

## Succeed Under the Newly Revised IPPS

See what you should be doing to maximize your MS-DRG and POA coding.

By David Hochheiser

After coding under Medicare's new severity-adjusted reimbursement system for slightly more than a month, it appears that hospitals still have more questions than answers as they transition to the new system. Besides adjusting to the new codes used under Medicare Severity Diagnosis Related Groups (MS-DRGs), hospitals are struggling with many aspects of the newly revised inpatient prospective payment system (IPPS). These include new reporting requirements focused on present on admission (POA) and quality indicators, as well as trying to determine the financial impact that the new reimbursement will have on revenues.

What is clear is that hospitals should not view the transition to MS-DRGs as a one-time event. Instead, the changes needed to succeed under MS-DRGs will require an ongoing effort to continuously educate hospital staff, improve clinical documentation, and refine processes. In addition, several components of the new IPPS will continue to change during the next 12 months and will require additional staff training. For example, POA reporting is currently voluntary, but will be a requirement for discharges on or after Jan. 1. Starting April 1, claims sent to Medicare without POA indicators for discharges on or after that date will be returned to providers. And, discharges on or after Oct. 1 will be subject to Medicare's new policy of not paying for eight specific hospital-acquired conditions.

Although the effective date for the new IPPS was merely a month ago, many changes are still ahead, and hospitals that are not evaluating, improving and investing in education, new tools and capabilities stand to lose significantly under the new rules.

Considering the financial impact of these changes, it is surprising that many hospitals have not made a bigger push to upgrade and reform their coding practices. A last-ditch effort to halt the Medicare Fiscal Year 2008 IPPS Final Rule just weeks before it was published may have led to delays on the part of some hospitals. However, now that MS-DRGs are a reality, there is a mad scramble among hospitals as they try to get up to speed with the new requirements.

### Address Major Areas of Concern First

Hospitals that are still adjusting to the new IPPS need a comprehensive strategy to modify their practices and help with the transition. Below are several suggestions of areas that hospitals should address:

- Understand the impact of the Final Rule on the facility by looking at how cases from previous years will be paid under the new scheme. The profitability of many procedures will change under MS-DRGs.
- Educate coders and physicians so they understand what the coding changes are (e.g., a greater number of codes, new code numbers and POA findings) and what clinical documentation is required to secure the most appropriate level of severity.
- Streamline the physician query process to ensure that coders feel comfortable slowing down their productivity to get additional information from physicians that would increase reimbursement. It's also important that physicians understand that code assignment is directly dependent on their clinical documentation.
- Check the encoding system for hard-coded commands that relate to specific codes, so that any commands based on an old DRG number are changed. For example, hospitals using systems that would automatically delete old DRG 470 claims (formerly "ungroupable"), would not want to automatically delete the new MS-DRG 470: "major joint replacement or reattachment of lower extremity without MCC."
- Check with software vendors to make sure that they will be sequencing complication and comorbidity (CC) information to the top of coding lists. Because the MS-DRGs allow only nine diagnosis codes, organizations will want to make sure the CC codes are listed first.
- Make sure the MS-DRG message is spread to all stakeholders including the full continuum of revenue cycle departments and functions. These areas also need to review and retool business processes to assure that the facility maintains compliance, overall financial integrity and all important cash flow requirements.

In the current hospital environment, the only constant is change. Organizations that are informed and proactive stand a much greater chance of succeeding under MS-DRGs and the newly revised IPPS.

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