GOBIERNO DE PUERTO RICO
Administración de Seguros de Salud

Hon. Pedro R. Pierluisi Urrutia
Gobernador

Jorge E. Galva, JD, MHA
Director Ejecutivo

CIRCULAR LETTER 21-0405

TO: SHORT-TERM ACUTE CARE (STAC) HOSPITALS, PLAN VITAL MANAGED CARE ORGANIZATIONS (MCOS), PUERTO RICO HOSPITAL ASSOCIATION (PRHA)

FROM: Jorge E. Galva, JD, MHA
Executive Director

DATE: APRIL 5, 2021

RE: NOTIFICATION OF APR DRG-BASED PAYMENT SYSTEM IMPLEMENTATION ON OCTOBER 1, 2021

The implementation of a Diagnosis Related Group (DRG)-based prospective payment system for inpatient hospital services in the Plan Vital program continues to be a priority of the Financial Oversight and Management Board (FOMB). To be responsive to the priorities of the FOMB, ASES will be implementing a modern DRG-based prospective payment system for inpatient services provided by short-term acute care (STAC) hospitals to Plan Vital members. The target implementation date for the DRG-based prospective payment system is on or around October 1, 2021, intending to coincide with the beginning of a new contract period for the Plan Vital managed care organizations (MCOs).

The new DRG-based prospective payment system is being designed by ASES, and ASES will contractually require that Plan Vital MCOs use the methodologies and rates established by ASES to pay for inpatient services provided by short-term acute care (STAC) hospitals to Plan Vital members.

Integral to the design of the DRG-based prospective payment system is a risk mitigation plan to support hospitals with the transition to DRG-based payments and to mitigate financial risk to hospitals, Plan Vital MCOs, and ASES associated with the transition to DRG-based payments. Key elements of the risk mitigation plan include:

- The current state directed supplemental payment program, which is providing enhanced funding to STAC hospitals to sustain access to inpatient hospital services in the Plan Vital program, to support payment and delivery system transformation activities including administrative and operational costs associated with transitioning to a DRG-based payment system for inpatient services, and to incentivize improvements in clinical coding of inpatient hospital claims;
- Transitional use of hospital-specific DRG base rates that target budget neutrality for each individual hospital at the time the DRG-based payment system is implemented, and a three-year transition period to gradually move toward standardized DRG base rates;
- Revising and renewing the state directed supplemental payment program on October 1st of each year (beginning on October 1, 2021) to continue to provide enhanced funding to STAC hospitals to support administrative and operational activities associated with transitioning to a DRG-based payment system, and to provide a mechanism for mitigating financial risk to hospitals, Vital program health plans, and ASES associated with the implementation of the DRG-based prospective payment system.

Generally, ASES' goals for the design and implementation of the DRG-based payment system are to promote efficiency, equity, quality, access, transparency, predictability, simplicity, and forward compatibility. More information about ASES' goals in the design and implementation of the DRG-based payment system are summarized in Figure 1, below.

FIGURE 1 – GOALS FOR THE DESIGN AND IMPLEMENTATION OF THE DRG-BASED PAYMENT SYSTEM

Efficiency	The payment system will promote hospital efficiency, consistent with the requirements of the Social Security Act §1902(a)(30)(A). The payment system will promote good stewardship of federal and local funds that support the Plan Vital program.
Equity	The system will provide for payments that are equitable and rational. Generally, hospitals will be paid similar amounts for the same service, except where variation is justified by reasonable and measurable differences between hospitals, such as differences in hospital cost structures, quality outcomes, populations served, or services provided.
Quality	The payment system will promote the delivery of high quality care, consistent with the mission of all healthcare providers to "do no harm." The APR DRG grouping algorithm can identify and adjust payments for Hospital-Acquired Conditions (HACs) and other complications of care, such that hospitals have a clear financial incentive to reduce the incidence of HACs and other complications.
Access	The payment system will promote beneficiary access to care, consistent with the requirements of the Social Security Act §1902(a)(30)(A) and in consideration of socioeconomic or geographic barriers to care, and the potential for future natural disasters. Within a DRG-based payment system, the design of policy adjustors, provider peer groups (used for setting DRG base rates), and outlier payment parameters may promote access to care.
Transparency	The payment system will promote trust between hospital administrators, managed care organization executives, legislators, and Plan Vital administrators. Transparency will be achieved by engaging stakeholders throughout the design process and by clearly documenting and communicating the payment system's methodologies and parameters with stakeholders.
Predictability	The payment system will provide for payments that are predictable. It is beneficial to the Plan Vital program, the managed care organizations, and hospitals that the payment system generate consistent and predictable payment amounts to support the management of their respective organizations.
Simplicity	The payment system will be relatively simple, promoting ease of implementation and maintenance and also mitigating potential "pain points" for Plan Vital, the hospitals, and the managed care organizations.
Forward Compatibility	The payment system will be forward compatible with potential future changes in Vital program goals and initiatives, changes in the hospital delivery system, changes in Vital and provider systems and processes, and future updates to DRG classification systems.

