

DRG Optimization: Why current efforts may be coming up short

HFMA Region 9 Conference
November 10, 2019



1

Objectives:

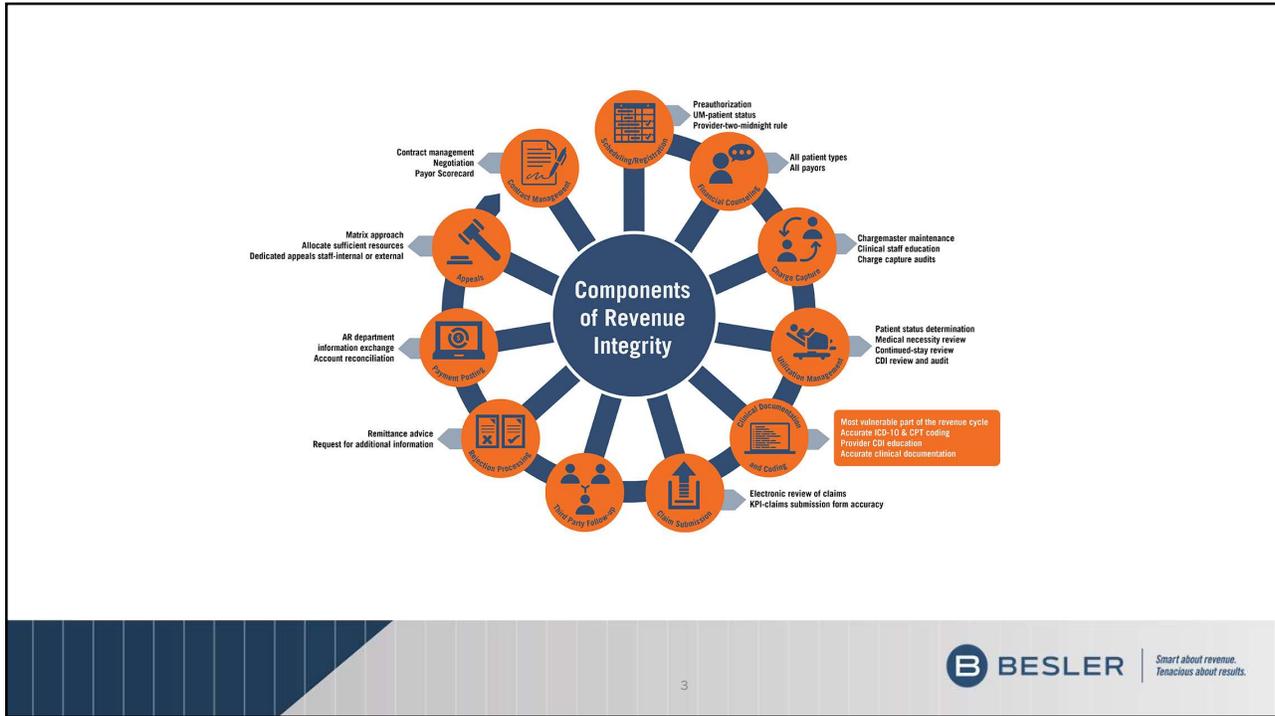
You'll learn:

- How DRG optimization efforts can miss the mark even with today's sophisticated revenue cycle solutions.
- Why the mid-revenue cycle is the most vulnerable part of the process and why DRG optimization is important right now.
- Solutions that can improve DRG optimization.
- Finding the Right Partner



