

# Illinois Department of Healthcare and Family Services

Hospital Rate Reform Initiative

Technical Advisory Group

April 17, 2013



NAVIGANT

# Meeting Agenda



## Agenda

Introductions

Medicaid Hospital Rate Reform State Goals

Baseline Models with FY 2011 Data

Other Methodology Considerations

Next Steps

# Revised Baseline Models





## Revised Baseline Model assumptions

- » Revised preliminary models are “baseline” without policy adjusters for discussion purposes only, and should not be considered HFS’ recommended approach.
- » These baseline models should be considered only as a starting point for discussions related to establishing appropriate funding levels (within budget neutrality parameters) by provider, provider type, service line or other relevant factors.



## Revised Baseline Model assumptions (continued)

- » For both inpatient and outpatient, HFS has updated baseline model versions without policy adjusters using 2011 claims data
- » Revised models follow the previously discussed Model "A" format, where GRF static supplemental payments and MPA/MHVA payments are included in the new DRG/EAPG system funding pool (assessment payments have been excluded)



## Revised Baseline Model assumptions (continued)

- » HFS has determined that MPA/MHVA inpatient payments made on per diem basis cannot continue under the current format
  - › MPA/MHVA for managed care cannot be made directly by HFS and must be made through capitated rates when applicable
  - › ACA will require major revisions to MPA/MHVA criteria
  
- » Given the transition to coordinated care and Medicaid expansion, HFS has determined the most appropriate use of the MPA/MHVA funding pool is through the APR-DRG/EAPG systems



## Revised Baseline Model assumptions (continued)

- » For both inpatient and outpatient, HFS has prepared 2 model versions:
  - › Model A.1:
    - › Each category of service remains budget neutral
    - › No shift in funding from inpatient to outpatient
  - › Model A.2:
    - › \$100 million shifted from inpatient acute to outpatient acute
    - › \$140 million (roughly half of MPA/MHVA) in inpatient funding “set-aside” for discussion/evaluation purposes (allocated from each category of service based on charges)



## Revised Baseline Model assumptions (continued)

- » Models show projected payment impact after SMART Act reductions
  - › New system DRG/EAPG funding pools for each category of service are based on current system payments before SMART Act reductions
- » Models show also projected claims-based system payment impact, plus new assessment payments net of full assessment tax costs

# Discussion of Policy Issues



# Potential Adjustments to Rates



## Key Issues

- » Estimated payments in baseline models, when compared to legacy system payments, tend to shift funds between providers and service lines
- » It is difficult to connect the GRF supplemental payment streams to specific types of services
- » The GRF supplemental payments must be incorporated into the APR-DRG payment model, per legislative direction
- » Need to establish methods to incorporate GRF supplemental payments into the APR-DRG payment methodology

# Potential Adjustments to Rates



## Options for Discussion

- » Options for policy adjusters – factors applied to claim-based payments
  - › Service-specific:
    - › Current high Medicaid utilization services (e.g., perinatal)
    - › Expected high Medicaid utilization services after ACA
  - › Age-specific: Pediatric
  - › Provider-specific: High Medicaid, teaching, trauma, safety net, children's
- » Could apply individually or in combination
- » Create factor that simulates intent of current MPA/MHVA model
- » Maintain a portion as separate and periodic supplemental payments that may be paid outside of the APR-DRG model if necessary



## Key Issue

- » Funding to children's hospitals and units in baseline models may not be sufficient to recognize the incrementally higher costs associated with providing specialized pediatric and neonatal hospital services



## Options for Discussion

- » Continue to recognize children's "units" as separate providers, and pay separate (potentially enhanced) rates for services to units and freestanding hospitals. May require new designation criteria for children's hospitals and units to establish who would qualify for separate payments
- » Provide enhanced funding through policy adjusters that would impact children's hospitals and units – pediatric services (e.g., under age 18) and neonatal services. Could limit adjustments to only those pediatric and neonatal services in APR-DRGs with high relative weights – thereby limiting adjustments to only those providers that have made the commitment to take care of the sickest children and neonatal patients.



## Issues

- » The current system prescribes that transplant services can be billed using potentially three separate claims -
  - › Pre-transplant services claim (7 days, separate DRG payment)
  - › Transplant surgery claim (60% of billed charges, up to 50 days)
  - › Post transplant services claim (separate DRG payment for days greater than 50)
- » Fragmented billing makes it difficult to understand the cost of and payment for transplants, including the costs of organ acquisition
- » Resulting payments for transplant services may be higher than other critical services, relative to their underlying charges



## Options for Discussion

- » Pay for transplant services as a single APR-DRG amount, based on the national relative weight value as calculated by 3M
- » Develop Illinois-specific relative weights for transplant services
- » Pay for the entire transplant episode using a single claim based on a percentage of billed charges, but modify the percentage (which is currently 60%)
- » Develop policy for payment of organ acquisition, and consider including or excluding from above options

# Next Steps



## **MEDICAID HOSPITAL REIMBURSEMENT REFORM: STATE GOALS**

Implement a new technical grouping system for both inpatient and outpatient reimbursement that is ICD-10 ready and is more precise in the recognition of acuity.

Implement a reimbursement system that promotes proper delivery of healthcare in the proper setting.

Implement a reimbursement system that promotes innovative integrated delivery models and care coordination, and rewards quality care and positive health outcomes.

Implement a reimbursement system that maintains access to healthcare in disadvantaged communities and values hospitals who serve a high percent of Medicaid clients and the uninsured.

Implement a reimbursement system that is dynamic and flexible to respond to changing federal and state goals, and can be regularly updated and adjusted.

Provide for a smooth transition to the new reimbursement methodology without creating major disruptions.

Promote more predictable and transparent pricing / reimbursement for providers.

**State of Illinois Department of Healthcare and Family Services**  
**Hospital Rate Reform Initiative**  
**Handout 1: 4/16/2013 Baseline Model A.1**  
*Supplemental and MPA/MHVA Payments Included in DRG/EAPG Pool*  
*No Shift in Funding from Inpatient to Outpatient*

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State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary

**4/16/2013 Baseline Model A.1**

Supplemental and MPA/MHVA Payments Included in DRG Pool  
Payments With SMART Act Reductions Before Transition

Provider Type	Combined Inpatient and Outpatient									
	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
A	B	C=A+B	D	E=D-C	F=E/C	G	H=D+G	I=H-C	J=I/C	
General Acute Providers - Safety Net	419,927,531	167,696,578	587,624,110	498,804,357	(88,819,753)	-15.1%	29,472,221	528,276,578	(59,347,531)	-10.1%
Freestanding Children's Providers	103,771,198	31,639,140	135,410,338	109,486,118	(25,924,220)	-19.1%	4,359,450	113,845,568	(21,564,770)	-15.9%
General Acute Providers - Other	1,679,206,590	164,750,926	1,843,957,517	1,989,799,938	145,842,421	7.9%	124,597,314	2,114,397,252	270,439,736	14.7%
Freestanding Psychiatric Providers	102,604,633	2,085,128	104,689,761	90,427,395	(14,262,366)	-13.6%	8,741,250	99,168,644	(5,521,116)	-5.3%
Freestanding Rehabilitation Providers	21,164,264	12,320,509	33,484,773	25,030,477	(8,454,296)	-25.2%	1,226,176	26,256,654	(7,228,120)	-21.6%
LTAC Providers	78,656,490	1,466,217	80,122,707	80,101,766	(20,941)	0.0%	1,100,679	81,202,445	1,079,738	1.3%
Critical Access Hospitals	52,671,475	9,816,034	62,487,510	48,354,165	(14,133,345)	-22.6%	18,168,206	66,522,371	4,034,862	6.5%
Out-of-State Providers	134,178,363	10,645,342	144,823,704	146,075,681	1,251,976	0.9%	-	146,075,681	1,251,976	0.9%
<b>Total</b>	<b>2,592,180,544</b>	<b>400,419,875</b>	<b>2,992,600,419</b>	<b>2,988,079,897</b>	<b>(4,520,522)</b>	<b>-0.2%</b>	<b>187,665,297</b>	<b>3,175,745,194</b>	<b>183,144,775</b>	<b>6.1%</b>

State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary

**4/16/2013 Baseline Model A.1**

Supplemental and MPA/MHVA Payments Included in DRG Pool  
Payments With SMART Act Reductions Before Transition

Provider Type	Inpatient									
	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
A	B	C=A+B	D	E=D-C	F=E/C	G	H=D+G	I=H-C	J=I/C	
General Acute Providers - Safety Net	358,746,212	158,239,967	516,986,179	431,490,735	(85,495,444)	-16.5%	1,604,970	433,095,705	(83,890,474)	-16.2%
Freestanding Children's Providers	88,331,334	21,393,771	109,725,105	91,795,145	(17,929,960)	-16.3%	-	91,795,145	(17,929,960)	-16.3%
General Acute Providers - Other	1,336,462,232	147,781,385	1,484,243,617	1,599,752,999	115,509,382	7.8%	163,762,505	1,763,515,504	279,271,887	18.8%
Freestanding Psychiatric Providers	98,935,353	2,085,128	101,020,480	88,355,633	(12,664,847)	-12.5%	-	88,355,633	(12,664,847)	-12.5%
Freestanding Rehabilitation Providers	18,167,756	12,320,509	30,488,265	23,446,582	(7,041,684)	-23.1%	-	23,446,582	(7,041,684)	-23.1%
LTAC Providers	78,230,285	1,466,217	79,696,502	79,742,241	45,739	0.1%	-	79,742,241	45,739	0.1%
Critical Access Hospitals	10,117,919	3,399,696	13,517,615	18,188,487	4,670,871	34.6%	946,800	19,135,287	5,617,671	41.6%
Out-of-State Providers	119,824,410	8,271,066	128,095,476	127,543,338	(552,138)	-0.4%	-	127,543,338	(552,138)	-0.4%
<b>Total</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,460,315,159</b>	<b>(3,458,082)</b>	<b>-0.1%</b>	<b>166,314,275</b>	<b>2,626,629,434</b>	<b>162,856,193</b>	<b>6.6%</b>

