from what they have always known. There is not a finite CC list that coders can memorize, since the impact of secondary diagnoses and procedures on severity levels is specific to the main disease being treated. Belgium, which has used APR-DRGs since 2002 has found in studies that there is a significant relationship between the number of diagnoses coded and the severity level assigned—overall coding quality and accuracy has a major impact on the severity levels. That also holds true for impacting the Case Mix Index.

The Discharge Summary, which recaps the entire hospital stay, will become even more critical in assisting a coder with assigning a comprehensive list of codes to reflect a hospitalization. Coders also will require greater clinical knowledge of the diseases and procedures they are

Winds of Change In Reimbursement, continued

coding to fully understand how to translate those into code numbers or when to generate a physician query. The number of physician queries will increase, as experienced in Maryland. Since the average bill drop time frame in Alabama is 3 days post-discharge and most medical staff bylaws allow 30 days to complete a record, the need for a discharge summary and more queries to obtain the needed physician documentation will be even greater. Coders will also need to ensure that sequencing of the most significant diagnoses and procedures into the nine diagnosis fields and six procedure fields is done appropriately to most effectively reflect severity. Providers should evaluate the following factors: new documentation requirements, need for additional physician and coder education, the impact on productivity of additional time to code records, increased physician queries, and the new designation of “present on admission” for all diagnoses slated to go into effect 10/1/07. These things, coupled with the additional costs of training, software, the grouper, and the potential decreased revenue as CMS transitions from charge-based to cost-based reimbursement, will have a major impact on the revenue stream that hospitals have been accustomed to receiving.

CMS received thousands of public comments regarding implementation of APR-DRGs. The concerns centered around the cost and lack of transparency of a proprietary system. As a result, they hired an independent contractor to assist in reviewing several other severity-adjusted systems. The presumed frontrunner of those other systems is the APS-DRGs developed by HSS/Ingenix. Ingenix has offered their system to CMS on a non-proprietary basis, which would eliminate the high cost of the new grouper and solve the transparency issue. In addition, their system essentially layers severity levels on top of the current DRG system that CMS uses, making it much less complex to use. CMS is expected to implement a severity-adjusted system for FY 08 (10/1/07). This implementation date coincides with the expected implementation date of the “Present on Admis-

sion” (POA) reporting, which is the forerunner of the Value-Based Purchasing Program discussed in Installation One.

There are still several issues to resolve with a severity-adjusted payment system, including its impact on cost outliers, as well as how to incorporate recognition of technologies that impact cost but don’t necessarily reflect increased severity of illness. The American Health Information Management Association (AHIMA) has also expressed concern over CMS’ refusal to read more than nine diagnoses rather than the full eighteen included on the new UB-04. Their belief is that nine diagnoses do not give an accurate reflection of severity. They also feel it is counter-productive to implement a severity-adjusted system based on an antiquated coding classification (ICD-9-CM), rather than implementing ICD-10 first, because it better captures the granularity needed to truly reflect severity of illness.

Joy is a Consultant with 13 years of coding experience. She can be reached at Medical Management Plus, Inc. via telephone, 1-800-592-9639, or electronically, jking@mmplusinc.inc.com.

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Alabama Chapter 2007 Annual Institute

Preview

The Alabama Chapter Annual "Beach" Institute will be held June 5-8, 2007 at the Sandestin Hilton Beach Golf Resort & Spa. Please reserve your room by May 5, 2007 by calling 1-800-367-1271.

Our Keynote Speaker will be Brenda Ladun, ABC 33-40s News Anchor. Here is a brief biography along with her topic information.

MAKE HEALTHCARE MORE THAN A JOB: MAKE IT A MISSION

In February of 2001, Brenda Ladun began the fight of her life. She was diagnosed with breast cancer and underwent surgery. She has subsequently successfully completed chemotherapy, but the experience has made a profound impact on her life. Brenda has made it a mission to provide the public with access to cancer information through the Cancer Resource Center on the ABC 33/40 web site. Brenda is committed to keeping ABC 33/40 viewers aware of developments in the search for a cure with nightly *Cancer Facts*.