2

2

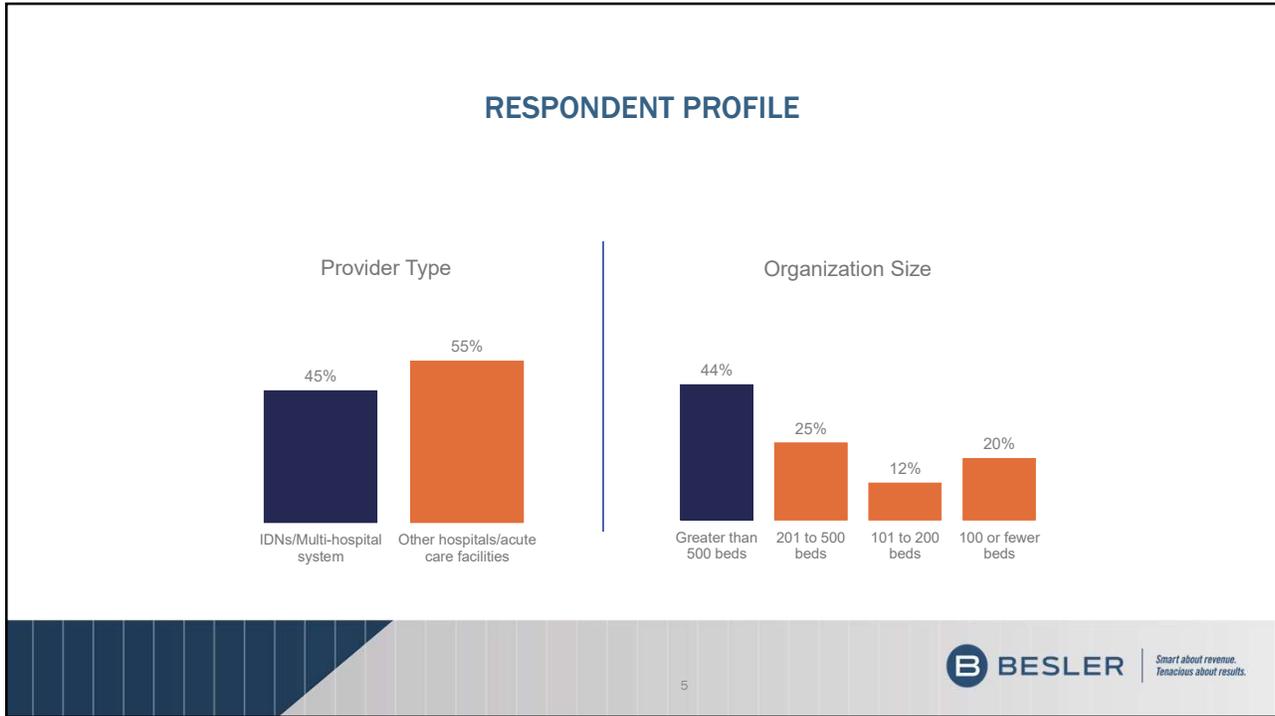


3

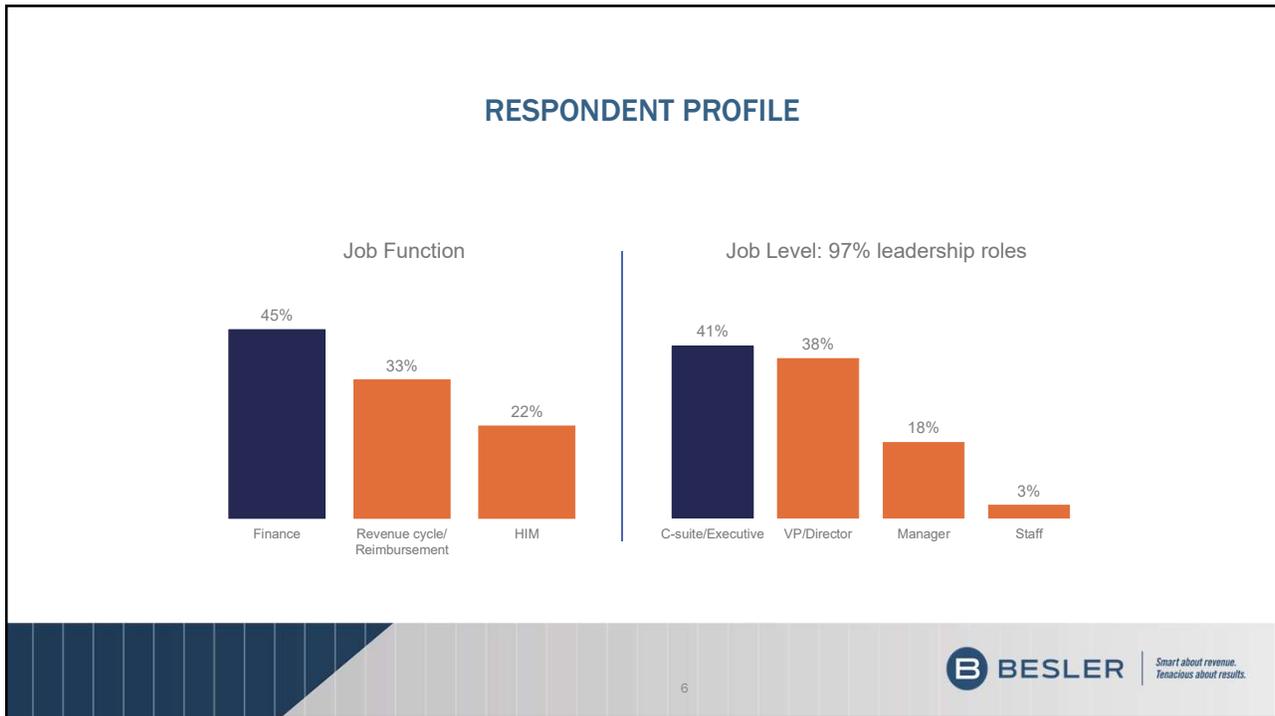
RESEARCH OVERVIEW

- **HIMSS Media conducted this survey in October 2018 to better understand healthcare organizations' attitudes toward and concerns regarding revenue cycle management.**
- More specifically the research was designed to identify key revenue cycle challenges and areas of vulnerability at US hospitals and acute care facilities.
- A total of 102 qualified respondents completed the survey.