State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary

**4/16/2013 Baseline Model A.1**

Supplemental and MPA/MHVA Payments Included in DRG Pool  
Payments With SMART Act Reductions Before Transition

Provider Type	Outpatient									
	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
A	B	C=A+B	D	E=D-C	F=E/C	G	H=D+G	I=H-C	J=I/C	
General Acute Providers - Safety Net	61,181,319	9,456,611	70,637,930	67,313,622	(3,324,309)	-4.7%	27,867,251	95,180,873	24,542,943	34.7%
Freestanding Children's Providers	15,439,863	10,245,369	25,685,232	17,690,973	(7,994,259)	-31.1%	4,359,450	22,050,423	(3,634,809)	-14.2%
General Acute Providers - Other	342,744,358	16,969,541	359,713,900	390,046,939	30,333,040	8.4%	(39,165,191)	350,881,749	(8,832,151)	-2.5%
Freestanding Psychiatric Providers	3,669,281	-	3,669,281	2,071,762	(1,597,519)	-43.5%	8,741,250	10,813,012	7,143,731	194.7%
Freestanding Rehabilitation Providers	2,996,508	-	2,996,508	1,583,896	(1,412,612)	-47.1%	1,226,176	2,810,072	(186,436)	-6.2%
LTAC Providers	426,205	-	426,205	359,525	(66,680)	-15.6%	1,100,679	1,460,204	1,033,999	242.6%
Critical Access Hospitals	42,553,556	6,416,338	48,969,894	30,165,679	(18,804,216)	-38.4%	17,221,406	47,387,085	(1,582,809)	-3.2%
Out-of-State Providers	14,353,953	2,374,275	16,728,228	18,532,343	1,804,115	10.8%	-	18,532,343	1,804,115	10.8%
<b>Total</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>527,764,739</b>	<b>(1,062,440)</b>	<b>-0.2%</b>	<b>21,351,022</b>	<b>549,115,760</b>	<b>20,288,582</b>	<b>3.8%</b>

State of Illinois HFS  
 Hospital Rate Reform Initiative  
 Combined Inpatient and Outpatient  
 Provider Type Summary

**4/16/2013 Baseline Model A.1**

Supplemental and MPA/MHVA Payments Included in DRG Pool  
 Payments With SMART Act Reductions Before Transition

Combined Inpatient and Outpatient										
Provider Type	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
	A	B	C=A+B	D	E=D-C	F=E/C	G	H=D+G	I=H-C	J=I/C
<i>Perinatal Level:</i>										
Level III	1,013,504,173	181,784,898	1,195,289,071	1,147,539,361	(47,749,709)	-4.0%	70,046,915	1,217,586,276	22,297,205	1.9%
Level II+	389,480,595	52,665,581	442,146,176	475,830,725	33,684,549	7.6%	19,889,984	495,720,708	53,574,533	12.1%
Level II	677,963,874	113,085,326	791,049,200	816,261,446	25,212,246	3.2%	58,052,544	874,313,991	83,264,791	10.5%
Level I	20,787,658	3,736,587	24,524,245	23,401,125	(1,123,120)	-4.6%	4,165,555	27,566,680	3,042,435	12.4%
Non-perinatal	490,444,244	49,147,483	539,591,728	525,047,241	(14,544,487)	-2.7%	35,510,299	560,557,539	20,965,812	3.9%
<b>Total</b>	<b>2,592,180,544</b>	<b>400,419,875</b>	<b>2,992,600,419</b>	<b>2,988,079,897</b>	<b>(4,520,522)</b>	<b>-0.2%</b>	<b>187,665,297</b>	<b>3,175,745,194</b>	<b>183,144,775</b>	<b>6.1%</b>
<i>Trauma Level:</i>										
Level I	866,521,554	164,555,826	1,031,077,380	973,209,336	(57,868,044)	-5.6%	55,475,425	1,028,684,761	(2,392,619)	-0.2%
Level II	527,616,817	27,096,000	554,712,817	610,310,324	55,597,507	10.0%	40,829,112	651,139,437	96,426,619	17.4%
Non-trauma	1,198,042,173	208,768,049	1,406,810,221	1,404,560,237	(2,249,985)	-0.2%	91,360,760	1,495,920,996	89,110,775	6.3%
<b>Total</b>	<b>2,592,180,544</b>	<b>400,419,875</b>	<b>2,992,600,419</b>	<b>2,988,079,897</b>	<b>(4,520,522)</b>	<b>-0.2%</b>	<b>187,665,297</b>	<b>3,175,745,194</b>	<b>183,144,775</b>	<b>6.1%</b>
<i>Teaching Hospitals:</i>										
Major Teaching	951,033,416	188,010,091	1,139,043,506	1,108,247,759	(30,795,747)	-2.7%	72,108,928	1,180,356,687	41,313,181	3.6%
Other Teaching	615,113,038	103,207,409	718,320,447	725,775,946	7,455,498	1.0%	50,582,862	776,358,808	58,038,361	8.1%
Non-Teaching	1,026,034,090	109,202,376	1,135,236,465	1,154,056,193	18,819,727	1.7%	64,973,506	1,219,029,699	83,793,233	7.4%
<b>Total</b>	<b>2,592,180,544</b>	<b>400,419,875</b>	<b>2,992,600,419</b>	<b>2,988,079,897</b>	<b>(4,520,522)</b>	<b>-0.2%</b>	<b>187,665,297</b>	<b>3,175,745,194</b>	<b>183,144,775</b>	<b>6.1%</b>

State of Illinois HFS  
 Hospital Rate Reform Initiative  
 Combined Inpatient and Outpatient  
 Provider Type Summary

**4/16/2013 Baseline Model A.1**

Supplemental and MPA/MHVA Payments Included in DRG Pool  
 Payments With SMART Act Reductions Before Transition

Provider Type	Inpatient									
	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Net Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
<i>Perinatal Level:</i>										
Level III	874,899,512	160,919,835	1,035,819,347	988,618,506	(47,200,841)	-4.6%	104,823,430	1,093,441,936	57,622,589	5.6%
Level II+	312,089,989	47,089,447	359,179,437	386,018,414	26,838,977	7.5%	19,493,610	405,512,024	46,332,587	12.9%
Level II	496,473,846	106,420,311	602,894,157	616,893,757	13,999,600	2.3%	35,427,975	652,321,732	49,427,575	8.2%
Level I	7,761,803	2,456,173	10,217,975	12,333,809	2,115,833	20.7%	-	12,333,809	2,115,833	20.7%
Non-perinatal	417,590,350	38,071,974	455,662,324	456,450,673	788,349	0.2%	6,569,260	463,019,933	7,357,609	1.6%
<b>Total</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,460,315,159</b>	<b>(3,458,082)</b>	<b>-0.1%</b>	<b>166,314,275</b>	<b>2,626,629,434</b>	<b>162,856,193</b>	<b>6.6%</b>
<i>Trauma Level:</i>										
Level I	750,466,670	149,210,687	899,677,356	841,229,284	(58,448,072)	-6.5%	73,206,560	914,435,844	14,758,488	1.6%
Level II	407,983,942	16,485,983	424,469,925	468,401,381	43,931,456	10.3%	73,298,065	541,699,446	117,229,521	27.6%
Non-trauma	950,364,889	189,261,071	1,139,625,960	1,150,684,494	11,058,534	1.0%	19,809,650	1,170,494,144	30,868,184	2.7%
<b>Total</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,460,315,159</b>	<b>(3,458,082)</b>	<b>-0.1%</b>	<b>166,314,275</b>	<b>2,626,629,434</b>	<b>162,856,193</b>	<b>6.6%</b>
<i>Teaching Hospitals:</i>										
Major Teaching	804,805,371	172,959,684	977,765,055	952,504,650	(25,260,405)	-2.6%	82,683,745	1,035,188,395	57,423,340	5.9%
Other Teaching	500,313,865	99,414,708	599,728,573	597,016,234	(2,712,339)	-0.5%	35,933,000	632,949,234	33,220,661	5.5%
Non-Teaching	803,696,265	82,583,349	886,279,613	910,794,275	24,514,662	2.8%	47,697,530	958,491,805	72,212,192	8.1%
<b>Total</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,460,315,159</b>	<b>(3,458,082)</b>	<b>-0.1%</b>	<b>166,314,275</b>	<b>2,626,629,434</b>	<b>162,856,193</b>	<b>6.6%</b>

State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary

**4/16/2013 Baseline Model A.1**

Supplemental and MPA/MHVA Payments Included in DRG Pool  
Payments With SMART Act Reductions Before Transition