Brenda anchors the 6:00 and 10:00 p.m. news on ABC 33/40. She graduated from the University of South Florida in Tampa with a degree in Mass Communications. She has worked in Birmingham television for 14 years, and she is a five time winner of the Alabama Associated Press Awards for Best Investigative Reporter and Best Specialized reporter. Most recently, Brenda won the Associated Press Award for Best Anchor. Brenda has also won several community awards for her work with the underprivileged. She works with the Grace House Christian Home for Girls, The Susan G. Komen Breast Cancer Foundation, as well as other community organizations.

Brenda presents to us an outsider's look into the healthcare industry. During her breast cancer surgery and chemotherapy, Brenda has witnessed both good care and bad. In addition to her own experiences, she witnessed and corrected some life threatening mistakes in the care of both her parents. Her topic: make healthcare more than a job — make it a mission, will change lives for the better. Brenda knows firsthand that sharing information is the key to serving the patient. Following her own healthcare experiences, Brenda heard from many people who had cancer and were misinformed or uninformed about their diagnosis and prognosis. Brenda has written a book and produced a DVD to offer hope life saving information to those experiencing their own fight for life.



February — The Month of Love

Mardi Gras Celebrations & Luau Preparations for Approximately 1100 Nursing Home Residents

by Libby Bailey

This is so precious—who would have even thought of doing this?”
“Oh it has been 30 years since I’ve had Mardi Gras beads”.
“What did we do to deserve such special treatment?”
“My mom has not smiled this much in years.”

These are just a few of the comments some of us heard during our visits to Nursing Homes during February. Talk about February being the month of *love* – well 12 HFMA members and another 175 volunteers, including three dogs, shared love, smiles, hugs, and hopefully happy memories to 12 Nursing Homes and over 1100 nursing home residents in Alabama. There were 442 hours logged for this project, and from what I’m hearing, Alabama had more than any other state in the Region.

There were Valentine parties, Mardi Gras parties and parades, children’s choirs singing, St. Patrick’s Day decorations made, and Luau party goody baskets delivered. There were several hundred beads given, several hundred valentine cards made and delivered, there were pictures colored by children, there were personal toiletry items, there were moon pies, cupcakes, cookies, Mardi Gras masks, there were puzzles, word search games, magazines and newspaper subscriptions given – and that’s all that I can remember hearing or reading about.

I heard over and over again – “I really wasn’t sure about doing this, but I am so glad I did”. “Aw man, those people are just so hungry for attention, it was easy to make them feel good, and I felt good also”. “My kids are already asking when they can go back”. “Can we start doing this every year”? “Thank you for allowing us this opportunity, it was great”.

And I can’t tell you how many smiles I counted, how many tears I saw wiped from faces, and how many people are truly a bit more appreciative of their own lives and their own families. As I said in

my first article, nursing homes are not one of those places people just get excited about going to visit. But I ask you, put yourself in the residents’ shoes (or bed) – they don’t have a choice! As healthcare folks, we need to appreciate what many of these residents have probably done in society in their past and it is our time to give back to them.

I’ve been a member of HFMA a long time, and this is the first time I’ve bitten the bullet to do something of this caliber. I did it reluctantly, but after seeing what a difference I think 200 of us have made, I only hope and pray that more of us will be willing to step up to the plate next year. I also hope that if I go into a Nursing Home in the next few years, people will come see me with smiles, hugs, and laughter!

Thanks to the following HFMA folks for all your help:

Carolyn Robberson – *Thomas Hospital*

Joann Hudspeth – *Marshall Health System*

Keren Elkins – *Callahan Eye Foundation Hospital*

Raymond Butler – *Callahan Eye Foundation Hospital*

Leigh Aufdemorte – *Callahan Eye Foundation Hospital*

Derek Williams – *Callahan Eye Foundation Hospital*

DeDe Moore – *UAB*

Maron Boohaker – *Healthsouth*

Denise Hamilton – *UAB*

Carol Giardini – *UAB*

Craig Tolbert – *PricewaterhouseCoopers, LLC*

And thanks to all of you who grabbed several volunteers to go with you – good job!





TECHNOLOGY COMMITTEE REPORT



WE NEED VOLUNTEERS!!!

The technology committee needs a few volunteers to commit just a few hours of their time occasionally to assist with taking photos at meetings and clerical keying required to keep our website updated regarding our Institutes and other pertinent information. The only requirement regarding the photographer volunteer is to be in attendance at the two major meetings if at all possible.

Please call Mitzi Winters at (205) 821-9011 if you can spare some time for this important position.

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For details & to register for upcoming meetings, go to alabamahfma.org

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