4



5



6

KEY TAKEAWAYS

- 1** Denials and reimbursement top the list of revenue cycle management challenges facing hospitals today.
- 2** Clinical documentation and coding is most widely perceived as being a key area of vulnerability for lost or decreased revenue.
- 3** While majority feel revenue cycle solutions are optimized for coding and audits, particularly those at larger, multi-hospital systems, only 1/3rd believe DRG optimization is a solved problem.
- 4** Limited budgets, ROI, and competing priorities are all obstacles to introducing a new vendor or process to improve DRG optimization and mid-cycle revenue recognition.
- 5** Just under half of those surveyed have established a revenue integrity program, with widely reported positive results. Obstacles to revenue integrity include siloed information, staffing and integration of multiple tools/solutions.

B BESLER | *Smart about revenue. Tenacious about results.*

7

DENIALS AND REIMBURSEMENT TOP LIST OF REVENUE CYCLE CHALLENGES

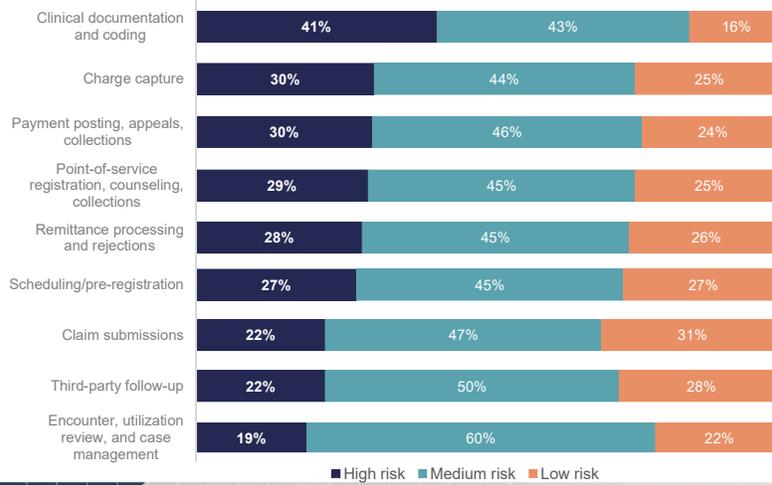
Top Revenue Cycle Challenges

Challenge	Percentage
Denials	49%
Reimbursement	47%
Prior authorization	38%
Physician documentation	36%
Coding	29%
Health information systems	26%
Up-front collections	23%
Self-pay	20%
Revenue integrity	16%
Transparency	12%

B BESLER | *Smart about revenue. Tenacious about results.*

8

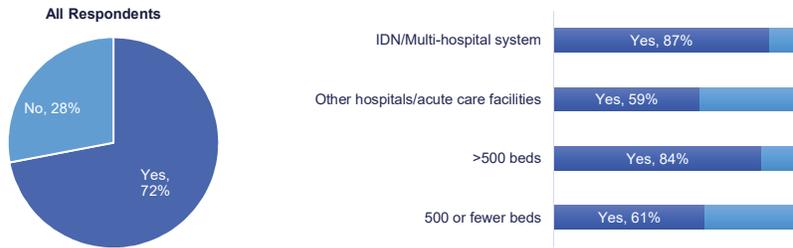
CLINICAL DOCUMENTATION AND CODING KEY AREA OF VULNERABILITY FOR LOST OR DECREASED REVENUE



9

MAJORITY AGREE REVENUE CYCLE MANAGEMENT SOLUTIONS ARE OPTIMIZED FOR INPATIENT CODING

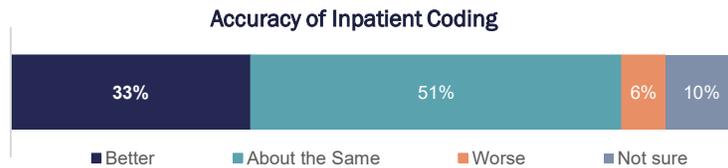
Optimize Inpatient Coding via DRG Optimization



Q. Do your revenue cycle management solutions optimize for inpatient coding via DRG optimization? Base: 102

10

ACCURACY OF INPATIENT CODING ABOUT THE SAME AS INDUSTRY BENCHMARK – IS THAT GOOD ENOUGH?



