



Division of Medical Assistance Programs

# Information Memorandum Transmittal

Donald Ross, Manager  
DMAP Policy and Planning Section

**Number:** DMAP-IM-12-027

**Authorized Signature**

**Issue Date:** 03/21/2012

**Topic:** Medical Benefits

**Subject:** **Announcement:** Status of Jan. 1 changes to DRG hospital reimbursement

**Applies to:**

- All DHS employees
- Area Agencies on Aging
- Children, Adults and Families
- County DD Program Managers
- County Mental Health Directors
- Seniors and People with Disabilities
- Other (please specify): DHS and OHA staff and others identified on the SPD, CAF, AMH and DMAP transmittal lists

**Message:**

DMAP will post the following letter to the [OHP Provider Announcements](#) and [Managed Care Organization \(MCO\) Announcements](#) Web pages and distribute via eSubscribe. It explains the status of changes to Diagnosis-Related Group (DRG) hospital reimbursement that became effective Jan. 1.

*If you have any questions about this information, contact:*

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**Date:** March 21, 2012

**To:** DRG hospitals and OHP medical plans

**From:** Don Ross, Manager  
 Policy and Planning Section, DMAP

**Subject:** Status of the January 1 changes to payment methodology for DRG hospitals

In December, after discussions with hospitals, plans and other health authority programs, the Oregon Health Authority decided to change reimbursement for Oregon DRG hospitals as follows. DMAP temporarily amended Oregon Administrative Rules [410-125-0195](#) and [410-141-0420](#) to reflect these changes.

Type of service	DRG hospital payment methodology effective Jan, 1, 2012	Changes affect:	
		DMAP	Plans
<b>Outpatient</b>	Medicare Ambulatory Payment Classification (APC) under the Outpatient Prospective Payment System.	✓	✓
<b>Inpatient</b>	For both contracted and non-contracted DRG hospitals, use current fee-for-service methodology (Medicare Severity and Oregon-unique DRGs)		✓

**Why is this happening?**

As you know, the Oregon Legislative Assembly passed Senate Bill 204, which required the Oregon Health Authority to develop a uniform hospital payment methodology for hospital services effective Jan. 1, 2012.

Due to system limitations, DMAP will not be able to process outpatient claims according to APC methodology until later this year.

DMAP is ready to process plan submissions of inpatient encounters using the current DRG methodology; so contracted medical plans need to apply this methodology to all inpatient services for all Oregon DRG hospitals.

**What happens next?**

The federal Centers for Medicare and Medicaid Services (CMS) must approve the change to DMAP's outpatient reimbursement methodology. We have submitted our request and are awaiting approval.

Once we receive CMS approval and our system is ready to support APC methodology, DMAP will reprocess all outpatient claims submitted by DRG hospitals for services provided on or after Jan. 1, 2012 to reflect the new methodology. You will be notified as soon as DMAP is ready to reprocess these claims.

## Thank you for your support

We appreciate the services you provide to the state's most vulnerable people. Thank you for your hard work and dedication during this time of limited resources and expanding need.

As we continue to work together, we hope that these changes can be an opportunity that moves us closer to a health system that reduces costs and improves care.

## Questions?

If you have any questions about this announcement, contact the Provider Services Unit at [dmap.providerservices@state.or.us](mailto:dmap.providerservices@state.or.us) or call 1-800-336-6016, Monday through Thursday, 8:30 a.m. to 4:30 p.m. and Friday 10 a.m. to 4:30 p.m. (phone lines closed 11:25 a.m. to 12:30 p.m. daily).

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