



Normative Letter 25-1212

December 12, 2025

TO: Managed Care Organizations (MCOs) contracted by the Puerto Rico Health Insurance Administration (PRHIA) under the Plan Vital

RE: APR DRG Methodology suggested language for contracts between Hospitals and MCOs, as requested by the MCOs

Greetings from the Puerto Rico Health Insurance Administration (PRHIA). PRHIA has been working with the MCOs and short term-acute care hospitals to transform its payment system for inpatient hospital services for Medicaid patients under Plan Vital to a prospective payment system by adopting the All-Patient Refined Diagnosis Related Group (APR-DRG). DRG is a system for classifying hospital discharges based on diagnoses and procedures performed during a hospital stay that are related to the treatment of the primary diagnosis. The DRG system was developed to help evaluate and standardize reimbursement for the treatment of patients grouped into similar categories based on the level of resource intensity required for treatment. The APR-DRG system is an expansion of the DRG system that also considers the severity of the disease and the risk of mortality when patients are diagnosed.

This methodology will apply to all inpatient services provided by short-term acute care hospitals to beneficiaries of the Government Health Plan (GHP) known as Plan Vital. The intent of this transition to an APR-DRG payment methodology is to align reimbursements with the required resources for treatment. The implementation date is January 1, 2026.

The APR DRG reimbursement system is a prospective rate system where the hospital specific base rate is a predetermined amount, established by PRHIA. Accordingly, all contractors must apply the rates provided by PRHIA. However, the future calculated payment for each inpatient hospital discharge relies on the APR DRG classification, associated relative weight, and eligibility for other Plan Vital policies (e.g., transfer policy, outlier policy), resulting in different payment methods for each discharge.

Although the hospital-specific base rates are calculated using historical expenditure levels to target a budget neutral system in the aggregate, future payments are not limited to this aggregate amount.

To comply with the aforementioned implementation date, the MCOs contracted **under the Plan Vital should modify or amend their contracts** with hospital providing short-term acute care inpatient services for Plan Vital members to include the new APR DRG reimbursement

methodology and PRHIA established utilization management procedures in order to ensure that covered services provided to Enrollees are in accordance with, and appropriate under, the standards and requirements established by the Contract, or a similar program developed, established, or administered by PRHIA.

Accordingly, the MCOs have requested from PRHIA suggested language to include in the contracts between MCOs and contracting Hospitals. Notwithstanding, the contracts that currently govern the relationship between the Puerto Rico Health Insurance Administration (PRHIA) and the Managed Care Organizations (MCOs) under the Government Health Plan (GHP) established the following:

ARTICLE 10.1.7 Provider Contracts:

10.1.7.1 The Contractor shall submit a model for each type of Provider Contract to PRHIA for review and prior written approval, including any amendments, attachments, exhibits or addenda, to ASES for review and prior approval, according to the timeframe specified in Attachment 12 to this Contract...

10.1.7.3 Contractor must prepare and send to Provider for execution a written amendment to Provider Contracts in connection with any proposed modifications to an executed Provider Contract. **Contractor may not rely on an PRHIA Normative Letter, amendments to this Contract, or other guidance from PRHIA to automatically amend a Provider Contract and may not use a written notice to notify Providers of a change to the Provider Contract without including an actual written amendment to the Provider Contract.** On an ongoing basis, any modifications to models of Provider Contracts shall be submitted to PRHIA for review and prior written approval before the amendment may be executed. Similarly, any amendments to Provider Contracts shall be submitted to PRHIA for review and prior written approval. Modifications and amendments subject to review and prior written approval include any templates or forms to be used as attachments or exhibits to the Provider Contract.

In order to serve as facilitators and achieve uniformity in the processes to be established in the contract between MCOs and providers, PRHIA is proposing the following language to incorporate in contracts with Hospitals:

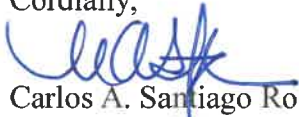
- *[Hospital] must contract as a network provider with [MCO] for inpatient hospital services if contracting for any other service category. No network provider agreement will be issued if only contracting for outpatient services.*
- *Payment for inpatient hospital services will be paid at PRHIA developed Diagnosis-Related Group (DRG) rates which can be found at the ASES website located [<https://www.ases.pr.gov/drg>]. [Hospital] must include accurate coding information on the submitted claim to allow for an APR DRG assignment and be eligible for the DRG payment.*

- *[Hospital] shall comply with Puerto Rico and Federal requirements for Utilization Management ("UM") including but not limited to 42 CFR Part 456.*
- *[Hospital] must perform Utilization reviews that meet the standards established by both PRHIA and Federal authorities, including utilization review program as required in 42 CFR Part 456.*
- *[Hospital] shall submit on an annual basis existing UM edits in the Contractor's Claims processing system that control Utilization and prevent payment for Claims that are duplicates, unbundled when they should be bundled, and already covered under another charge, among others.*
- *[MCO] reserves the right to require the Contractor to submit any Utilization Management Report requested by PRHIA.*

It is imperative to emphasize that the proposed language used in these clauses was suggested by PRHIA in response to a request made by the MCOs. Under no circumstances should this be interpreted as direct intervention by PRHIA in the contractual processes between MCOs and providers. This collaboration does not exempt MCOs from fully complying with Article 10.7.1 of the GHP Contract.

Should you have any questions or concerns, please do not hesitate to reach out.

Cordially,



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