Provider Type	Outpatient									
	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
<i>Perinatal Level:</i>										
Level III	138,604,661	20,865,063	159,469,723	158,920,855	(548,868)	-0.3%	(34,776,515)	124,144,340	(35,325,383)	-22.2%
Level II+	77,390,605	5,576,133	82,966,739	89,812,311	6,845,572	8.3%	396,374	90,208,685	7,241,946	8.7%
Level II	181,490,028	6,665,015	188,155,043	199,367,689	11,212,646	6.0%	22,624,569	221,992,259	33,837,216	18.0%
Level I	13,025,856	1,280,414	14,306,270	11,067,316	(3,238,954)	-22.6%	4,165,555	15,232,871	926,601	6.5%
Non-perinatal	72,853,894	11,075,509	83,929,404	68,596,567	(15,332,836)	-18.3%	28,941,039	97,537,606	13,608,202	16.2%
<b>Total</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>527,764,739</b>	<b>(1,062,440)</b>	<b>-0.2%</b>	<b>21,351,022</b>	<b>549,115,760</b>	<b>20,288,582</b>	<b>3.8%</b>
<i>Trauma Level:</i>										
Level I	116,054,885	15,345,139	131,400,024	131,980,052	580,028	0.4%	(17,731,135)	114,248,917	(17,151,107)	-13.1%
Level II	119,632,875	10,610,018	130,242,893	141,908,943	11,666,051	9.0%	(32,468,953)	109,439,991	(20,802,902)	-16.0%
Non-trauma	247,677,284	19,506,978	267,184,262	253,875,743	(13,308,519)	-5.0%	71,551,110	325,426,852	58,242,591	21.8%
<b>Total</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>527,764,739</b>	<b>(1,062,440)</b>	<b>-0.2%</b>	<b>21,351,022</b>	<b>549,115,760</b>	<b>20,288,582</b>	<b>3.8%</b>
<i>Teaching Hospitals:</i>										
Major Teaching	146,228,045	15,050,407	161,278,452	155,743,109	(5,535,342)	-3.4%	(10,574,817)	145,168,293	(16,110,159)	-10.0%
Other Teaching	114,799,174	3,792,701	118,591,875	128,759,712	10,167,837	8.6%	14,649,862	143,409,574	24,817,699	20.9%
Non-Teaching	222,337,825	26,619,027	248,956,852	243,261,917	(5,694,935)	-2.3%	17,275,976	260,537,893	11,581,041	4.7%
<b>Total</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>527,764,739</b>	<b>(1,062,440)</b>	<b>-0.2%</b>	<b>21,351,022</b>	<b>549,115,760</b>	<b>20,288,582</b>	<b>3.8%</b>

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Design Component	Description
<b>Acute Services (COS 20)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid inpatient FFS acute claims data with COS 20 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, claims with ungroupable APR-DRG assignments, outlier TPL claims, and LTAC provider claims.
<b>DRG classification version</b>	3M APR-DRG version 30.
<b>Proposed DRG system target expenditures</b>	New APR-DRG system funding pool based on SFY 2011 acute claim reported payments net of DSH and supplemental payments without the 3.5% SMART Act payment reduction.
<b>DRG base rates</b>	Based on statewide standardized amount of \$5,812.46, with labor portion adjusted by FFY 2013 Medicare IPPS wage index (with reclassifications). Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>DRG relative weights</b>	Based on 3M's version 29 APR-DRG national weights, adjusted (divided) by a factor of 0.737826 to scale the weights to an average Illinois case mix of 1.0 for acute (COS 20) services.
<b>DRG base payments</b>	Calculated by multiplying the DRG base rate by the DRG relative weight with the 3.5% SMART Act payment reduction.
<b>Outlier payments</b>	Calculated using following: <ul style="list-style-type: none"> <li>- Claim outlier threshold equal to base DRG payment plus fixed loss threshold (Medicare FFY 2013 \$21,821 fixed loss threshold)</li> <li>- Claim outlier costs calculated by multiplying claim charges by FFY 2011 Medicare IPPS outlier CCRs, inflated from SFY 2011 to SFY 2014 by 7.9% based on changes in CMS input price index levels.</li> <li>- Claim outlier payment calculated based on 80% of outlier costs exceeding outlier threshold with the 3.5% SMART Act payment reduction.</li> </ul>
<b>Transfer payments</b>	Based on the Medicare IPPS pro-rated standard transfer methodology for discharge status of 02, excluding APR-DRGs 580 and 581 (neonates died or transferred). Transfer payment equal to DRG base payment divided by the DRG average length of stay, multiplied by one plus the claim length of stay (up to the full DRG base payment).
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction, excluding the discontinued EAM payment. Static payments allocated to acute based on charges.

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Design Component	Description
<b>Psychiatric Services (COS 21)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid inpatient FFS psych claims data with COS 21 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, and claims with ungroupable APR-DRG assignments.
<b>DRG classification version</b>	3M APR-DRG version 30.
<b>Proposed system target expenditures</b>	Based on SFY 2011 psych claim reported payments net of DSH and supplemental payments without the 3.5% SMART Act payment reduction.
<b>Per diem rates</b>	Based on statewide standardized per diem rate of \$697.79, with labor portion adjusted by FFY 2013 Medicare IPF-PPS wage index. Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>DRG relative weights</b>	No relative weight adjustment.
<b>Per diem payments</b>	Calculated by multiplying the per diem rate by patient days with the 3.5% SMART Act payment reduction.
<b>Outlier payments</b>	N/A
<b>Transfer payments</b>	N/A
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction, excluding the discontinued EAM payment. Static payments allocated to psych based on charges.

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Design Component	Description
<b>Rehabilitation Services (COS 22)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid inpatient FFS rehab claims data with COS 22 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, and claims with ungroupable APR-DRG assignments.
<b>DRG classification version</b>	3M APR-DRG version 30.
<b>Proposed system target expenditures</b>	Based on SFY 2011 rehab claim reported payments net of DSH and supplemental payments without 3.5% payment reduction without the 3.5% SMART Act payment reduction.
<b>Per diem rates</b>	Based on statewide standardized per diem rate of \$957.83, with labor portion adjusted by FFY 2013 Medicare IRF-PPS wage index. Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>DRG relative weights</b>	No relative weight adjustment.
<b>Per diem payments</b>	Calculated by multiplying the per diem rate by patient days with the 3.5% SMART Act payment reduction.
<b>Outlier payments</b>	N/A
<b>Transfer payments</b>	N/A
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction, excluding the discontinued EAM payment. Static payments allocated to rehab based on charges.

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Design Component	Description
<b>LTAC Services (COS 20)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid inpatient FFS LTAC claims data with COS 20 from in-state LTAC hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois claims, and claims with ungroupable APR-DRG assignments.
<b>DRG classification version</b>	3M APR-DRG version 30.
<b>Proposed system target expenditures</b>	Based on SFY 2011 LTAC claim current system payments (net of DSH) simulated based on its SFY 2011 per diem rates, and supplemental payments, without the 3.5% SMART Act payment reduction.
<b>Per diem rates</b>	Based on statewide standardized per diem rate of \$1,249.44, with labor portion adjusted by FFY 2013 Medicare IPPS wage index. Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>DRG relative weights</b>	No relative weight adjustment.
<b>Per diem payments</b>	Calculated by multiplying the per diem rate by patient days with the 3.5% SMART Act payment reduction.
<b>Outlier payments</b>	N/A
<b>Transfer payments</b>	N/A
<b>Policy adjusters</b>	None
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction, excluding the discontinued EAM payment. Static payments allocated to LTAC based on charges.

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 Payments Without SMART Act Reductions Before Transition

Category of Service	Current System Payments - Without SMART Act Reductions						Revised System Payments - Without SMART Act Reductions				
	SFY 2011 Claims	SFY 2011 Claim Based Payments - Net of Outliers	SFY 2011 Claim Based Payments - Outliers Portion	SFY 2011 Claim Based Payments - Total	SFY 2011 Supplemental Payments	Combined Supplemental and Claim Payments	Revised System DRG / Per Diem Payments	Revised System Outlier Payments	Total Claim-Based Payments Under Revised System	Estimated Payment Change	Estimated Payment Change Percentage
	A	B	C	D=B+C	E	F=D+E	G	H	I=G+H	J=I-F	K=J/F
General Acute Hospitals (COS 20)	337,980	1,234,182,017	596,959,521	1,831,141,538	320,503,820	2,151,645,358	1,960,138,745	191,505,643	2,151,644,388	(970)	0.0%
Psychiatric Providers / Units (COS 21)											
Freestanding Psychiatric Providers	9,466	102,523,098	580	102,523,678	2,160,754	104,684,432	91,560,242	-	91,560,242	(13,124,190)	-12.5%
Psychiatric Units	33,521	127,512,883	66,201	127,579,084	22,404,755	149,983,838	163,107,878	-	163,107,878	13,124,040	8.8%
Psychiatric Total	42,987	230,035,980	66,781	230,102,761	24,565,509	254,668,270	254,668,120	-	254,668,120	(150)	0.0%
Rehabilitation Providers / Units (COS 22)											
Freestanding Rehabilitation Providers	1,361	18,747,050	79,639	18,826,688	12,767,367	31,594,055	24,296,976	-	24,296,976	(7,297,080)	-23.1%
Rehabilitation Units	1,649	12,902,900	-	12,902,900	1,841,221	14,744,121	22,041,040	-	22,041,040	7,296,919	49.5%
Rehabilitation Total	3,010	31,649,950	79,639	31,729,588	14,608,588	46,338,176	46,338,016	-	46,338,016	(161)	0.0%
LTAC Providers (COS 20)	1,802	75,744,919	-	75,744,919	1,515,414	77,260,333	77,259,798	-	77,259,798	(535)	0.0%
<b>Inpatient Total</b>	<b>385,779</b>	<b>1,571,612,866</b>	<b>597,105,941</b>	<b>2,168,718,806</b>	<b>361,193,332</b>	<b>2,529,912,138</b>	<b>2,338,404,679</b>	<b>191,505,643</b>	<b>2,529,910,322</b>	<b>(1,816)</b>	<b>0.0%</b>

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 Payments With SMART Act Reductions Before Transition

