



All Patient Refined-Diagnosis Related Group (APR-DRG) Payment Method and Frequently Asked Questions (FAQs)

The Department of the Health Care Policy and Financing (the Department) has been reimbursing inpatient hospital services using the CMS-DRG since it moved to a prospective payment methodology. Modifications are made to the system on a yearly basis according to the Center of Medicare and Medicaid Services (CMS) annual changes. In October 2007, the CMS-DRG system was replaced by the Medicare Severity (MS-DRG) and was no longer maintained.

The Department decided to keep the CMS-DRG in place while looking for an alternative methodology, more suitable to the Medicaid population. Based on evaluation of alternatives and stakeholders input, the Department agreed that the APR-DRG would be the best methodology. The APR-DRG system accounts for a wider range of conditions than the MS-DRG or the CMS-DRG.

The Department contracted with the Public Consulting Group, Inc. (PCG) to conduct inpatient hospital payment reform activities. At this time, PCG is conducting stakeholder outreach to solicit feedback on the APR-DRG weight setting process, policy considerations, and special population considerations. Please refer to the [Provider Outreach Calendar](#) section for information on how to participate.

FAQs

Note: The FAQs will be updated throughout the stakeholder process.

How are inpatient hospital claims currently adjudicated?

Colorado has used CMS-DRGs and the related updated grouper versions for over ten (10) years. The DRG system is a prospective payment system that groups together clinically similar patients who consume a similar amount of hospital resources. Under the DRG system, hospitals that treat patients requiring a greater amount of hospital resources compared to the average receive a higher reimbursement and vice versa – patients that require a lower amount of hospital resources compared to the average receive lower reimbursement.

Currently, hospitals are reimbursed for inpatient services based primarily on the CMS version 24 DRG system. Although the CMS-DRGs are used as the basis of the DRG system, the Department established many additional Medicaid-specific DRGs, such as neonatal, rehabilitation, and psychiatric DRGs. These DRGs were added in order to address the specialized health needs of the Medicaid population, as Colorado needed a system of DRGs that best reflected the population they are serving.

Since APR-DRGs take into account all patient populations, many of the previous DRGs added by the Department are reflected in the APR-DRGs.

What is an APR-DRG?

APR-DRG stands for **All Patient Refined-Diagnosis Related Group** and is maintained by 3M Health Information Systems. The APR-DRG grouper system is intended for all patient populations. It is an expansion of the basic DRG structure. It includes four severity of illness (SOI) as well as risk of mortality (ROM). The assignment to a specific SOI and ROM is based on the evaluation of the client's age, diagnosis and procedure codes, co-morbidities and other client's characteristics.

Why is the Department moving to a different DRG grouper?

The Department has been using the CMS-DRG version 24, since October 1, 2006. In order to account for annual updates of the ICD-9-CM codes, a crosswalk table has been created so that new codes are mapped to old codes and claims are appropriately grouped and reimbursed. Additionally, the statistics associated with the CMS-DRG (weights, average length of stay, trim point) has not been updated since the year 2000.

It is expected that, by moving to a more refined and appropriate system, our payment to providers aligns better with improving efficiency, economy, access, quality, and health outcomes.

How many APR-DRGs are there?

There is a total of 1,258 APR-DRGs. There are 314 base DRGs, each with four severities of illness levels. Additionally, there are two error DRG codes.

What are the different severity levels?

Each APR-DRG is divided into four severity levels based on the interaction among principal and secondary diagnoses, age, and, in some cases, procedures:

1. Minor
2. Moderate
3. Major
4. Extreme

What patient populations are APR-DRGs intended to reflect?

APR-DRGs are intended for *all patient populations*. Alternative groupers, such as the MS-DRG grouper published by Medicare, are not as representative of the Medicaid population. The APR-DRGs were developed by 3M Health Systems in conjunction with the National Association of Children's Hospitals. Therefore, APR-DRGs do take into consideration the pediatric population as opposed to the MS-DRG.

The structure of APR-DRGs is different to the Medicare DRGs (MS-DRGs and APS-DRGs). There are 28 base DRGs for newborns and 24 DRGs for psychiatric treatment, all with four levels of severity.

Who else is using APR-DRGS?

The Agency for Healthcare Research and Quality (AHRQ), the Medicare Payment Advisory Commission, the Joint Commission, and various state hospitals "report cards" also use APR-DRGs.

Additionally, a number of other states currently use APR-DRGs for Medicaid inpatient hospital patients:



Who else is using APR-DRGs?

States using APR-DRGs	States implementing APR-DRGs
Iowa	Colorado
Maryland	Nebraska
Massachusetts	Texas
Montana	
New York	
Pennsylvania	
Rhode Island	
South Carolina	
South Dakota	

How else can APR-DRGs be used?

The APR-DRG grouper can be used as a risk adjustor in measuring mortality, readmissions, and complications. It also offers an enhanced homogeneity of classifications, facilitates superior measurement of resource requirements, facilitates the measurement of potentially preventable readmissions and complications, enhances the recognition of resources necessary for high severity patients, enhances recognition of acuity related to specialty hospitals (including children's and teaching hospitals) and reduces the occurrence of outlier cases.

The APR-DRG grouper lends itself well to quality assessment, including the use of additional components of the 3M system:

- Potentially Preventable Complications (PPCs)
- Potentially Preventable Readmissions (PPRs)
- Potentially Preventable Admissions (PPAs)
- Potentially Preventable Emergency Room Visits (PPVs)
- Potentially Preventable Ancillary Services (PPAs)

How has the Department prepared for the transition to APR-DRGs?

The Department has been working closely with 3M Health Systems, as well as PCG to develop a baseline for APR-DRGs. At this time, PCG is soliciting feedback from stakeholders in order to develop a comprehensive recommendation on the implementation of APR-DRGs.

The Department also has been working with the fiscal agent, Xerox State Healthcare, to make the necessary system changes to the Medicaid Management Information System (MMIS) to prepare for the APR-DRG implementation. Please refer to the [Implementation Timeline](#) section for further details.

How can I get involved?

Please refer to the [Provider Outreach Calendar](#) section for information on how to get involved.

