

Oregon Health Authority

Inpatient Hospital Psychiatric Reimbursement Review

Feedback from Interested Parties — Questions and Answers

As an initiative from the Governor’s Office, Oregon Health Authority (OHA), with support from Mercer, conducted a review resulting in a proposed update of both managed care and FFS reimbursement levels for Medicaid inpatient hospital psychiatric services delivered by DRG hospitals in Oregon. The review included several activities, one of which was a series of meetings with interested parties. This document provides responses to the frequently asked questions from the interested parties, along with information to support interested parties in developing estimates of CY25 reimbursement rates under the proposed methodology. Actual CY25 reimbursement rates will be decided through a rule-writing process and could differ from what is presented in this document.

As a key part of its review, Mercer identified several inpatient psychiatric reimbursement options for consideration, and OHA selected to implement **a tiered MS-DRG payment structure in which the DRG base rate varies by hospital and separately for adults and pediatrics**. In addition, OHA decided to adopt **a day outlier payment policy** for inpatient psychiatric stays as follows. In combination, **these changes are expected to significantly increase overall reimbursement for eligible claims and therefore cover a greater portion of costs for eligible facilities**.

Outlier Threshold ¹	Adjustment Percentage
30–89 days	70%
90+ days	50%

¹ The outlier threshold is the inpatient hospital psychiatric length of stay, where an outlier payment is triggered beginning at 30 days.

Below is an example of the current inpatient psychiatric reimbursement approach compared to the proposed methodology. **Additional information on estimating CY25 payment rates is provided in Q&As 12-14 below.** The information is intended for experienced users of DRG repricing methodology to estimate payment rates. OHA is open to further requests for support such as an interactive calculator.

Example Claim for Demonstration Purposes

Total Days	39
Total Allowable Billed	\$100,000.00
Age	23
Core-Based Statistical Area	05 - California Rural Reclassified

Reimbursement Calculation Under Current Methodology Versus New Selected Methodology

Oregon Current Methodology	Percentage of Medicare MS-DRG	Vs.	New Psychiatric Methodology	Adult DRG Base Rate
Unit Value (80% of Medicare)	\$7,364.69		Unit Value	\$11,753.64
DRG Weight	1.3664		DRG Weight	1.3664
DRG Base Payment	\$10,063.11		DRG Base Payment	\$16,060.18
DRG Cost Outlier CCR	37%		DRG ALOS	6.4
DRG Cost Amount	\$37,000.00		DRG Per Diem	\$2,509.40
Outlier Threshold (270% or 25,000)	\$27,170.40		Days Over 30-Day Threshold	9.0
DRG Outlier	\$9,829.60		DRG Outlier	\$22,584.60
DRG Cost Outlier Percentage	50%		DRG Day Outlier Percentage	70%
Allowable DRG Outlier	\$4,914.80		Allowable DRG Outlier	\$15,809.22
Total Payment	\$14,977.91		Total Payment	\$31,869.40

Question	Answer
Hospitals and Services Affected by the Psychiatric Reimbursement Change	
1. Is Oregon Health Authority (OHA) changing the MS-DRG base rates for all services delivered by Oregon DRG hospitals, or just psychiatric services?	<p>The Medicare Severity Diagnosis Related Groups (MS-DRG) base rates for non-psychiatric services delivered by Oregon DRG hospitals remain unchanged; however, there will be new Oregon DRG base rates for psychiatric services in DRG hospitals.</p> <p>The wage indices and geographic adjustment factors used by Medicare are included in the establishment of localized psychiatric rates for each hospital. Upon moving forward with the new pricing methodology, the labor rate, non-labor rate, and capital rate can be provided for the adult and pediatric DRG psychiatric base rates. The wage indices and geographic adjustment factors are taken from the Final Inpatient Prospective Payment System rule for the applicable year under this methodology.</p>
2. Will all Oregon DRG hospitals that provide psychiatric services receive the adjusted rates?	The new adult and pediatric DRG base rates will apply to the MS-DRGs within Major Diagnostic Category (MDC)-19 and MDC-20 for all hospitals designated as “DRG Hospitals” in Oregon. Therefore, all Medicaid DRG hospitals within Oregon will be eligible for these new rates.
3. Is this inpatient psychiatric reimbursement change only for providers with a psychiatric unit provider number?	No, the new rates will apply to inpatient psychiatric claims with a MS-DRG in MDC-19 and MDC-20 for all hospitals designated as “DRG Hospitals” in Oregon.
4. Does this review impact any claim with a DRG listed on page 17 of the PowerPoint presented in the July 10, 2024 Conclusion Meeting?	Yes, the new psychiatric adult and pediatric DRG base rates will apply to inpatient psychiatric claims with a MS-DRG in MDC-19 and MDC-20 for all hospitals designated as “DRG Hospitals” in Oregon.