Category of Service	Current System Payments - With SMART Act Reductions						Revised System Payments - With SMART Act Reductions				
	SFY 2011 Claims	SFY 2011 Claim Based Payments - Net of Outliers	SFY 2011 Claim Based Payments - Outliers Portion	SFY 2011 Claim Based Payments - Total	SFY 2011 Supplemental Payments	Combined Supplemental and Claim Payments	Revised System DRG / Per Diem Payments	Revised System Outlier Payments	Total Claim-Based Payments Under Revised System	Estimated Payment Change	Estimated Payment Change Percentage
	A	B	C	D=B+C	E	F=D+E	G	H	I=G+H	J=I-F	K=J/F
General Acute Hospitals (COS 20)	337,980	1,202,009,787	578,365,958	1,780,375,744	315,027,196	2,095,402,941	1,906,017,849	186,234,659	2,092,252,508	(3,150,432)	-0.2%
Psychiatric Providers / Units (COS 21)											
Freestanding Psychiatric Providers	9,466	98,934,793	560	98,935,353	2,085,128	101,020,480	88,355,633	-	88,355,633	(12,664,847)	-12.5%
Psychiatric Units	33,521	125,664,260	64,247	125,728,507	22,270,708	147,999,215	160,345,388	-	160,345,388	12,346,173	8.3%
Psychiatric Total	42,987	224,599,053	64,806	224,663,859	24,355,836	249,019,695	248,701,020	-	248,701,020	(318,675)	-0.1%
Rehabilitation Providers / Units (COS 22)											
Freestanding Rehabilitation Providers	1,361	18,090,905	76,851	18,167,756	12,320,509	30,488,265	23,446,582	-	23,446,582	(7,041,684)	-23.1%
Rehabilitation Units	1,649	12,514,293	-	12,514,293	1,791,824	14,306,117	21,359,343	-	21,359,343	7,053,226	49.3%
Rehabilitation Total	3,010	30,605,198	76,851	30,682,049	14,112,333	44,794,382	44,805,925	-	44,805,925	11,543	0.0%
LTAC Providers (COS 20)	1,802	73,093,848	-	73,093,848	1,462,375	74,556,223	74,555,705	-	74,555,705	(518)	0.0%
<b>Inpatient Total</b>	<b>385,779</b>	<b>1,530,307,885</b>	<b>578,507,615</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,274,080,499</b>	<b>186,234,659</b>	<b>2,460,315,159</b>	<b>(3,458,082)</b>	<b>-0.1%</b>

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Medicaid Service Line Summary

Medicaid Service Line	Current System Payments - With SMART Act Reductions							Revised System Payments - With SMART Act Reductions					
	SFY 2011 Claims	APR- DRG Case Mix (Acute COS 20 Only)	SFY 2011 Claim Based Payments - Net of Outliers	SFY 2011 Claim Based Payments - Outliers Portion	SFY 2011 Claim Based Payments - Total	SFY 2011 Supplemental Payments	Combined Supplemental and Claim Payments	Service Policy Adjuster	Revised System DRG / Per Diem Payments	Revised System Outlier Payments	Total Claim- Based Payments Under Revised System	Estimated Payment Change	Estimated Payment Change Percentage
	A	B	C	D	E=C+D	F	G=E+F	H	I	J	K=I+J	L=K-G	M=L/G
<i>Acute Services (COS 20):</i>													
Neonate	8,868	3.332	137,616,789	83,705,284	221,322,073	26,347,027	247,669,101	1.00	164,496,457	41,671,629	206,168,086	(41,501,014)	-16.8%
Normal newborn <sup>(1)</sup>	67,375	0.174	81,038,548	631,602	81,670,150	11,702,758	93,372,908	1.00	66,235,873	135,676	66,371,549	(27,001,359)	-28.9%
Obstetrics <sup>(1)</sup>	85,794	0.573	180,557,818	8,924,490	189,482,309	42,953,125	232,435,434	1.00	277,309,042	2,023,942	279,332,984	46,897,550	20.2%
Other pediatric services	39,803	1.206	223,103,801	58,794,206	281,898,007	48,633,890	330,531,897	1.00	271,314,364	58,227,813	329,542,177	(989,720)	-0.3%
Other adult services	136,140	1.466	579,692,830	426,310,375	1,006,003,205	185,390,396	1,191,393,601	1.00	1,126,662,113	84,175,600	1,210,837,713	19,444,112	1.6%
<b>Inpatient Acute Total</b>	<b>337,980</b>	<b>1.000</b>	<b>1,202,009,787</b>	<b>578,365,958</b>	<b>1,780,375,744</b>	<b>315,027,196</b>	<b>2,095,402,941</b>		<b>1,906,017,849</b>	<b>186,234,659</b>	<b>2,092,252,508</b>	<b>(3,150,432)</b>	<b>-0.2%</b>
<i>Psychiatric Services (COS 21):</i>													
Pediatric services	15,188	N/A	122,738,970	64,806	122,803,777	4,493,163	127,296,940	1.00	120,082,936	-	120,082,936	(7,214,004)	-5.7%
Adult services	27,799	N/A	101,860,083	-	101,860,083	19,862,673	121,722,755	1.00	128,618,085	-	128,618,085	6,895,329	5.7%
<b>Inpatient Acute Total</b>	<b>42,987</b>	<b>N/A</b>	<b>224,599,053</b>	<b>64,806</b>	<b>224,663,859</b>	<b>24,355,836</b>	<b>249,019,695</b>		<b>248,701,020</b>	<b>-</b>	<b>248,701,020</b>	<b>(318,675)</b>	<b>-0.1%</b>
<i>Rehabilitation Services (COS 22):</i>													
Pediatric services	302	N/A	4,404,557	76,851	4,481,408	1,907,932	6,389,340	1.00	5,950,769	-	5,950,769	(438,571)	-6.9%
Adult services	2,708	N/A	26,200,640	-	26,200,640	12,204,401	38,405,042	1.00	38,855,156	-	38,855,156	450,114	1.2%
<b>Inpatient Acute Total</b>	<b>3,010</b>	<b>N/A</b>	<b>30,605,198</b>	<b>76,851</b>	<b>30,682,049</b>	<b>14,112,333</b>	<b>44,794,382</b>		<b>44,805,925</b>	<b>-</b>	<b>44,805,925</b>	<b>11,543</b>	<b>0.0%</b>
<i>LTAC Services Total (COS 20):</i>													
Pediatric services	10	N/A	436,590	-	436,590	5,363	441,953	1.00	440,277	-	440,277	(1,676)	-0.4%
Adult services	1,792	N/A	72,657,258	-	72,657,258	1,457,011	74,114,269	1.00	74,115,428	-	74,115,428	1,158	0.0%
<b>Inpatient Acute Total</b>	<b>1,802</b>	<b>N/A</b>	<b>73,093,848</b>	<b>-</b>	<b>73,093,848</b>	<b>1,462,375</b>	<b>74,556,223</b>		<b>74,555,705</b>	<b>-</b>	<b>74,555,705</b>	<b>(518)</b>	<b>0.0%</b>
<b>Inpatient Total</b>	<b>385,779</b>	<b>1.000</b>	<b>1,530,307,885</b>	<b>578,507,615</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>		<b>2,274,080,499</b>	<b>186,234,659</b>	<b>2,460,315,159</b>	<b>(3,458,082)</b>	<b>-0.1%</b>

Note: (1) The Department has historically not paid normal newborn claims because of limitations related to MMIS claims processing. To recognize the payment associated with those normal newborn claims, OB DRG claims relative weights were increased by .2012 on a per claim basis under the legacy system. Current system payments in this analysis include an allocation of the OB payment add-on to normal newborn claims.

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**Medicaid Service Line Detail - Acute COS 20**

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 Payments With SMART Act Reductions Before Transition

