

STATE OF CONNECTICUT HOSPITAL PAYMENT MODERNIZATION ISSUE PAPER — INDIRECT MEDICAL EDUCATION (IME) ADJUSTMENT FACTOR

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 IME factor from the proposed calculation.
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Status:	Draft

Background

The proposed All Patient Refined Diagnosis Related Groups (APR-DRG) methodology initial implementation is based on the concept of revenue neutrality. The project methods include an adjustment for IME following the approach used by Medicare. CHA has requested the elimination of this factor, but believes this should be revisited in future years.

Considerations

Whether the IME factor is used or not has no impact on the revenue neutral base rate developed for each hospital at the original inception. Thus the elimination of this factor has no bearing on the APR-DRG payments generated. The IME factor, however, is one important consideration in understanding and explaining the differences among the revenue neutral base rates for the State of Connecticut's hospitals.

Recommendation

Given the request by CHA for this minor change in the formulas derived, and given there is no impact in the results from a payment perspective, the project team supports this suggestion at this time.

Following implementation, the calculation of IME will likely become more important as DSS develops an increased understanding the unique circumstances facing each hospital. Mercer envisions that IME will be one of several factors utilized as DSS continues to move to more accurate and equitable payment methods.

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