Question	Answer
5. Does a claim with a psychiatric DRG but a non-psych bed revenue code qualify for this pricing?	Yes, the new psychiatric adult and pediatric DRG base rates will apply to inpatient psychiatric claims with a MS-DRG in MDC-19 and MDC-20 for all hospitals designated as “DRG Hospitals” in Oregon.
Timing and CCO Agreement Impact	
6. What is the magnitude of the increase for psychiatric base rate payment levels?	For the psychiatric DRG base rates, there are varying adult and pediatric base rates that are expected to range from 150% to 200% of the current Oregon MS-DRG base rates for DRG hospitals. Working within available budget, OHA allocated \$24 million into CY25 Medicaid capitation rates for inpatient psychiatric services delivered by DRG hospitals in Oregon. Increased reimbursements are also expected to be paid from Medicaid FFS and under non-Medicaid OHP programs.
7. Will the updated psychiatric DRG base rates be published?	OHA is targeting to implement these rates in the fee-for-service system on January 1, 2025, and is working on the necessary regulation and system updates. Included in Table 1 provided with this document are preliminary CY25 Inpatient Hospital Psychiatric DRG Base Rates for Oregon DRG Hospitals.
8. How frequently will the psychiatric DRG base rates be updated on the fee-for-service fee schedule?	OHA expects to apply inflation adjustments on an annual basis and apply updated wage indices and geographic adjustment factors consistent with other DRG base rates. OHA is also considering future rebasing of these rates every few years.
9. Can OHA clarify that under the current proposal, coordinated care organizations (CCOs) would be required to renegotiate those per diem agreements to a percentage of CMS?	This is a new reimbursement methodology for inpatient psychiatric services delivered by DRG hospitals in Oregon. While CCOs are not directly required to renegotiate per diem agreements to a percentage of CMS for psychiatric services, OHA expects to amend non-participating hospital provisions under OAR 410-120-1295(3)(b) to reflect this new inpatient psychiatric payment methodology.

Question	Answer
10. The new proposed payment model would require contract amendments for our CCO's network. We are required to give a minimum of 30 days' notice for amendments; however, recommend 90 days to ensure an agreement is met and allow time for system set up to support this new model. Based on this, will the new payment model be available no later than September 2024 for a January 1, 2025 effective date?	Thank you for the feedback. We are working with OHA to finalize the payment methodology and implementation items. Information contained with this document is intended to support system set up, but the final outcome of the rule-setting process could differ.
Inpatient Psychiatric Base Rates and Methodology	
11. Will OHA provide a calculator of sorts to facilitate the recommended rate approach (Day Outlier Payment Formula)?	Provision of a calculator is being discussed within OHA. In the meantime, information provided with this document is intended for experienced users of the MS-DRG pricing methodology to estimate CY25 reimbursement rates and system setup.
12. Would it be possible provide some sample claims that have been calculated using the purposed methodology for Option 4, showing actual calculations with the expected reimbursements?	Mercer prepared an example with the CCOs in the July 25, 2024 meeting. It is restated at the beginning of this document for reference purposes. Please refer to the following questions for information regarding the required elements for calculation of sample claims.
13. Will OHA provide the inpatient psychiatric DRG adult and pediatric base rates by hospital?	Table 1 contains adult and pediatric inpatient psychiatric DRG base rates by hospital that reflect the Medicare factors published by CMS in the final rule for CY 2025. Note: the rates are not considered final until Oregon rules are updated and CMS has approved.
14. What other information is needed to estimate CY25 inpatient psychiatric reimbursement rates?	The MS-DRG relative weights and ALOS values used in the illustrative pricing example come from CMS published in Table 5 for CY25 final rule publications .