Medicaid Service Line - Acute COS 20 Only	Current System Payments - With SMART Act Reductions							Revised System Payments - With SMART Act Reductions					
	APR- DRG Case Mix (Acute COS 20 Only)	SFY 2011 Claim Based Payments - Net of Outliers	SFY 2011 Claim Based Payments - Outliers Portion	SFY 2011 Claim Based Payments - Total	SFY 2011 Supplemental Payments	Combined Supplemental and Claim Payments	Service Policy Adjuster	Revised System DRG / Per Diem Payments	Revised System Outlier Payments	Total Claim- Based Payments Under Revised System	Estimated Payment Change	Estimated Payment Change Percentage	
	A	B	C	D	E=C+D	F	G=E+F	H	I	J	K=I+J	L=K-G	M=L/G
<i>Newborn/OB Services:</i>													
Obstetrics	(1) 85,794	0.573	180,557,818	8,924,490	189,482,309	42,953,125	232,435,434	1.00	277,309,042	2,023,942	279,332,984	46,897,550	20.2%
Normal newborn	(1) 67,375	0.174	81,038,548	631,602	81,670,150	11,702,758	93,372,908	1.00	66,235,873	135,676	66,371,549	(27,001,359)	-28.9%
Neonate	8,868	3.332	137,616,789	83,705,284	221,322,073	26,347,027	247,669,101	1.00	164,496,457	41,671,629	206,168,086	(41,501,014)	-16.8%
<b>Inpatient Acute Total</b>	<b>162,037</b>	<b>0.558</b>	<b>399,213,156</b>	<b>93,261,376</b>	<b>492,474,532</b>	<b>81,002,910</b>	<b>573,477,442</b>		<b>508,041,372</b>	<b>43,831,246</b>	<b>551,872,619</b>	<b>(21,604,824)</b>	<b>-3.8%</b>
<i>Other Pediatric Services:</i>													
Misc Pediatric	26,321	1.279	142,683,363	41,916,193	184,599,556	34,076,716	218,676,272	1.00	190,502,798	39,312,649	229,815,447	11,139,175	5.1%
Trauma	790	2.444	5,562,572	2,569,514	8,132,086	1,666,782	9,798,868	1.00	10,873,434	892,275	11,765,709	1,966,841	20.1%
Mental Health	67	0.737	190,960	24,480	215,441	34,308	249,749	1.00	278,862	16,056	294,918	45,169	18.1%
HIV	14	1.622	98,179	6,920	105,099	19,633	124,732	1.00	130,894	-	130,894	6,162	4.9%
Burns	264	1.900	2,094,064	484,003	2,578,067	389,904	2,967,971	1.00	2,757,882	107,358	2,865,240	(102,731)	-3.5%
Substance Abuse	96	0.478	414,577	18,924	433,501	77,263	510,764	1.00	257,232	58,199	315,432	(195,332)	-38.2%
Aftercare	169	5.649	11,359,705	2,478,751	13,838,457	1,711,838	15,550,295	1.00	5,206,619	6,737,972	11,944,592	(3,605,703)	-23.2%
Resp Pediatric	12,026	0.837	49,786,179	10,946,934	60,733,113	9,626,397	70,359,510	1.00	56,841,821	9,851,116	66,692,937	(3,666,573)	-5.2%
Transplant	56	13.907	10,914,201	348,488	11,262,688	1,031,048	12,293,737	1.00	4,464,821	1,252,187	5,717,008	(6,576,729)	-53.5%
<b>Inpatient Acute Total</b>	<b>39,803</b>	<b>1.206</b>	<b>223,103,801</b>	<b>58,794,206</b>	<b>281,898,007</b>	<b>48,633,890</b>	<b>330,531,897</b>		<b>271,314,364</b>	<b>58,227,813</b>	<b>329,542,177</b>	<b>(989,720)</b>	<b>-0.3%</b>
<i>Other Adult Services:</i>													
Misc Adult	58,511	1.713	261,612,883	243,584,100	505,196,983	85,949,346	591,146,330	1.00	564,636,780	50,006,139	614,642,919	23,496,589	4.0%
Gastroent Adult	20,624	1.403	81,763,595	48,258,855	130,022,450	24,431,253	154,453,703	1.00	162,972,640	10,895,013	173,867,653	19,413,950	12.6%
HIV	826	2.387	4,647,262	3,913,755	8,561,017	2,370,898	10,931,915	1.00	11,275,269	860,372	12,135,641	1,203,727	11.0%
Resp Adult	16,842	1.343	73,665,342	34,195,497	107,860,838	23,355,053	131,215,892	1.00	127,219,586	5,049,618	132,269,203	1,053,312	0.8%
Burns	104	4.963	931,130	1,637,812	2,568,943	358,810	2,927,752	1.00	2,887,869	830,205	3,718,074	790,322	27.0%
Mental Health	377	0.791	593,188	76,170	669,359	243,518	912,877	1.00	1,656,299	1,880	1,658,178	745,302	81.6%
Aftercare	56	2.293	232,223	415,264	647,487	39,285	686,771	1.00	682,846	61,454	744,301	57,529	8.4%
Rehab	1	1.420	4,184	-	4,184	93	4,278	1.00	7,640	-	7,640	3,362	78.6%
Trauma	1,434	3.075	10,218,436	18,289,212	28,507,648	4,720,154	33,227,801	1.00	24,675,929	4,290,191	28,966,120	(4,261,681)	-12.8%
Substance Abuse	19,614	0.408	39,967,791	1,013,751	40,981,542	12,696,230	53,677,772	1.00	47,189,860	105,667	47,295,527	(6,382,246)	-11.9%
Circulatory Adult	17,612	1.734	85,843,888	74,524,410	160,368,298	30,093,901	190,462,199	1.00	172,840,884	11,040,560	183,881,444	(6,580,755)	-3.5%
Transplant	139	13.467	20,212,907	401,549	20,614,456	1,131,856	21,746,312	1.00	10,616,511	1,034,501	11,651,012	(10,095,300)	-46.4%
<b>Inpatient Acute Total</b>	<b>136,140</b>	<b>1.466</b>	<b>579,692,830</b>	<b>426,310,375</b>	<b>1,006,003,205</b>	<b>185,390,396</b>	<b>1,191,393,601</b>		<b>1,126,662,113</b>	<b>84,175,600</b>	<b>1,210,837,713</b>	<b>19,444,112</b>	<b>1.6%</b>
<b>Inpatient Acute Total</b>	<b>337,980</b>	<b>1.000</b>	<b>1,202,009,787</b>	<b>578,365,958</b>	<b>1,780,375,744</b>	<b>315,027,196</b>	<b>2,095,402,941</b>		<b>1,906,017,849</b>	<b>186,234,659</b>	<b>2,092,252,508</b>	<b>(3,150,432)</b>	<b>-0.2%</b>

Note: (1) The Department has historically not paid normal newborn claims because of limitations related to MMIS claims processing. To recognize the payment associated with those normal newborn claims, OB DRG claims relative weights were increased by .2012 on a per claim basis under the legacy system. Current system payments in this analysis include an allocation of the OB payment add-on to normal newborn claims.

State of Illinois Department of Healthcare and Family Services  
Hospital Rate Reform Initiative  
Preliminary Outpatient Fiscal Simulation Model Results  
Model Components

**4/16/2013 Baseline Model A.1**  
*Supplemental Payments Included in EAPG Pool*

Design Component	Description
<b>Acute Services (COS 24 and 25)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid outpatient hospital FFS acute claims data with COS 24 and 25 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, non-institutional claims, and ASC claims.
<b>EAPG classification version</b>	3M EAPG version 3.7.
<b>Proposed EAPG system target expenditures</b>	New APR-DRG system funding pool based on SFY 2011 acute claim reported payments net of DSH and supplemental payments without the 3.5% SMART Act payment reduction.
<b>EAPG conversion factors</b>	Based on statewide standardized amount of \$219.80, with labor portion adjusted by CY 2013 Medicare OPPI wage index (with reclassifications). Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>EAPG relative weights</b>	Based on 3M's version 3.7 EAPG national weights, adjusted (divided) by a factor of 0.620834 to scale the weights to an average Illinois case mix of 1.0.
<b>EAPG base payments</b>	Calculated by multiplying the EAPG conversion factor by the EAPG relative weight and the discount factor with the 3.5% SMART Act payment reduction.
<b>Procedure consolidation</b>	Simulated EAPG payment for procedures that are classified as the same or clinically-related to the main significant procedure, based on default EAPG settings, are consolidated (zero-paid).
<b>Ancillary packaging</b>	Simulated EAPG payment for routine ancillary services that are classified as packaged, based on the default EAPG list plus class I and minor chemotherapy and pharmacotherapy (based on 3M recommendation) are packaged (zero-paid). Durable Medical Equipment EAPGs also packaged, consistent with the current APL methodology.
<b>Discounting</b>	Simulated EAPG payment for services selected for terminated procedure discounting, multiple procedure discounting and repeat ancillary discounting, based on default EAPG settings, is reduced by 50 percent. Simulated EAPG payment for services selected for bilateral procedure discounting, based on default EAPG settings, is multiplied by 150 percent.
<b>Outlier payments</b>	None.
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction. Static payments allocated to acute based on charges.

State of Illinois Department of Healthcare and Family Services  
Hospital Rate Reform Initiative  
Preliminary Outpatient Fiscal Simulation Model Results  
Model Components

**4/16/2013 Baseline Model A.1**  
*Supplemental Payments Included in EAPG Pool*

Design Component	Description
<b>Psychiatric Services (COS 27 and 28)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid outpatient hospital FFS psychiatric claims data with COS 27 and 28 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, non-institutional claims, and ASC claims.
<b>EAPG classification version</b>	3M EAPG version 3.7.
<b>Proposed EAPG system target expenditures</b>	New APR-DRG system funding pool based on SFY 2011 psychiatric claim reported payments net of DSH and supplemental payments without the 3.5% SMART Act payment reduction.
<b>EAPG conversion factors</b>	Based on statewide standardized amount of \$245.41, with labor portion adjusted by CY 2013 Medicare OPPI wage index (with reclassifications). Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>EAPG relative weights</b>	Based on 3M's version 3.7 EAPG national weights, adjusted (divided) by a factor of 0.620834 to scale the weights to an average Illinois case mix of 1.0.
<b>EAPG base payments</b>	Calculated by multiplying the EAPG conversion factor by the EAPG relative weight and the discount factor with the 3.5% SMART Act payment reduction.
<b>Procedure consolidation</b>	Simulated EAPG payment for procedures that are classified as the same or clinically-related to the main significant procedure, based on default EAPG settings, are consolidated (zero-paid).
<b>Ancillary packaging</b>	Simulated EAPG payment for routine ancillary services that are classified as packaged, based on the default EAPG list plus class I and minor chemotherapy and pharmacotherapy (based on 3M recommendation) are packaged (zero-paid). Durable Medical Equipment EAPGs also packaged, consistent with the current APL methodology.
<b>Discounting</b>	Simulated EAPG payment for services selected for terminated procedure discounting, multiple procedure discounting and repeat ancillary discounting, based on default EAPG settings, is reduced by 50 percent. Simulated EAPG payment for services selected for bilateral procedure discounting, based on default EAPG settings, is multiplied by 150 percent.
<b>Outlier payments</b>	None.
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction. Static payments allocated to psychiatric based on charges.

State of Illinois Department of Healthcare and Family Services  
Hospital Rate Reform Initiative  
Preliminary Outpatient Fiscal Simulation Model Results  
Model Components

**4/16/2013 Baseline Model A.1**  
*Supplemental Payments Included in EAPG Pool*

Design Component	Description
<b>Rehabilitation Services (COS 29)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid outpatient hospital FFS rehabilitation claims data with COS 29 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, non-institutional claims, and ASC claims.
<b>EAPG classification version</b>	3M EAPG version 3.7.
<b>Proposed EAPG system target expenditures</b>	New APR-DRG system funding pool based on SFY 2011 rehabilitation claim reported payments net of DSH and supplemental payments without the 3.5% SMART Act payment reduction.
<b>EAPG conversion factors</b>	Based on statewide standardized amount of \$459.55, with labor portion adjusted by CY 2013 Medicare OPSS wage index (with reclassifications). Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>EAPG relative weights</b>	Based on 3M's version 3.7 EAPG national weights, adjusted (divided) by a factor of 0.620834 to scale the weights to an average Illinois case mix of 1.0.
<b>EAPG base payments</b>	Calculated by multiplying the EAPG conversion factor by the EAPG relative weight and the discount factor with the 3.5% SMART Act payment reduction.
<b>Procedure consolidation</b>	Simulated EAPG payment for procedures that are classified as the same or clinically-related to the main significant procedure, based on default EAPG settings, are consolidated (zero-paid).
<b>Ancillary packaging</b>	Simulated EAPG payment for routine ancillary services that are classified as packaged, based on the default EAPG list plus class I and minor chemotherapy and pharmacotherapy (based on 3M recommendation) are packaged (zero-paid). Durable Medical Equipment EAPGs also packaged, consistent with the current APL methodology.
<b>Discounting</b>	Simulated EAPG payment for services selected for terminated procedure discounting, multiple procedure discounting and repeat ancillary discounting, based on default EAPG settings, is reduced by 50 percent. Simulated EAPG payment for services selected for bilateral procedure discounting, based on default EAPG settings, is multiplied by 150 percent.
<b>Outlier payments</b>	None.
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction. Static payments allocated to rehabilitation based on charges.

