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ISSUE PAPER — SETTING THE BASIS FOR FISCAL MODELING

State of Connecticut Hospital Payment Modernization

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Overview

As part of the hospital payment modernization (HPM) project, the Connecticut Department of Social Services (DSS) is moving outpatient hospital providers to a reimbursement system similar to the Centers for Medicare & Medicaid Services Outpatient Prospective Payment System, which includes an ambulatory payment classification (APC) methodology for paying outpatient hospital claims. A guiding principle for the HPM project is to follow Medicare policy wherever possible; however there are some services and payment approaches unique to Medicaid that will continue to be paid using other DSS methods. This paper discusses the methods used to test the financial impact of changing methods.

Discussion

HPM for inpatient services was based on a hospital-specific revenue neutrality assumption. For this outpatient phase of HPM, that level of specificity has not been incorporated for several reasons. First, the outpatient reforms are replacing a current system which is less hospital-specific than the previous inpatient system — hence the need for hospital-specific rates is reduced. Second, the level of detail contained in the outpatient system development is greater, and with this increased complexity it is more difficult to affirmatively ensure, track, or reconcile hospital revenue neutrality. Instead, the goal of the financial modeling is to create a new system that improves accuracy and equity using the best assumptions and parameters possible. The new system is not designed to adjust the level of payment, and can accommodate various payment levels.

To accomplish the redesign, a number of separate analyses must be combined, including:

1. Defining the universe of payments which will be modeled. The modeling data set for outpatient HPM includes all claims which were submitted as outpatient during the data period which are expected to remain as outpatient claims in the modernized system.
2. Adjusting the analytical data set to represent payment policies in effect prior to implementation of reformed payment systems:
   A. Include the “mass adjustment” made to claims in February 2015.
   B. Update rates for two hospitals with rates revised by agreement to correct errors.
   C. Incorporate relevant policy changes (see APC Policy Changes issue paper).

3. Estimating newly generated billings on professional fee schedules and paid directly to those professionals for services that were previously bundled.
4. Identifying current and proposed payment for services excluded from APC payment (which will generally continue at current payment levels based on revenue center codes (RCCs)).
5. Estimating the payment impact for services which are not payable based on Medicare definitions within the APC system, but which will be payable by DSS policy (these will transition from RCC based payment to HCPCS based payment at DSS).

These analyses when combined with the derivation of an APC conversion factor are intended to test and develop a new system which improves accuracy and equity of payments for the universe of “future outpatient claims”. The fiscal impact model will also assess the impact on a hospital by hospital basis.

Considerations and Conclusion

The fiscal modeling approach is intended to simulate the impacts of a change in method — with the “before” payments representing the current RCC-based payment system including relevant policy changes and the “after” payments based on the newly designed HCPCS-based APC system (including those services covered but not priced using APCs). Because some services and payments will be shifting from outpatient billing to direct professional billing, appropriate adjustments and estimates are required. Estimates of the fiscal impact to each hospital will be generated to facilitate DSS decision making.