Question	Answer
15. Regarding the terminology MS-DRG base rates, versus Oregon Modified MS-DRG payment calculations, is the recommended Option 4 using Oregon MS-DRG or Centers for Medicare & Medicaid Services (CMS) MS-DRG as the base rate?	New inpatient psychiatric base rates for Oregon DRG hospitals will be Oregon base rates that are determined for adult patients and pediatric patients on a state-wide basis and are not reliant on the CMS MS-DRG base rates. However, OHA is applying the wage index and geographic adjustment factors used by Medicare to these adult and pediatric Oregon DRG base rates to adjust to the location of the hospital.
16. Based on our understanding of the outlier methodology, hospitals would be paid less as time goes on and the hospital continues to care for each patient who has nowhere else to go. How will this protect hospitals when there are extremely long lengths of stay?	<p>When an outlier policy is triggered, hospitals are paid more than the DRG discharge payment as time goes on. The intent of an outlier policy within a reimbursement methodology is to provide additional funding as the length of stay increases. When an inpatient stay does not meet the outlier threshold (i.e., 30 days in this case), the outlier payment policy will not apply.</p> <p>Using this day outlier policy for psychiatric services drives more funding to these stays than the outlier policy in place today for Oregon DRG hospitals. OHA is attempting to improve payment for psychiatric services without incentivizing long term hospital stays.</p>
Policy and Infrastructure	
17. Is OHA open to defining the outlier threshold at 14 days instead of 30 days, as well as provide for payment at 100% of the DRG rate for days 14–30?	Reducing the threshold to 14 days would prove challenging to justify as an outlier type of stay. Instead, OHA considered feedback that has been received since the July 10, 2024 Conclusion Meeting and decided to adjust the outlier payment policy to pay 70% of the outlier amount for stays that have 30 to 89 days, and 50% for stays 90 days or greater.

Question	Answer
<p>18. Will OHA develop policies and establish funding for the CCOs, OHA, and counties to prioritize patients who have exceeded the 14-day length of stay for placement and individualized plans?</p>	<p>While the revised reimbursement methodology cannot resolve all of the concerns in the current system for psychiatric services, the day outlier will provide additional financial support, on top of the base rate enhancement, for hospitals to serve individuals longer if discharge options are limited.</p> <p>OHA is open to additional policy discussion as noted in Q&A 22.</p>
<p>19. Will OHA ensure an oversight process is in place for patients exceeding 30-day inpatient length of stays with the ability to reimburse at 100% of DRG rates for unnecessary days length of stay due to lack of available state hospital beds or community-based care?</p>	<p>While the revised reimbursement methodology cannot resolve all of the concerns in the current system for psychiatric services, the day outlier will provide additional financial support, on top of the base rate enhancement for hospitals to serve individuals longer if discharge options are limited.</p> <p>OHA is open to additional policy discussion as noted in Q&A 22.</p>
<p>20. Given the hospitals cannot solely drive for efficient stays given the lack of appropriate discharge locations, will OHA consider a different day outlier payment formula?</p>	<p>OHA and Mercer recognize the revised reimbursement methodology cannot solve all of the concerns in the current system for psychiatric services; however, the changes will bring some relief to hospitals. Typical psychiatric stays receive the DRG discharge payment; however, the day outlier will provide additional financial support, on top of the base rate enhancement, for hospitals to serve individuals longer if discharge options are limited.</p> <p>OHA considered the feedback received since the July 10, 2024 Conclusion Meeting and decided to adjust the outlier payment policy to pay 70% of the outlier amount for stays that have 30 to 89 days, and 50% for stays 90 days or greater.</p>
<p>21. Will OHA direct CCOs to pass down excess end of year funding to behavioral health providers?</p>	<p>This suggestion is outside the scope of the current reimbursement review initiative and is therefore not being considered at this time.</p>

Question	Answer
22. There is currently no long-term solution for individuals who need long-term psychiatric care, including those who are civilly committed. This has had a severe negative financial impact on hospitals that provide services to these patients. Since CCOs are not required to have network panel adequacy, and in the absence of a contract, CCOs are currently only required to pay 76%-78% of Medicare, how will OHA assure this new methodology is adopted by CCOs and are paying hospitals accordingly?	OHA understands the challenges with regards to the civilly committed populations, and the changes to the inpatient psychiatric DRG reimbursement methodology, including the outlier policy, will help address these concerns. OHA and other divisions are working to address other infrastructure items within the system as well since the reimbursement methodology alone cannot solve all of the concerns in the current system for psychiatric services.
23. How does this Medicaid reimbursement rate update support individuals on Medicare and Medicare Advantage Plans often placed on guardianship, making them ineligible for civil commitment, but not for Oregon State Hospital or other long-term care?	If the individual is enrolled in Medicaid and receiving psychiatric services in an Oregon DRG hospital, the hospital will be reimbursed using the updated adult and pediatric base rates. This inpatient psychiatric DRG reimbursement update will enhance financial support for individuals receiving services covered under their Medicaid benefit. This Medicaid reimbursement rate update will not impact other payer rate methodologies.