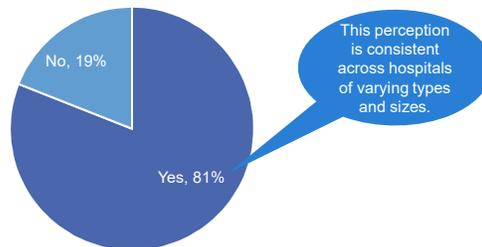
11

BESLER Smart about revenue. Tenacious about results.

11

8 OUT OF 10 FEEL CURRENT SOLUTIONS ENABLE REGULAR CODING AUDITS

Regular Coding Audits to Ensure Accuracy/Compliance



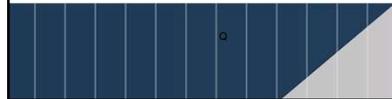
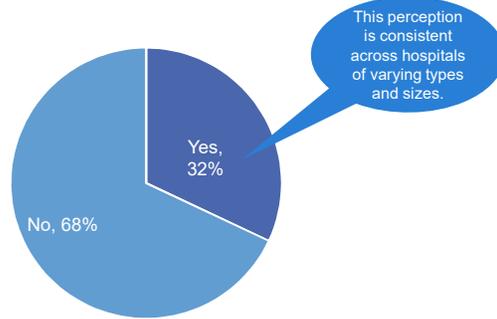
12

BESLER Smart about revenue. Tenacious about results.

12

YET ONLY A MINORITY BELIEVE DRG OPTIMIZATION IS A SOLVED PROBLEM

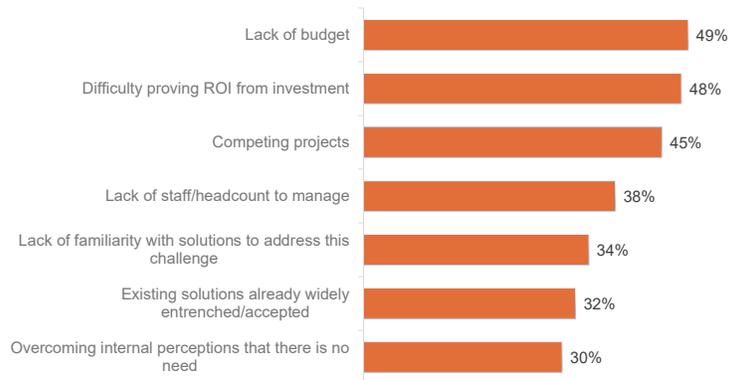
Is DRG Optimization a Solved Problem?



13

LIMITED BUDGETS, ROI, COMPETING PRIORITIES ALL OBSTACLES TO IMPROVING DRG OPTIMIZATION

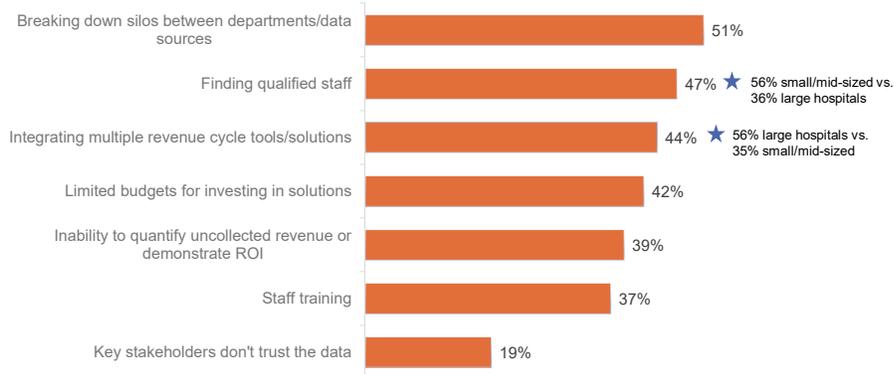
Obstacles to Improving Mid-Cycle Revenue Recognition



14

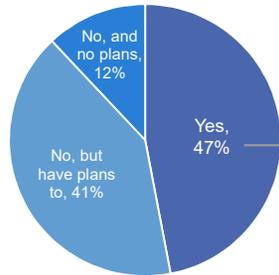
SILOED INFORMATION, STAFFING TOP REVENUE INTEGRITY CHALLENGES

Challenges Related to Revenue Integrity



JUST UNDER HALF HAVE ESTABLISHED A REVENUE INTEGRITY PROGRAM BUT WITH WIDELY POSITIVE RESULTS

Established Revenue Integrity Program?