ASES will be conducting a series of stakeholder meetings with representatives from STAC hospitals, the PRHA, and the Plan Vital MCOs to share more information related to the design and plans for implementation of the DRG-based payment system and to gather feedback.

More information regarding the design and implementation of the new DRG-based payment system is provided in the initial DRG Payment System Questions & Answers (Q&As) documented below. As we share more information with stakeholders and receive questions directly from stakeholders, we will update and redistribute these Q&As to document the additional information and our responses to questions.

PO Box 195661, San Juan, PR 00919-5661 • Tel: 787.474.3300 • www.asespr.org

DRG Payment System Questions & Answers

Topic	Question	Answer
Scope	Which ***services*** will be reimbursed using the new APR DRG payment system?	ASES will require that payments for inpatient hospital services provided at STAC hospitals be calculated using the new APR DRG-based payment system. The APR DRG-based payment system will be used to determine payments for hospital services provided during an inpatient hospital stay. Payments for professional services provided during an inpatient hospital stay will not be reimbursed through the APR DRG-based payment system that is being designed by ASES.
Scope	Which ***hospitals*** will be reimbursed using the new APR DRG payment system?	ASES will only require the use of the new APR DRG-based payment system when calculating payments to short-term acute care (STAC) hospitals. ASES will not require the use of the APR DRG-based payment methodology when calculating payments to non-STAC hospitals, such as freestanding psychiatric or rehabilitation hospitals. A list of the STAC hospitals for which ASES will require the use of the APR DRG-based payment methodology is provided in Appendix A.
Scope	Which Plan Vital ***MCOs*** will be required to use the new DRG-based payment system?	All Plan Vital MCOs contracted to provide healthcare coverage through the Vital program will be required to use the new DRG-based payment system for calculating payments for inpatient services provided by STAC hospitals.
Payment System Design	Which ***version*** of DRGs are used in the DRG-based payment system designed by ASES?	The new DRG-based payment system has been designed using the version 37 of the 3M™ All Patient Refined Diagnosis Related Groups (APR DRGs).
Implementation	How will ASES ***support STAC hospitals and Plan Vital MCOs*** during the implementation process?	ASES will be conducting meetings with affected stakeholders to discuss the design of the DRG-based payment system and plans to mitigate financial risk to hospitals, Plan Vital MCOs, and ASES. These meetings will be scheduled to occur on a regular basis between April and June of 2021 ASES will also soon be sharing more detailed information with stakeholders about the design of the new DRG-based payment system, results from models to simulate the impacts of the new payment system using historical claims experience, as well as additional technical guidance to support the implementation of the new payment methodology. Throughout this process, stakeholders will have opportunities to submit any questions and concerns to

Vital Salud en tus manos GOBIERNO DE PUERTO RICO
ASES ADMINISTRACIÓN DE SEGUROS DE SALUD DE PUERTO RICO
PO Box 195661, San Juan, PR 00919-5661 • Tel: 787.474.3300 • www.asespr.org

Topic	Question	Answer
		ASES. ASES will address questions and concerns from stakeholders through a public Q&A process. ASES will also continue to engage with affected stakeholders between July and September of 2021 to provide guidance and assistance to stakeholders regarding the implementation.
Risk Mitigation	How will ASES ***mitigate financial risk to hospitals, Plan Vital MCOs, and ASES*** associated with the transition to a DRG-based payment system?	ASES has developed a plan to mitigate the financial risk to hospitals, Plan Vital MCOs, and ASES associated with the transition to a DRG-based payment system. To mitigation financial risk, ASES plans to: • Continue to provide enhanced funding to STAC hospitals through a state directed supplemental payment arrangement, which will support administrative and operational activities associated with transitioning to a DRG-based payment system. • Initially implement the DRG-based payment system using hospital-specific base rates that target hospital-specific budget neutrality at the time the DRG-based payment system is implemented, with a three-year transitional period to gradually move toward more standardized base rates. • Measure actual payment impacts associated with the implementation of the DRG-based payment system and adjust the payments made through the state directed supplemental payment arrangement to mitigate financial risk to hospitals, Plan Vital managed care organizations, and ASES associated with the implementation of the DRG-based prospective payment system. ASES will share and collect feedback from stakeholders related to the risk mitigation plan in the initial meeting with stakeholders.
Implementation	What are the immediate ***next steps***?	ASES will begin sharing more detailed information with hospitals, the PRHA, and Plan Vital managed care organizations, and will also be scheduling stakeholder meetings to share more information about the DRG-based payment system design and plans for implementation, and to gather feedback from stakeholders.