OREGON HEALTH AUTHORITY
DRAFT AND PRELIMINARY

Table 1. Inpatient Hospital Psychiatric DRG Base Rates for Oregon DRG Hospitals (Anticipated to be Effective CY 2025)

Provider Number	Hospital Name	CY2025 IP Psych DRG Base Rates	
		Adult	Child
380007	LEGACY EMANUEL HOSPITAL & HEALTH CTR	\$ 9,938.24	\$ 12,699.92
380017	LEGACY GOOD SAMARITAN HOSPITAL	\$ 9,938.24	\$ 12,699.92
380090	BAY AREA HOSPITAL	\$ 9,875.08	\$ 12,619.21
380033	SACRED HEART MED CTR - UNIVERSITY	\$ 9,912.54	\$ 12,667.07
380051	SALEM HOSPITAL	\$ 9,900.22	\$ 12,651.33
380021	TUALITY HEALTHCARE	\$ 9,938.24	\$ 12,699.92
380047	ST CHARLES MEDICAL CENTER	\$ 9,875.08	\$ 12,619.21
380060	ADVENTIST MEDICAL CENTER-PORTLAND	\$ 9,938.24	\$ 12,699.92
380004	PROVIDENCE ST VINCENT MEDICAL CENTER	\$ 9,912.54	\$ 12,667.07
380038	PROVIDENCE HEALTH SERVICES DBA WILLAMETTE FALLS	\$ 9,912.54	\$ 12,667.07
380061	PROVIDENCE PORTLAND MEDICAL CENTER	\$ 9,938.24	\$ 12,699.92
380082	PROVIDENCE MILWAUKIE HOSPITAL	\$ 9,938.24	\$ 12,699.92
380014	GOOD SAMARITAN HOSPITAL CORVALLIS	\$ 9,900.26	\$ 12,651.39
380018	ROGUE REGIONAL MEDICAL CENTER	\$ 11,753.64	\$ 15,019.79
380009	OHSU UNIVERSITY HOSPITAL	\$ 9,938.24	\$ 12,699.92
380050	SKY LAKES MEDICAL CENTER	\$ 11,753.64	\$ 15,019.79
380027	MERCY MEDICAL CENTER	\$ 9,875.08	\$ 12,619.21
380089	LEGACY MERIDIAN PARK HOSPITAL	\$ 9,938.24	\$ 12,699.92
380002	ASANTE THREE RIVERS	\$ 9,875.08	\$ 12,619.21
380020	MCKENZIE WILLMETTE REG MED CTR	\$ 9,938.24	\$ 12,699.92
380102	SACRED HEART RIVERBEND	\$ 9,938.24	\$ 12,699.92
383300	SHRINERS HOSPITAL	\$ 9,938.24	\$ 12,699.92
380075	PROVIDENCE MEDFORD MEDICAL CTR	\$ 11,753.64	\$ 15,019.79
380025	LEGACY MT HOOD MED CTR	\$ 9,938.24	\$ 12,699.92
380103	KAISER WESTSIDE	\$ 9,938.24	\$ 12,699.92
380091	KAISER PERMANENTE	\$ 10,332.18	\$ 13,203.32
380022	SAMARITAN ALBANY GEN HOSPITAL	\$ 9,900.26	\$ 12,651.39

Notes:

The Oregon psychiatric DRG base rates are draft and preliminary based on CMS published IPPS factors for FFY 2025 available as of August 1, 2024.
The DRG base rates reflected in Table 1 are the actual amounts that will be applied to the DRG relative weights for inpatient psychiatric stays (Oregon DRG Hospitals only).
Fee-for-service rate changes require submission of a State Plan Amendment to CMS. These values are draft until CMS approval.