47% of these adopters note it has positively impacted one or more of the following:

- Net collections
- Gross revenue capture
- Reduction in compliance risk

Polling Question

- Do you agree with the survey respondents that coding and clinical documentation may be the most vulnerable areas in your revenue cycle?
 - Yes
 - No

17

**How DRG optimization
efforts can miss the
mark even with today's
sophisticated revenue
cycle solutions**

18

Background

- DRGs dependent upon diagnoses and procedure code assignment
- Patient attributes that contribute the most to resource demands
 - Severity of illness
 - Prognosis
 - Treatment difficulty
 - Need for intervention
 - Resource intensity

19

19

CMS-DRG Evolution to MS-DRGs

- Better account of patient's severity of illness & resource consumption
- Three tier DRG system based on severity
 - with MCC (Major Complication/Co-morbidity)
 - with CC (Complication/Comorbidity)
 - without MCC/CC

20

20

Basic Steps to Accurate DRG Assignment

1. Review the admission for DRG accuracy.
2. Validate that all diagnoses and procedures reported on the claim are accurate and that SOI and ROM are captured.
3. Determine whether all the required documentation is present to support the assignment of the DRG.

21

21

What is DRG Optimization?

- DRG optimization is a term used when hospitals are striving to obtain optimal reimbursement or the highest possible payment to which the facility is legally entitled based on coded data supported by documentation in the health record

22

22

DRG Validation Process

1. Review patient record for DRG accuracy.
2. Validate all the diagnoses and procedures to be reported ensuring that SOI and ROM are captured.
3. Confirm the correct POA indicator is present for each diagnosis.
4. Confirm the appropriate discharge disposition is submitted.
5. Engage in conversation with clinical staff when the clinical criteria do not appear to support the diagnostic statement in the record.

23

23

DRG Validation Challenges

- Providers and payers have different clinical information or have different interpretations of data

Example:

Criteria used the facility in the diagnosis of sepsis was SIRS criteria in the present of infection.

Criteria used by the payor was qSOFA.

24

24

Resolution

- Individual claims must be handled on a case-by-case basis.
- Develop mutually agreed upon criteria.
- Audit records pre-bill to ensure use of the criteria.
- Conduct a review of cases denied for clinical reasons
- Use a third arbitrator when the provider and payor cannot agree on clinical criteria.

25

25

Mid-Revenue Cycle Opportunities

- While current technology solutions catch many coding issues, we've proven there is still room to optimize revenue potential and reduce compliance risk.
- Nationwide coder performance key performance indicators show opportunity for improvement

26

26

Nationwide Coder Performance Data

Contest participants coded a total of 4,471 medical record cases using Central Learning, a web-based coding assessment and education application. Their accuracy and productivity levels were graded against Central Learning's answer key.

Here's what you should know:

1. Average outpatient accuracy scores have increased since 2016. Here are the average outpatient accuracy scores for the past three years:

2016: 38 percent
2017: 41 percent
2018: 42.5 percent

2. The average inpatient accuracy score decreased compared to 2017. Here are the average inpatient accuracy scores for the past three years:

2016: 55 percent
2017: 61 percent
2018: 57.5 percent

27

27

Nationwide Coder Performance Data-from Central Learning

- Average inpatient coder accuracy: 61%
- Average outpatient coder accuracy: 41%
- Breakdown—average ambulatory surgery coder accuracy: 45%
- Breakdown—average emergency department coder accuracy: 36%
- DRG Accuracy: 72%, overall financial net impact of -\$753.91 per case
- RAC DRG focus accuracy*: 35 %
- Coding productivity per hour: inpatient cases 2.5/outpatient cases 4.8
- Higher productivity decreased coding accuracy by -25.4%
- Higher productivity decreased Outpatient Coding accuracy by -20.3%

28

28

DRG Optimization is a moving target

- ICD-10 Coding system accuracy rates
- ICD-10 PCS is still challenging
- Every year ICD-10 CM/PCS codes are added, deleted, or changed.
- Yearly updates to the Official Coding Guidelines-guidelines are added, deleted or changed.
- Quarterly advice updates from the AHA Coding Clinic
- Specificity in documentation not yet captured

29

29

Revenue follows Quality

- Finding your facilities DRG opportunities
 - Med Par data
 - National averages data-AHIMA
 - Your own audit results
 - Find the Right Partner

