Observation Visits in the CPV - FY2012

Industry Concerns Regarding Charges Associated with Observation

Hospital staff have requested HSCRC review charges associated with observation cases under the CPV. As hospital use of observation is growing, hospital staff are concerned that the APG weights established using base year data do not reflect resource use associated with observation in rate year (FY) 2012.

Initial HSCRC Approach to Concerns

- For the FY 2011, HSCRC used proxy data (provided by hospital industry) to identify observation visits that were not grouping to an observation APG and develop cells within the APGs where the weight for cells with observation was significantly higher than the weight for cells without observation.
- In FY2011, Commission staff added the Observation Rate Center (80) to capture charges and units associated with observation.
- The Commission also approved additional money in the FY 2011 update for hospitals identified as “early adopters” of observation.

Research and Analysis of Potential Strategies

In developing a strategy to address the concerns of the hospital industry, staff

- Conducted analysis on 3 quarters of FY2011 data to assess trends in volume and coding
- Consulted with 3M staff regarding grouper logic
- Reviewed the Medicare and New York State Medicaid observation rules

In reviewing the FY 2011 (base year) data, HSCRC staff is concerned with substantial data anomalies. Our review indicates that data quality concerns limit our range of potential actionable solutions (e.g., multiple APG "cells" are not viable).

Recommended Strategy to Address Industry Concerns

HSCRC staff recommends developing a single kicker weight to be applied once to any case meeting the threshold set of observation criteria presented in Table 1. We will apply the same single kicker weight regardless of APG. If the highest weighted APG is an observation APG, HSCRC will not provide a kicker weight.

Table 1
Proposed Threshold Criteria for Application of the Observation Kicker Weight

Threshold Criteria	Rationale
1. Presence of charges in the Observation (OBV) rate center (80)	• To receive additional weight for the case, charges must be associated with observation
2. Eight or more units in the OBV rate center	• Medicare only reimburses for observation of 8 hours or more • Weights associated with less than 8 hours of observation will be handled in the CPV APG
3. Presence of an observation APG	• Case must meet coding criteria as observation and be coded appropriately to receive the additional weight
4. Overall EAPG Type assigned to the visit is: a. Type 3 – Medical, or b. Type 21, 22, 23, 24, or 25 – Significant Procedure	• HSCRC exempts Types 4 and 5 from the CPV • EAPG Version 3.5 refines the identification of some Significant Procedures into the subgroups of physical therapy/rehab (21), mental health counseling (22), dental procedures (23), radiologic procedures (24), and other diagnostic procedures (25) o HSCRC will provide the kicker weight for a case grouping to Type 21, 22, 23, 24, or 25 o HSCRC will <u>not</u> provide the kicker weight a case grouping to "simple" Type 2s

Implications to CPV Weight Calculation

In determining CPV weights, HSCRC staff will remove observation charges for cases meeting the observation kicker weight criteria prior to calculating the APG weights. Staff will separately calculate the kicker weight using a geometric mean analysis for observation charges in cases meeting the observation kicker criteria. The weights will remain revenue neutral.

Staff is continuing to investigate the most appropriate base period for use in the FY 2012 weight calculations for CPV.

Duration of the Kicker Weight

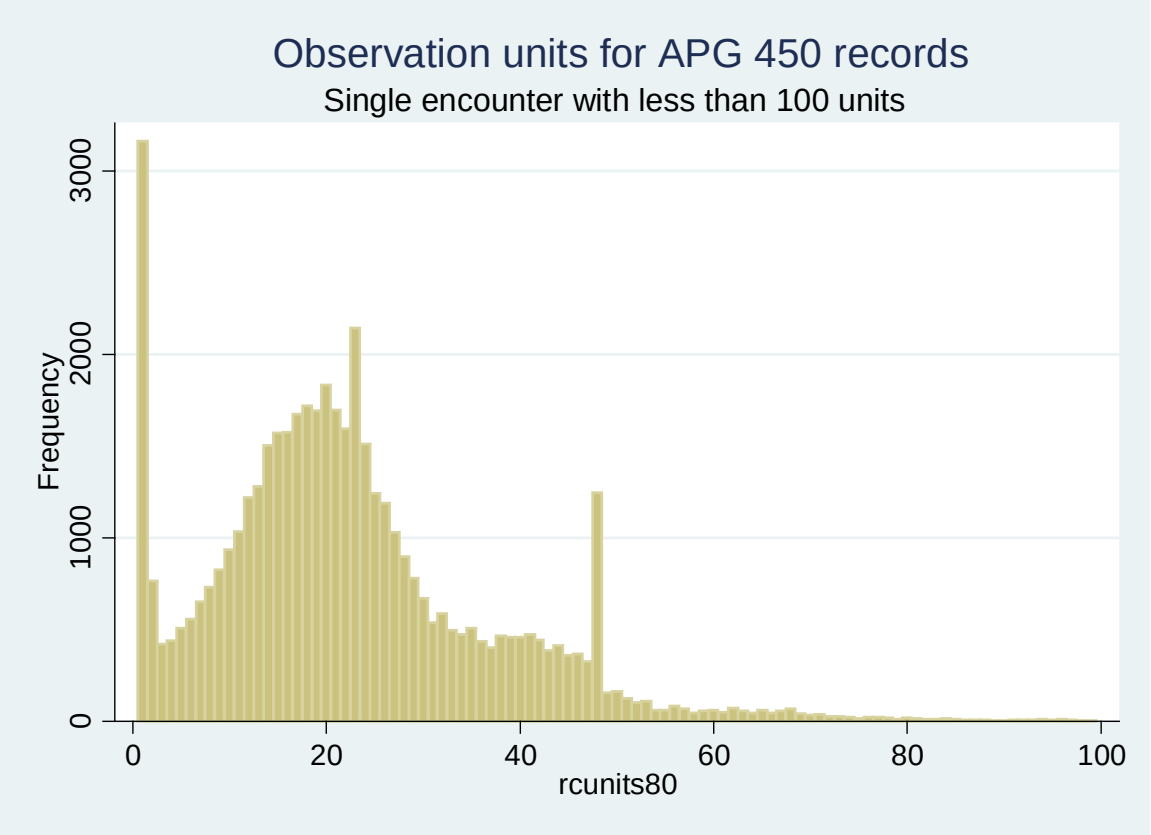
As the observation kicker weight intends to compensate for the base year data not representing coding practice during FY 2012, HSCRC staff considers the kicker weight policy to be bridge policy beginning in FY 2012 and extending for a finite period. HSCRC staff will monitor coding and volume associated with observation and review the continued need for this policy prior to setting FY 2013 weights.

Ongoing Data Issues

HSCRC staff conducted multiple analyses of observation cases and found significant data discrepancies. We encourage hospitals to resolve issues such as:

- Significant number of cases for individuals hospitals with one unit of observation (see Chart 1)
- Charges in the observation rate center with no units/Units in the observation rate center with no charges
- Presence of observation units with no observation APG (likely due to absence of observation CPT)
- Presence of observation APG with no associated observation units/charges in the rate center

Chart 1


Observation units for APG 450 records
Single encounter with less than 100 units
Frequency
0
1000
2000
3000
0
20
40
60
80
100
rcunits80