State of Illinois Department of Healthcare and Family Services  
 Hospital Rate Reform Initiative  
 Preliminary Outpatient Fiscal Simulation Model Results  
Category of Service Summary

**4/16/2013 Baseline Model A.1**  
 Supplemental Payments Included in EAPG Pool  
 Payments Without SMART Act Reductions Before Transition

Category of Service	Current System - Without SMART Act Reductions				Revised System Before Transition - Without SMART Act Reductions		
	SFY 2011 Claims A	SFY 2011 Claim Based Payments B	SFY 2011 Supplemental Payments C	Current System Combined Claim and Supplemental Payments D=B+C	Revised EAPG System Payments E	Estimated Payment Change F=E-D	Estimated Payment Change Percentage G=F/D
General Acute Hospitals (COS 24 and 25)	2,323,670	473,456,029	45,843,166	519,299,195	519,291,380	(7,815)	0.0%
Psychiatric Providers / Units (COS 27 and 28)	147,718	16,214,152	311,961	16,526,113	16,526,542	429	0.0%
Rehabilitation Providers / Units (COS 29)	32,528	6,903,838	8,597	6,912,435	6,912,166	(269)	0.0%
<b>Outpatient Total</b>	<b>2,503,916</b>	<b>496,574,018</b>	<b>46,163,724</b>	<b>542,737,742</b>	<b>542,730,087</b>	<b>(7,655)</b>	<b>0.0%</b>

State of Illinois Department of Healthcare and Family Services  
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 Preliminary Outpatient Fiscal Simulation Model Results  
Category of Service Summary

**4/16/2013 Baseline Model A.1**  
*Supplemental Payments Included in EAPG Pool*  
 Payments With SMART Act Reductions Before Transition

Category of Service	Current System - With SMART Act Reductions				Revised System Before Transition - With SMART Act Reductions		
	SFY 2011 Claims A	SFY 2011 Claim Based Payments B	SFY 2011 Supplemental Payments C	Current System Combined Claim and Supplemental Payments D=B+C	Revised EAPG System Payments E	Estimated Payment Change F=E-D	Estimated Payment Change Percentage G=F/D
General Acute Hospitals (COS 24 and 25)	2,323,670	460,800,927	45,142,884	505,943,812	504,896,255	(1,047,556)	-0.2%
Psychiatric Providers / Units (COS 27 and 28)	147,718	15,869,284	310,954	16,180,238	16,165,231	(15,007)	-0.1%
Rehabilitation Providers / Units (COS 29)	32,528	6,694,833	8,296	6,703,129	6,703,252	123	0.0%
<b>Outpatient Total</b>	<b>2,503,916</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>527,764,739</b>	<b>(1,062,440)</b>	<b>-0.2%</b>

**State of Illinois Department of Healthcare and Family Services**  
**Hospital Rate Reform Initiative**  
**Handout 2: 4/16/2013 Baseline Model A.2**  
*Supplemental and MPA/MHVA Payments Included in DRG/EAPG Pool,*  
*\$100 million Shifted From Inpatient to Outpatient,*  
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**State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary**

**4/16/2013 Baseline Model A.2**  
*Supplemental and MPA/MHVA Payments Included in DRG Pool  
\$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient  
Payments With SMART Act Reductions Before Transition*

<b>Combined Inpatient and Outpatient</b>										
	<b>Current System - With SMART Act Reductions</b>			<b>Revised System Before Transition - With SMART Act Reductions</b>			<b>Estimated Impact Plus New Assessment Payments (Net of Tax Cost)</b>			
<b>Provider Type</b>	<b>SFY 2011 Claim Based Payments</b>	<b>SFY 2011 Supplemental Payments</b>	<b>Current System Combined Claim and Supplemental Payments</b>	<b>Revised System Claim Payments</b>	<b>Estimated Payment Impact</b>	<b>Estimated Payment Impact Percentage</b>	<b>SFY 2014 New Assessment Payments (Net of Tax Cost)</b>	<b>New System Claim and New Assessment Payments</b>	<b>Estimated Payment Impact Plus New Net Assessment</b>	<b>Estimated Payment Impact Percentage</b>
	<b>A</b>	<b>B</b>	<b>C=A+B</b>	<b>D</b>	<b>E=D-C</b>	<b>F=E/C</b>	<b>G</b>	<b>H=D+G</b>	<b>I=H-C</b>	<b>J=I/C</b>
General Acute Providers - Safety Net	419,927,531	167,696,578	587,624,110	467,096,933	(120,527,176)	-20.5%	29,472,221	496,569,155	(91,054,955)	-15.5%
Freestanding Children's Providers	103,771,198	31,639,140	135,410,338	106,673,301	(28,737,036)	-21.2%	4,359,450	111,032,751	(24,377,586)	-18.0%
General Acute Providers - Other	1,679,206,590	164,750,926	1,843,957,517	1,901,859,360	57,901,843	3.1%	124,597,314	2,026,456,674	182,499,157	9.9%
Freestanding Psychiatric Providers	102,604,633	2,085,128	104,689,761	86,969,001	(17,720,760)	-16.9%	8,741,250	95,710,250	(8,979,510)	-8.6%
Freestanding Rehabilitation Providers	21,164,264	12,320,509	33,484,773	23,899,553	(9,585,220)	-28.6%	1,226,176	25,125,730	(8,359,044)	-25.0%
LTAC Providers	78,656,490	1,466,217	80,122,707	75,033,005	(5,089,702)	-6.4%	1,100,679	76,133,684	(3,989,023)	-5.0%
Critical Access Hospitals	52,671,475	9,816,034	62,487,510	51,904,901	(10,582,609)	-16.9%	18,168,206	70,073,107	7,585,597	12.1%
Out-of-State Providers	134,178,363	10,645,342	144,823,704	138,470,597	(6,353,108)	-4.4%	-	138,470,597	(6,353,108)	-4.4%
Inpatient Set-Aside	-	-	-	140,000,000	140,000,000	N/A	-	140,000,000	140,000,000	N/A
<b>Total</b>	<b>2,592,180,544</b>	<b>400,419,875</b>	<b>2,992,600,419</b>	<b>2,991,906,651</b>	<b>(693,768)</b>	<b>0.0%</b>	<b>187,665,297</b>	<b>3,179,571,948</b>	<b>186,971,529</b>	<b>6.2%</b>

**State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary**

**4/16/2013 Baseline Model A.2**

*Supplemental and MPA/MHVA Payments Included in DRG Pool  
\$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient  
Payments With SMART Act Reductions Before Transition*

<b>Inpatient</b>										
	<b>Current System - With SMART Act Reductions</b>			<b>Revised System Before Transition - With SMART Act Reductions</b>			<b>Estimated Impact Plus New Assessment Payments (Net of Tax Cost)</b>			
<b>Provider Type</b>	<b>SFY 2011 Claim Based Payments</b>	<b>SFY 2011 Supplemental Payments</b>	<b>Current System Combined Claim and Supplemental Payments</b>	<b>Revised System Claim Payments</b>	<b>Estimated Payment Impact</b>	<b>Estimated Payment Impact Percentage</b>	<b>SFY 2014 New Assessment Payments (Net of Tax Cost)</b>	<b>New System Claim and New Assessment Payments</b>	<b>Estimated Payment Impact Plus New Net Assessment</b>	<b>Estimated Payment Impact Percentage</b>
	<b>A</b>	<b>B</b>	<b>C=A+B</b>	<b>D</b>	<b>E=D-C</b>	<b>F=E/C</b>	<b>G</b>	<b>H=D+G</b>	<b>I=H-C</b>	<b>J=I/C</b>
General Acute Providers - Safety Net	358,746,212	158,239,967	516,986,179	387,867,818	(129,118,361)	-25.0%	1,604,970	389,472,788	(127,513,391)	-24.7%
Freestanding Children's Providers	88,331,334	21,393,771	109,725,105	85,902,759	(23,822,346)	-21.7%	-	85,902,759	(23,822,346)	-21.7%
General Acute Providers - Other	1,336,462,232	147,781,385	1,484,243,617	1,439,010,370	(45,233,247)	-3.0%	163,762,505	1,602,772,875	118,529,258	8.0%
Freestanding Psychiatric Providers	98,935,353	2,085,128	101,020,480	84,897,239	(16,123,242)	-16.0%	-	84,897,239	(16,123,242)	-16.0%
Freestanding Rehabilitation Providers	18,167,756	12,320,509	30,488,265	22,315,658	(8,172,608)	-26.8%	-	22,315,658	(8,172,608)	-26.8%
LTAC Providers	78,230,285	1,466,217	79,696,502	74,604,235	(5,092,266)	-6.4%	-	74,604,235	(5,092,266)	-6.4%
Critical Access Hospitals	10,117,919	3,399,696	13,517,615	15,928,751	2,411,136	17.8%	946,800	16,875,551	3,357,936	24.8%
Out-of-State Providers	119,824,410	8,271,066	128,095,476	116,376,080	(11,719,396)	-9.1%	-	116,376,080	(11,719,396)	-9.1%
Inpatient Set-Aside	-	-	-	140,000,000	140,000,000	N/A	-	140,000,000	140,000,000	N/A
<b>Total</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,366,902,910</b>	<b>(96,870,330)</b>	<b>-3.9%</b>	<b>166,314,275</b>	<b>2,533,217,185</b>	<b>69,443,945</b>	<b>2.8%</b>

