



Department of Medicaid

John R. Kasich, Governor

Barbara R. Sears, Director

Hospital Handbook Transmittal Letter (HHTL) No. 3352-17-01

December 28, 2016

**TO: All Hospital Providers
Directors, County Departments of Job and Family Services**

FROM: Barbara R. Sears, Director

SUBJECT: Hospital updates effective January 1, 2017

Summary

This Hospital Handbook Transmittal Letter (HHTL) provides information regarding changes effective January 1, 2017.

Hospital Inpatient Services

Rule 5160-2-65 entitled Inpatient hospital reimbursement, sets forth the methodology for determining the relative weights and hospital average cost per discharge that is used to reimburse hospitals for inpatient services under prospective payment. In accordance with the provisions of this rule, the hospital specific Diagnosis Related Group (DRG) base rates that were in effect on December 31, 2016 remain unchanged except for hospitals penalized for Potentially Preventable Readmissions (additional information below).

Rule 5160-2-07.6 entitled Capital costs, sets forth the methodology for inpatient hospital capital reimbursement for those hospitals paid under prospective payment. Capital costs are reimbursed on a prospective basis at eighty-five percent of historical costs. A separate letter dated December 19, 2016 was sent to all hospitals operating within Ohio, with the hospital specific capital rates effective January 1, 2017.

Relative Weights

Effective October 1, 2016, 3M added seven new Diagnosis Related Groups (DRG) to its APR-DRG grouper system that Ohio Medicaid uses to reimburse inpatient hospital claims for hospitals subject to prospective payment. The new DRGs with the corresponding relative weights and average length of stay are included on the relative weights table.

The relative weight tables may be accessed through the main ODM web page (Providers > Fee Schedule and Rates). The current weights are those that were in effect for discharges on or after October 1, 2016. There are no changes for January 1, 2017.

Potentially Preventable Readmissions (PPR)

Rule 5160-2-14 entitled Potentially Preventable Readmissions, sets forth a readmission policy which includes penalty of a one percent reduction to the hospital-specific base rate. The penalty is determined by the annual PPR report cards. A rate letter dated December 19, 2016 was sent to all hospitals and indicated whether the hospital is subject to the readmission penalty. The penalty will be effective for the entire 2017 calendar year.

Pre-certification & Prior Authorization

Pre-certification requirements on ICD-10 surgical procedures will remain suspended for calendar year 2017. The department has no plans to re-instate the medical/surgical pre-certification program at this time. However, all psychiatric admissions will still require pre-certification, and prior authorization requirements have not changed.

Hospital Outpatient Services

Rule 5160-2-21 entitled Reimbursement for services provided in an outpatient hospital setting, describes the outpatient payment rates and policies for hospitals that are subject to DRG prospective payment.

As a result of the 2017 Healthcare Common Procedural Coding System (HCPCS) update, an addendum fee schedule has been created to reflect coverage of new Current Procedural Terminology (CPT) and HCPCS codes as well as deletion of obsolete CPT and HCPCS codes. The addendum is published on the department's website: <http://www.medicaid.ohio.gov/> > Providers > Fee Schedules and Rates > "I Agree" > Outpatient Hospital Services. The department will not incorporate the 2017 HCPCS updates into the current appendices to OAC rule 5160-2-21. Rather, providers are expected to use the addendum and the appendices to OAC rule 5160-2-21 to determine which codes are active and HIPAA compliant.

The department is not requiring the JW modifier on institutional claims at this time. While all valid modifiers are accepted on an outpatient hospital claim, the list of modifiers in Appendix A to OAC rule 5160-2-21 are the only ones that currently affect pricing logic in our claims reimbursement system.

Other Updates

Medicare Coinsurance and Deductible

The coinsurance and deductible amounts for Medicare's hospital insurance program (Part A) have been updated effective January 1, 2017. The Medicare Part A inpatient hospital deductible amount is \$1,316.00. The daily coinsurance amounts are updated as follows: (a) \$329.00 coinsurance for the 61st through 90th day of hospitalization in a benefit period; (b) \$658.00 for lifetime reserve days; and (c) \$164.50 for the 21st through 100th day of extended care services in a skilled nursing facility in a benefit period. The Medicare Part B deductible amount is \$183.00.

National Drug Coding

Effective January 1, 2017, the Department is requiring HCPCS codes (J codes or Q codes) on outpatient claims be billed with the appropriate National Drug Code (NDC) when a valid NDC code is applicable.

Access to Rules and Related Material

Information about the services and programs of the Ohio Department of Medicaid (ODM) may be accessed through the main ODM webpage: <http://www.medicaid.ohio.gov> .

- Stakeholders who want to receive notification when ODM original or final files a rule package may visit JCARR's RuleWatch at <https://www.rulewatchohio.gov/home;jsessionid=dbb58ed34eea9c14e201596a083d?0> where they can create an account to be notified of rule actions by rule number or department.
- Stakeholders can subscribe to receive notification when a clearance or BIA is posted for public comment on the Ohio Business Gateway here: <http://business.ohio.gov/reform/enotify/subscription.aspx>

Information about hospital payment policies is available on the 'Fee Schedule and Rates' web page, which may be accessed through the main ODM web page (Providers > Fee Schedule and Rates).

Additional Information

Questions pertaining to this letter should be addressed to:

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or

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