MERCER

STATE OF CONNECTICUT HOSPITAL PAYMENT MODERNIZATION ISSUE PAPER — TRANSFER PAYMENT POLICY AND APPROACH

Issue Description:	Following 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 eliminate the transfer policy and approach.
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Status:	Draft

Background

The proposed All Patient Refined Diagnosis Related Groups (APR-DRG) methodology initial implementation included a provision to pay hospitals that admit and then transfer a patient (usually to a larger hospital with additional resources) based on a formula that develops a per-diem rate for the case, double pays the first day, and continues to pay per diem until the transfer occurs. The receiving hospital would receive un-discounted APR-DRG payment for the incoming case. CHA has requested the elimination of this factor, but believes this decision should be revisited in future years.

Considerations

A core tenet of DRG-based payment systems is the development of one payment per case. In most implementations however, an exception is made for transfers. These exceptions attempt to compensate the hospital that receives an acute case (i.e., multiple trauma victims, burn victims), and helps to stabilize the patient, and transfers him or her to a different hospital with additional resources for the major treatments administered to the patient. It is unclear from CHA's request whether eliminating this policy is intended to pay both hospitals a full case-rate for this type of admission, or if it is assumed that only the receiving hospital receives the payment.

If we assume that eliminating the transfer policy results in both hospitals receiving full APR-DRG payment, the transferring hospital will likely be significantly overpaid. For example, the case-weight for a patient with extensive burns could be higher than 20 with an expected length of stay of more than 40 days. Making this payment of over $100,000 to the transferring hospital (who might have the patient for a day or two) is clearly inequitable.

If we assume that eliminating the transfer policy results in only the receiving hospital getting paid, the transferring hospital has had a short but intense admission for which no payment is received. This approach would clearly be inconsistent with modernized and equitable payment based on the value of the care provided.

DRAFT

Recommendation

Mercer recommends that the proposed approach for transfers be retained and implemented as originally conceived. It is consistent with other payer's approaches to APR-DRG implementation, and with the project's guiding principles.