State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary

**4/16/2013 Baseline Model A.2**

Supplemental and MPA/MHVA Payments Included in DRG Pool  
\$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient  
Payments With SMART Act Reductions Before Transition

Provider Type	Outpatient									
	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
A	B	C=A+B	D	E=D-C	F=E/C	G	H=D+G	I=H-C	J=I/C	
General Acute Providers - Safety Net	61,181,319	9,456,611	70,637,930	79,229,115	8,591,185	12.2%	27,867,251	107,096,367	36,458,436	51.6%
Freestanding Children's Providers	15,439,863	10,245,369	25,685,232	20,770,542	(4,914,690)	-19.1%	4,359,450	25,129,992	(555,240)	-2.2%
General Acute Providers - Other	342,744,358	16,969,541	359,713,900	462,848,990	103,135,090	28.7%	(39,165,191)	423,683,799	63,969,899	17.8%
Freestanding Psychiatric Providers	3,669,281	-	3,669,281	2,071,762	(1,597,519)	-43.5%	8,741,250	10,813,012	7,143,731	194.7%
Freestanding Rehabilitation Providers	2,996,508	-	2,996,508	1,583,896	(1,412,612)	-47.1%	1,226,176	2,810,072	(186,436)	-6.2%
LTAC Providers	426,205	-	426,205	428,770	2,565	0.6%	1,100,679	1,529,449	1,103,244	258.9%
Critical Access Hospitals	42,553,556	6,416,338	48,969,894	35,976,149	(12,993,745)	-26.5%	17,221,406	53,197,556	4,227,661	8.6%
Out-of-State Providers	14,353,953	2,374,275	16,728,228	22,094,516	5,366,288	32.1%	-	22,094,516	5,366,288	32.1%
Inpatient Set-Aside	-	-	-	-	-	N/A	-	-	-	N/A
<b>Total</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>625,003,741</b>	<b>96,176,562</b>	<b>18.2%</b>	<b>21,351,022</b>	<b>646,354,762</b>	<b>117,527,584</b>	<b>22.2%</b>

**State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary**

**4/16/2013 Baseline Model A.2**

*Supplemental and MPA/MHVA Payments Included in DRG Pool  
\$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient  
Payments With SMART Act Reductions Before Transition*

<b>Combined Inpatient and Outpatient</b>										
Provider Type	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
	A	B	C=A+B	D	E=D-C	F=E/C	G	H=D+G	I=H-C	J=I/C
<i>Perinatal Level:</i>										
Level III	1,013,504,173	181,784,898	1,195,289,071	1,088,317,048	(106,972,023)	-8.9%	70,046,915	1,158,363,963	(36,925,108)	-3.1%
Level II+	389,480,595	52,665,581	442,146,176	450,570,872	8,424,697	1.9%	19,889,984	470,460,856	28,314,681	6.4%
Level II	677,963,874	113,085,326	791,049,200	786,659,714	(4,389,486)	-0.6%	58,052,544	844,712,258	53,663,058	6.8%
Level I	20,787,658	3,736,587	24,524,245	24,069,105	(455,140)	-1.9%	4,165,555	28,234,660	3,710,415	15.1%
Non-perinatal	490,444,244	49,147,483	539,591,728	502,289,911	(37,301,816)	-6.9%	35,510,299	537,800,210	(1,791,517)	-0.3%
Inpatient Set-Aside	-	-	-	140,000,000	140,000,000	N/A	-	140,000,000	140,000,000	N/A
<b>Total</b>	<b>2,592,180,544</b>	<b>400,419,875</b>	<b>2,992,600,419</b>	<b>2,991,906,651</b>	<b>(693,768)</b>	<b>0.0%</b>	<b>187,665,297</b>	<b>3,179,571,948</b>	<b>186,971,529</b>	<b>6.2%</b>
<i>Trauma Level:</i>										
Level I	866,521,554	164,555,826	1,031,077,380	923,249,905	(107,827,475)	-10.5%	55,475,425	978,725,330	(52,352,050)	-5.1%
Level II	527,616,817	27,096,000	554,712,817	587,156,157	32,443,339	5.8%	40,829,112	627,985,269	73,272,452	13.2%
Non-trauma	1,198,042,173	208,768,049	1,406,810,221	1,341,500,589	(65,309,633)	-4.6%	91,360,760	1,432,861,348	26,051,127	1.9%
Inpatient Set-Aside	-	-	-	140,000,000	140,000,000	N/A	-	140,000,000	140,000,000	N/A
<b>Total</b>	<b>2,592,180,544</b>	<b>400,419,875</b>	<b>2,992,600,419</b>	<b>2,991,906,651</b>	<b>(693,768)</b>	<b>0.0%</b>	<b>187,665,297</b>	<b>3,179,571,948</b>	<b>186,971,529</b>	<b>6.2%</b>
<i>Teaching Hospitals:</i>										
Major Teaching	951,033,416	188,010,091	1,139,043,506	1,049,212,503	(89,831,004)	-7.9%	72,108,928	1,121,321,431	(17,722,075)	-1.6%
Other Teaching	615,113,038	103,207,409	718,320,447	689,116,729	(29,203,718)	-4.1%	50,582,862	739,699,592	21,379,144	3.0%
Non-Teaching	1,026,034,090	109,202,376	1,135,236,465	1,113,577,419	(21,659,047)	-1.9%	64,973,506	1,178,550,925	43,314,459	3.8%
Inpatient Set-Aside	-	-	-	140,000,000	140,000,000	N/A	-	140,000,000	140,000,000	N/A
<b>Total</b>	<b>2,592,180,544</b>	<b>400,419,875</b>	<b>2,992,600,419</b>	<b>2,991,906,651</b>	<b>(693,768)</b>	<b>0.0%</b>	<b>187,665,297</b>	<b>3,179,571,948</b>	<b>186,971,529</b>	<b>6.2%</b>

**State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary**

**4/16/2013 Baseline Model A.2**

*Supplemental and MPA/MHVA Payments Included in DRG Pool  
\$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient  
Payments With SMART Act Reductions Before Transition*

Provider Type	Inpatient									
	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
<i>Perinatal Level:</i>										
Level III	874,899,512	160,919,835	1,035,819,347	901,011,146	(134,808,201)	-13.0%	104,823,430	1,005,834,576	(29,984,771)	-2.9%
Level II+	312,089,989	47,089,447	359,179,437	344,218,651	(14,960,786)	-4.2%	19,493,610	363,712,261	4,532,824	1.3%
Level II	496,473,846	106,420,311	602,894,157	549,562,391	(53,331,766)	-8.8%	35,427,975	584,990,366	(17,903,791)	-3.0%
Level I	7,761,803	2,456,173	10,217,975	10,870,169	652,194	6.4%	-	10,870,169	652,194	6.4%
Non-perinatal	417,590,350	38,071,974	455,662,324	421,240,553	(34,421,771)	-7.6%	6,569,260	427,809,813	(27,852,511)	-6.1%
Inpatient Set-Aside	-	-	-	140,000,000	140,000,000	N/A	-	140,000,000	140,000,000	N/A
<b>Total</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,366,902,910</b>	<b>(96,870,330)</b>	<b>-3.9%</b>	<b>166,314,275</b>	<b>2,533,217,185</b>	<b>69,443,945</b>	<b>2.8%</b>
<i>Trauma Level:</i>										
Level I	750,466,670	149,210,687	899,677,356	767,709,721	(131,967,635)	-14.7%	73,206,560	840,916,281	(58,761,075)	-6.5%
Level II	407,983,942	16,485,983	424,469,925	418,258,251	(6,211,673)	-1.5%	73,298,065	491,556,316	67,086,392	15.8%
Non-trauma	950,364,889	189,261,071	1,139,625,960	1,040,934,938	(98,691,022)	-8.7%	19,809,650	1,060,744,588	(78,881,372)	-6.9%
Inpatient Set-Aside	-	-	-	140,000,000	140,000,000	N/A	-	140,000,000	140,000,000	N/A
<b>Total</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,366,902,910</b>	<b>(96,870,330)</b>	<b>-3.9%</b>	<b>166,314,275</b>	<b>2,533,217,185</b>	<b>69,443,945</b>	<b>2.8%</b>
<i>Teaching Hospitals:</i>										
Major Teaching	804,805,371	172,959,684	977,765,055	865,842,643	(111,922,412)	-11.4%	82,683,745	948,526,388	(29,238,667)	-3.0%
Other Teaching	500,313,865	99,414,708	599,728,573	536,517,310	(63,211,263)	-10.5%	35,933,000	572,450,310	(27,278,263)	-4.5%
Non-Teaching	803,696,265	82,583,349	886,279,613	824,542,957	(61,736,656)	-7.0%	47,697,530	872,240,487	(14,039,126)	-1.6%
Inpatient Set-Aside	-	-	-	140,000,000	140,000,000	N/A	-	140,000,000	140,000,000	N/A
<b>Total</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,366,902,910</b>	<b>(96,870,330)</b>	<b>-3.9%</b>	<b>166,314,275</b>	<b>2,533,217,185</b>	<b>69,443,945</b>	<b>2.8%</b>

**State of Illinois HFS  
Hospital Rate Reform Initiative  
Combined Inpatient and Outpatient  
Provider Type Summary**

**4/16/2013 Baseline Model A.2**

*Supplemental and MPA/MHVA Payments Included in DRG Pool  
\$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient  
Payments With SMART Act Reductions Before Transition*