30

30

Drill down by DRG

DRG description-Central Learning Study <small>Source: 2017 Central Learning Coding Assessment Results</small>	Average DRG accuracy
195-Simple pneumonia & pleurisy w/o CC/MCC	51%
247-Pericardiovascular Proc w drug-eluting stent w/o MCC	68%
871-Septicemia or Severe Sepsis w/o MV>96 HRS w/MCC <small>*RAC focus</small>	35%
455-Combined Anterior/Posterior Spinal Fusion w/o CC/MCC	41%

Drill Down by ICD-10 Chapter

Diagnosis chapters with the lowest code accuracy include:

- Congenital malformation, deformations and chromosomal abnormalities (Q00-Q99)
- Diseases of the skin and subcutaneous tissue (L00-L99)
- Certain infectious and parasitic diseases (A00-B99)
- Diseases of the nervous system (G00-G99)
- Diseases of the genitourinary system (N00-N99)

Source: 2017 Central Learning Coding Assessment Results

Drill down by Diagnosis

Diagnosis	Cost
Sepsis	\$ 24 billion
Acute myocardial infarction	\$12 billion
Congestive Heart Failure	\$10.5 billion
Pneumonia	\$10.5 billion
Respiratory Failure	\$8.7 billion

Source: AHRQ Healthcare Cost and Utilization Report, August 2014

33

33

Drill down by PCS code:

Example: Optimize DRG 460 to DRG 457

Number of vertebral joints not counted correctly. Lumbar fusion not coded.

- **DELETE:** ORG6071 Fusion of 1 Thoracic Vertebral Joints with Autologous Tissue Substitute, Posterior Approach, Posterior Column, Open Approach
ADD: ORG7071 Fusion of 2 to 7 Thoracic Vertebral Joints with Autologous Tissue Substitute, Posterior Approach, Posterior Column, Open Approach
ADD: OSG1071 Fusion of 2 or more Lumbar Vertebral Joints with Autologous Tissue Substitute, Posterior Approach, Posterior Column, Open Approach
- **RATIONALE:** According to ICD-10-PCS coding guidelines, the body part coded for a spinal fusion is classified by the level of the spine (e.g., thoracic). There are distinct body part values for a single vertebral joint and for multiple vertebral joints at each spinal level. In this case, the spinal fusion was performed from level T10 to L3, three codes are needed at 3 different levels: T10-T11-T12, T12-L1 and L1-L2-L3.

34

34

Why the mid-revenue cycle is the most vulnerable part of the process and why DRG optimization is important right now

35

35

Mid Revenue Cycle-Clinical documentation improvement

- Unspecified documentation and coding have a negative effect on hospital reimbursement, provider risk adjustment scores, and ultimately patient care.
- **Specificity** is the game changer

36

36

Complexity of Coding

- Newer coding system
- Accuracy rates need improvement
- Updates for Coding Guidelines, diagnosis codes, procedure codes as well as DRG updates
- Complexity of cases
- Volume of cases
- Coder expertise
- Coder fatigue

37

37

Key Performance Indicators

- **Unspecified code** use by provider
- DRG assignment accuracy rate
- Principal Diagnosis accuracy rate
- Secondary diagnosis coding accuracy rate
- Procedure code accuracy rate
- Patient status code accuracy rate

38

38

Polling Question:

My facilities inpatient coding accuracy score is?

90% or above

80%-70%

Below 61% industry average

I don't know

39

39

**Solutions that can
improve DRG
optimization**

40

40

Powerful Dynamic CDI/Coding Program

- Patient's record is reviewed concurrent and a working DRG is assigned.
- The working DRG is updated throughout the patient's stay.
- CDI and Coding work collaborative to identify both DRG and CDI opportunities.
- Query ratios are showing concurrent queries (80%) and retrospective queries (20%).

The Mechanics of CDI/Coding Program

- Improve CDI and coding communication
- Improvement accuracy of documentation and code assignment at the same time-accuracy happens quicker
- Increase CC/MCC capture
- Helps with back end reconciliation process
- Improve coding quality indicators
- Less difference between working codes vs final codes
- CDI/coding collaboration lessens strain of post-discharge queries

CDI/Coding Program Implementation

- CDI/Coding relationships are a key to success
- CDI identifies cases that need concurrent coding early
 - ✓ Sepsis
 - ✓ Respiratory failure
 - ✓ DRGs with denial challenges
 - ✓ LOS
 - ✓ HAC or PSI
 - ✓ Complex surgeries
 - ✓ Long LOS
- CDI and coding work together and communicate about the case and share coding and clinical concepts as their expertise allows

43

43

Would you consider a concurrent CDI/Coding Program?

