

STATE OF CONNECTICUT HOSPITAL PAYMENT MODERNIZATION ISSUE PAPER — 3M NATIONAL WEIGHTS

Issue Description:	At the July 28, 2014 meeting among the Connecticut Department of Social Services (DSS), Hospitals, and the Connecticut Hospital Association (CHA) — it was proposed by CHA that the project switch from developing Connecticut-specific relative weights, to using the weights provided in the off-the-shelf 3M All Patient Refined Diagnosis Related Groups (APR-DRG) product.
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Background

The proposed APR-DRG methodology included the development of the Connecticut-specific APR-DRG relative weights. These weights anticipated a desire of the hospitals to have the most precise system and capture the use profiles specific to the Medicaid population in Connecticut. The use of standard national APR-DRG weights was considered to be an alternate and acceptable approach, but with slightly less precision.

Considerations

The use of Connecticut-specific weights is considered to be the most accurate depiction of the relative costs of the different APR-DRG groups for the Medicaid population. However, because of the size of the data set, many weights need to rely on the national weight set, and additional normalization and adjustments for clinical cohesiveness is required.

The use of national weights is administratively simpler, and accomplishes the significant improvements in recognizing acuity envisioned in the project. In addition, using these weights reduces the difficulty of maintenance in future years, and is consistent with the guiding principle of following industry standards.

One important change that stems from this decision is the policy for outliers. The method proposed with Connecticut-specific weights allowed a statistical approach to the formula for identifying outliers. Moving to the national weights for the system requires a change to a fixed-loss approach to outliers. There are other minor differences between the national weights and the Connecticut-specific weights, with the Connecticut-specific weights having a slightly higher match between estimated cost and payment on a claim by claim basis. In the view of the project team, both approaches are more than adequate for modernizing Connecticut's Medicaid payment systems.

Recommendation

Given the request by the hospitals and CHA for this change in project direction, the project team supports adopting the national weights that are integrated into the 3M APR-DRG grouper used for payment. Mercer recommends using only a single normalization factor (applied to the set of weights) that will ensure that the average case mix for the analysis data set and population will equal 1.0, which ensures that the statewide average base rate will equal the average payment per discharge.

The team recommends that DSS obtain broad endorsement for this decision from all contracted hospitals prior to finalizing it.