Vital Salud en tus manos GOBIERNO DE PUERTO RICO
ASES ADMINISTRACIÓN DE SEGUROS DE SALUD DE PUERTO RICO
PO Box 195661, San Juan, PR 00919-5661 • Tel: 787.474.3300 • www.asespr.org

Appendix A

Primary Hospital Billing NPI[1]	Medicare ID	Facility Name
1760455109	400127	ASEM TRAUMA
1154391415	400015	CENTRO MAS SALUD HOSPITAL SAN JUAN
1225017916	400124	FARMACIA HOSPITAL CENTRO CARDIOVASCULAR
1992724140	400105	HOSP REGIONAL BAYAMON
1407859036	400061	HOSP UNIVERSITARIO
1174678460	403301	HOSPITAL PEDIATRICO UNIVERSITARIO
1013140383	400103	HOSP DR RAMON EMETERIO BETANCES
1851320394	400018	HOSP. GENERAL MENONITA DE AIBONITO
1972531218	400087	HOSPITAL DR. CAYETANO COLL Y TOSTE
1295768232	400120	HOSPITAL HIMA SAN PABLO CAGUAS
1750316006	400125	HOSPITAL HIMA SAN PABLO FAJARD
1841295557	400044	HOSPITAL SAN LUCAS II
1750385571	400004	ASOCIACION HOSPITAL DEL MAESTRO
1215051404	400131	CARIBBEAN MEDICAL CENTER
1760486344	400010	CASTANER GENERAL
1003366527	Unknown	CENTRO COMPRENSIVO DE CANCER - HOSP
1154309169	400115	CENTRO MEDICO WILMA VAZQUEZ
1861494163	400118	DOCTORS CENTER HOSPITAL - PHYS GROUP
1912992553	400102	DOCTORS CENTER HOSPITAL BAYAMON
1255736187	400132	DOCTORS CENTER HOSPITAL CAROLINA, L
1699748236	400006	DOCTORS CENTER HOSPITAL SAN JUAN IN
1376605170	400114	DORADO HEALTH INC
1902294127	400133	HIMA SAN PABLO CUPEY
1083636179	400014	HOSP BELLA VISTA
1104862044	400117	HOSP DR SUSONI INC
1760475388	400110	HOSP DR TITO MATTEI
1720306343	400003	HOSP METROPOLITANO DR PILA
1063435782	400126	HOSP METROPOLITANO SAN GERMAN
1912987629	Unknown	HOSP SAN ANTONIO INC
1265493001	400016	HOSP. AUXILIO MUTUO
1922034776	400079	HOSP. BUEN SAMARITANO
1730159286	400022	HOSP. DE DAMAS
1023107182	400112	HOSP. DR. FEDERICO TRILLA - UPR
1912930488	400032	HOSP. HERMANOS MELENDEZ
1467417865	400019	HOSP. PAVIA SANTURCE
1568476539	400113	HOSP. SAN CRISTOBAL
1598798811	400098	HOSP. SAN FRANCISCO
1497770697	400109	HOSP.HIMA SAN PABLO BAYAMON
1366484594	400021	HOSPITAL DE LA CONCEPCION INC
1750317764	400013	HOSPITAL GENERAL MENONITA DE CAYEY
1376578625	400005	HOSPITAL HIMA SAN PABLO HUMACA
1003185455	400104	HOSPITAL MENONITA CAGUAS
1639696289	400048	HOSPITAL MENONITA DE GUAYAMA
1578196820	400011	HOSPITAL MENONITA HUMACAO, INC.
1407852338	400012	HOSPITAL ONCOLOGICO DR ISAAC GONZALEZ
1750346151	400128	HOSPITAL PAVIA HATO REY
1821082918	400123	METRO MAYAGUEZ INC
1255461935	400130	METROPOLITANO DE LA MONTANA
1275580763	400106	METROPOLITANO SAN JUAN
1770580813	400001	PREBYSTERIAN COMMUNITY HOSPITAL
1922254952	400122	PROFESSIONAL HOSPITAL GUAYNABO
1689148298	Unknown	PUERTO RICO WOMEN AND CHILDRENS HOSPITAL
1447270319	400007	RYDER MEMORIAL HOSP
1104856889	400111	SAN CARLOS BORROMEO
1811001613	400134	SAN JORGE CHILDREN'S HOSPITAL, INC.

[1] The primary hospital billing NPI represents the main NPI we identified for each hospital. Note that there may be multiple NPIs associated with each hospital.

Vital Salud en tus manos GOBIERNO DE PUERTO RICO
ASES ADMINISTRACION DE SEGUROS DE SALUD DE PUERTO RICO
PO Box 195661, San Juan, PR 00919-5661 • Tel: 787.474.3300 • www.asespr.org