- Opportunity abounds
- Accurate real-time reporting
- CDI-Coding collaboration increases
- DNFC decreases

44

44

The Power of Coding and Documentation Audits

Audits are a **proactive continuous quality improvement process** that entails:

- Finding the error
- Correcting the error
- Determine the root cause of the error
- Educational feedback
- Prevent repeat errors

45

45

How to Perform Coding and Documentation Audits

Step 1: Identify your documentation and coding vulnerabilities

- incorrect diagnosis and procedure code assignment
- overlooked opportunities for application of coding guidelines
- non-specific physician documentation where conditions are suggested by clinical indicators
- compliance risks including code assignment and conditions that lack clinical validity
- errors in coding complications of medical or surgical care including patient safety indicators

46

46

How to Perform Coding and Documentation Audits

Step 2: Focus on common errors first:

- rationale regarding the revised DRG
- supporting documentation and coding guidelines
- suggested query using consistent clinical definitions and criteria
- OR Vs. non-OR procedures: Do they make sense
- Review certain DRGs 100% of the time
- Review certain procedures 100% of the time

47

47

How to Perform Coding and Documentation Audits

Step 3:

- use audit results to drive concise education for physicians and mid level providers

Step 4:

- let audits guide education for coders and CDI specialists

Step 5:

- audits help prioritize topics that can be incorporated into seminars to enhance compliance

48

48

Benefits

- Uncover missed documentation, coding and query opportunities
- Promote coding accuracy to drive revenue integrity and mitigate financial risk
- Provide immediate feedback to coders, CDI and clinical staff
- Reflect accurate clinical complexity of patients, SOI & ROM
- Reduce denials and associated costs for claims rework, audits and appeals

49

49

Need more Resources? ROI? Find The Right Partner

- Leveraging Technology
- Enhance your audit team expertise
- Benefits of an external partner

50

50

2018

BESLER Revenue Integrity Services

2020 IPPS Proposed Rule

51

2020 IPPS Proposed Changes

- Increase hospital rates 3.5%
- 324 proposed ICD-CM changes
 - 273 new codes
 - 30 revisions
 - 21 invalidated codes

 **BESLER** | *Smart about revenue.
Tenacious about results.*

52

ICD-10 CM/PCS changes

New codes

- Pressure-induced deep tissue damage
- Acute vs. chronic embolism vs. thrombosis
- Fractures of the facial bones arounds eye

PCS:

- New bypass codes
- Various placement root operation changes replacement, insertion
- Invalidation of dilation PCS codes

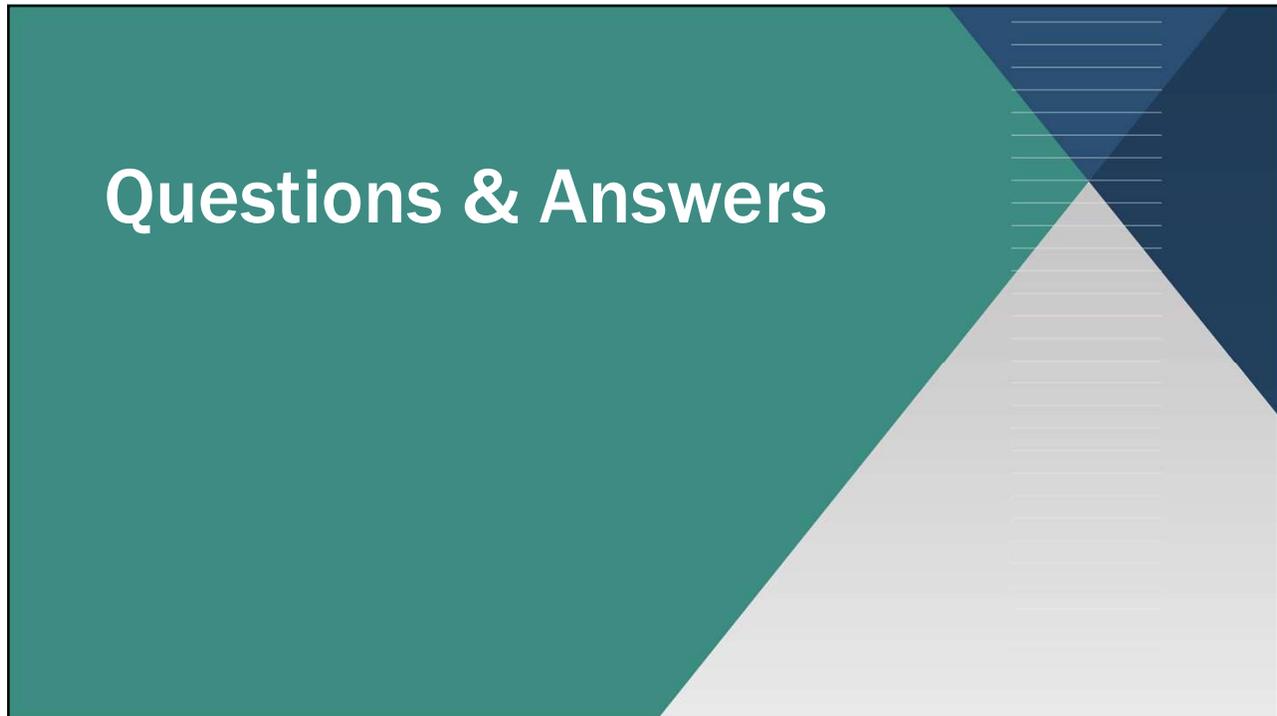
Hundreds of MCC/CC changes

Downgrades

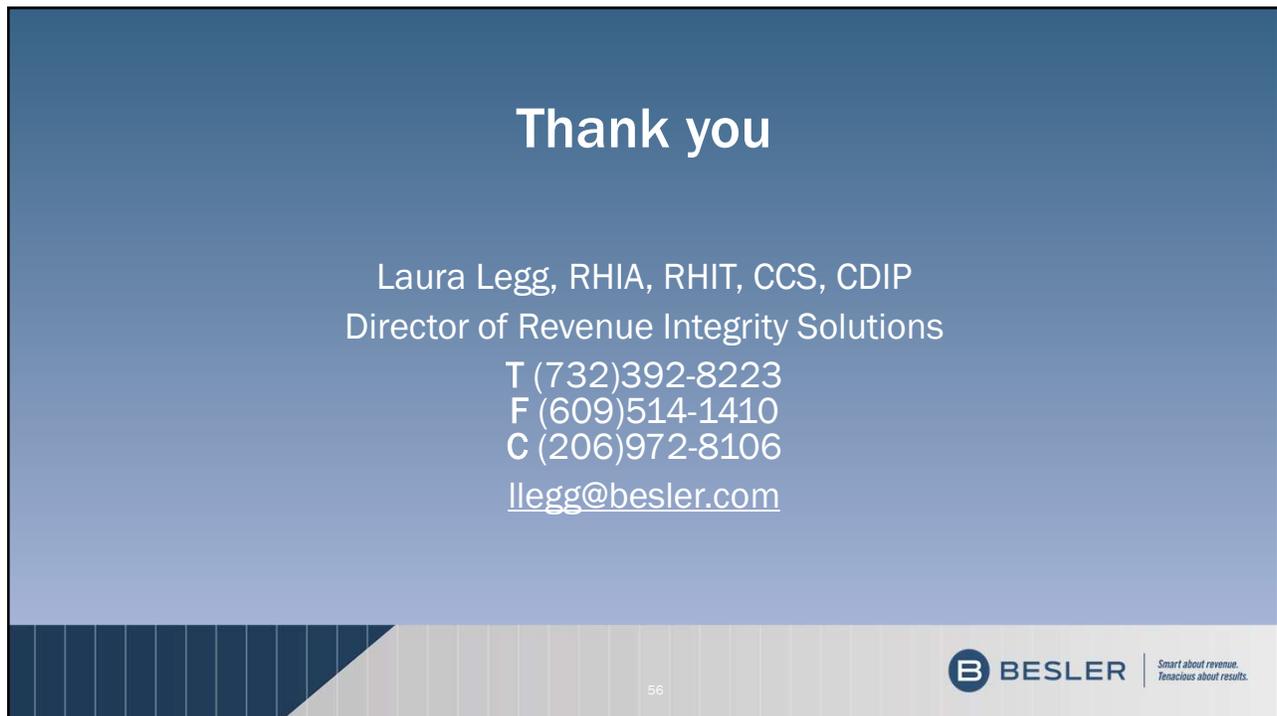
- Lymphomas and other neoplasms
- ESRD
- Severe malnutrition
- Transplant status
- Cardiac arrest

Upgrade

- Bacteremia up to MCC



55



56

References

- <https://www.cms.gov/Medicare/Coding/ICD10/2019-ICD-10-PCS.html>
- <https://www.m3meridian.com/resources/insights/summary-2019-icd-10-code-additionsrevisionsdeletions/>
- <http://journal.ahima.org/2018/10/06/2nd-annual-icd-10-coding-contest-results-sponsored>
- <https://www.hcup-us.ahrq.gov>
- <https://www.beckersasc.com/asc-coding-billing-and-collections/outpatient-coders-improve-icd-10-accuracy-scores-but-inpatient-keeps-the-crown-5-contest-takeaways.html>