Provider Type	Outpatient									
	Current System - With SMART Act Reductions			Revised System Before Transition - With SMART Act Reductions			Estimated Impact Plus New Assessment Payments (Net of Tax Cost)			
	SFY 2011 Claim Based Payments	SFY 2011 Supplemental Payments	Current System Combined Claim and Supplemental Payments	Revised System Claim Payments	Estimated Payment Impact	Estimated Payment Impact Percentage	SFY 2014 New Assessment Payments (Net of Tax Cost)	New System Claim and New Net Assessment Payments	Estimated Payment Impact Plus New Net Assessment	Estimated Payment Impact Percentage
<i>Perinatal Level:</i>										
Level III	138,604,661	20,865,063	159,469,723	187,305,902	27,836,178	17.5%	(34,776,515)	152,529,386	(6,940,337)	-4.4%
Level II+	77,390,605	5,576,133	82,966,739	106,352,221	23,385,483	28.2%	396,374	106,748,595	23,781,856	28.7%
Level II	181,490,028	6,665,015	188,155,043	237,097,323	48,942,280	26.0%	22,624,569	259,721,892	71,566,849	38.0%
Level I	13,025,856	1,280,414	14,306,270	13,198,936	(1,107,334)	-7.7%	4,165,555	17,364,491	3,058,221	21.4%
Non-perinatal	72,853,894	11,075,509	83,929,404	81,049,359	(2,880,045)	-3.4%	28,941,039	109,990,397	26,060,994	31.1%
Inpatient Set-Aside	-	-	-	-	-	N/A	-	-	-	N/A
<b>Total</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>625,003,741</b>	<b>96,176,562</b>	<b>18.2%</b>	<b>21,351,022</b>	<b>646,354,762</b>	<b>117,527,584</b>	<b>22.2%</b>
<i>Trauma Level:</i>										
Level I	116,054,885	15,345,139	131,400,024	155,540,185	24,140,161	18.4%	(17,731,135)	137,809,049	6,409,025	4.9%
Level II	119,632,875	10,610,018	130,242,893	168,897,905	38,655,013	29.7%	(32,468,953)	136,428,953	6,186,060	4.7%
Non-trauma	247,677,284	19,506,978	267,184,262	300,565,651	33,381,389	12.5%	71,551,110	372,116,760	104,932,499	39.3%
Inpatient Set-Aside	-	-	-	-	-	N/A	-	-	-	N/A
<b>Total</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>625,003,741</b>	<b>96,176,562</b>	<b>18.2%</b>	<b>21,351,022</b>	<b>646,354,762</b>	<b>117,527,584</b>	<b>22.2%</b>
<i>Teaching Hospitals:</i>										
Major Teaching	146,228,045	15,050,407	161,278,452	183,369,860	22,091,408	13.7%	(10,574,817)	172,795,043	11,516,591	7.1%
Other Teaching	114,799,174	3,792,701	118,591,875	152,599,419	34,007,545	28.7%	14,649,862	167,249,282	48,657,407	41.0%
Non-Teaching	222,337,825	26,619,027	248,956,852	289,034,461	40,077,609	16.1%	17,275,976	306,310,438	57,353,586	23.0%
Inpatient Set-Aside	-	-	-	-	-	N/A	-	-	-	N/A
<b>Total</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>625,003,741</b>	<b>96,176,562</b>	<b>18.2%</b>	<b>21,351,022</b>	<b>646,354,762</b>	<b>117,527,584</b>	<b>22.2%</b>

State of Illinois Department of Healthcare and Family Services  
 Hospital Rate Reform Initiative  
 Preliminary Inpatient Fiscal Simulation Model Results  
Model Components

**4/16/2013 Baseline Model A.2**

*Supplemental and MPA/MHVA Payments Included in DRG Pool  
 \$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient*

Design Component	Description
<b>Acute Services (COS 20)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid inpatient FFS acute claims data with COS 20 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, claims with ungroupable APR-DRG assignments, outlier TPL claims, and LTAC provider claims.
<b>DRG classification version</b>	3M APR-DRG version 30.
<b>Proposed DRG system target expenditures</b>	New APR-DRG system funding pool based on SFY 2011 acute claim reported payments net of DSH and supplemental payments without the 3.5% SMART Act payment reduction, less \$100 million shifted to outpatient and a pro-rated portion of \$140 million set aside for inpatient funding.
<b>DRG base rates</b>	Based on statewide standardized amount of \$5,086.68, with labor portion adjusted by FFY 2013 Medicare IPPS wage index (with reclassifications). Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>DRG relative weights</b>	Based on 3M's version 29 APR-DRG national weights, adjusted (divided) by a factor of 0.737826 to scale the weights to an average Illinois case mix of 1.0 for acute (COS 20) services.
<b>DRG base payments</b>	Calculated by multiplying the DRG base rate by the DRG relative weight with the 3.5% SMART Act payment reduction.
<b>Outlier payments</b>	Calculated using following: <ul style="list-style-type: none"> <li>- Claim outlier threshold equal to base DRG payment plus fixed loss threshold (Medicare FFY 2013 \$21,821 fixed loss threshold)</li> <li>- Claim outlier costs calculated by multiplying claim charges by FFY 2011 Medicare IPPS outlier CCRs, inflated from SFY 2011 to SFY 2014 by 7.9% based on changes in CMS input price index levels.</li> <li>- Claim outlier payment calculated based on 80% of outlier costs exceeding outlier threshold with the 3.5% SMART Act payment reduction.</li> </ul>
<b>Transfer payments</b>	Based on the Medicare IPPS pro-rated standard transfer methodology for discharge status of 02, excluding APR-DRGs 580 and 581 (neonates died or transferred). Transfer payment equal to DRG base payment divided by the DRG average length of stay, multiplied by one plus the claim length of stay (up to the full DRG base payment).
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction, excluding the discontinued EAM payment. Static payments allocated to acute based on charges.

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Model Components

**4/16/2013 Baseline Model A.2**

*Supplemental and MPA/MHVA Payments Included in DRG Pool  
 \$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient*

Design Component	Description
<b>Psychiatric Services (COS 21)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid inpatient FFS psych claims data with COS 21 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, and claims with ungroupable APR-DRG assignments.
<b>DRG classification version</b>	3M APR-DRG version 30.
<b>Proposed system target expenditures</b>	Based on SFY 2011 psych claim reported payments net of DSH and supplemental payments without the 3.5% SMART Act payment reduction, less a pro-rated portion of \$140 million set aside for inpatient funding.
<b>Per diem rates</b>	Based on statewide standardized per diem rate of \$670.48, with labor portion adjusted by FFY 2013 Medicare IPF-PPS wage index. Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>DRG relative weights</b>	No relative weight adjustment.
<b>Per diem payments</b>	Calculated by multiplying the per diem rate by patient days with the 3.5% SMART Act payment reduction.
<b>Outlier payments</b>	N/A
<b>Transfer payments</b>	N/A
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction, excluding the discontinued EAM payment. Static payments allocated to psych based on charges.

State of Illinois Department of Healthcare and Family Services  
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Model Components

**4/16/2013 Baseline Model A.2**

*Supplemental and MPA/MHVA Payments Included in DRG Pool  
 \$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient*

Design Component	Description
<b>Rehabilitation Services (COS 22)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid inpatient FFS rehab claims data with COS 22 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois claims, and claims with ungroupable APR-DRG assignments.
<b>DRG classification version</b>	3M APR-DRG version 30.
<b>Proposed system target expenditures</b>	Based on SFY 2011 rehab claim reported payments net of DSH and supplemental payments without 3.5% payment reduction without the 3.5% SMART Act payment reduction, less a pro-rated portion of \$140 million set aside for inpatient funding.
<b>Per diem rates</b>	Based on statewide standardized per diem rate of \$911.63, with labor portion adjusted by FFY 2013 Medicare IRF-PPS wage index. Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>DRG relative weights</b>	No relative weight adjustment.
<b>Per diem payments</b>	Calculated by multiplying the per diem rate by patient days with the 3.5% SMART Act payment reduction.
<b>Outlier payments</b>	N/A
<b>Transfer payments</b>	N/A
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction, excluding the discontinued EAM payment. Static payments allocated to rehab based on charges.

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Model Components

**4/16/2013 Baseline Model A.2**

*Supplemental and MPA/MHVA Payments Included in DRG Pool  
 \$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient*

Design Component	Description
<b>LTAC Services (COS 20)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid inpatient FFS LTAC claims data with COS 20 from in-state LTAC hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, and claims with ungroupable APR-DRG assignments.
<b>DRG classification version</b>	3M APR-DRG version 30.
<b>Proposed system target expenditures</b>	Based on SFY 2011 LTAC claim current system payments (net of DSH) simulated based on SFY 2011 per diem rates, and supplemental payments, without the 3.5% SMART Act payment reduction, less a pro-rated portion of \$140 million set aside for inpatient funding.
<b>Per diem rates</b>	Based on statewide standardized per diem rate of \$1,166.74, with labor portion adjusted by FFY 2013 Medicare IPPS wage index. Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>DRG relative weights</b>	No relative weight adjustment.
<b>Per diem payments</b>	Calculated by multiplying the per diem rate by patient days with the 3.5% SMART Act payment reduction.
<b>Outlier payments</b>	N/A
<b>Transfer payments</b>	N/A
<b>Policy adjusters</b>	None
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction, excluding the discontinued EAM payment. Static payments allocated to LTAC based on charges.

State of Illinois Department of Healthcare and Family Services  
**Hospital Rate Reform Initiative**  
**Preliminary Inpatient Fiscal Simulation Model Results**  
Category of Service Summary

**4/16/2013 Baseline Model A.2**

*Supplemental and MPA/MHVA Payments Included in DRG Pool  
 \$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient  
 Payments Without SMART Act Reductions Before Transition*

Category of Service	Current System Payments - Without SMART Act Reductions						Revised System Payments - Without SMART Act Reductions				
	SFY 2011 Claims A	SFY 2011 Claim Based Payments - Net of Outliers B	SFY 2011 Claim Based Payments - Outliers Portion C	SFY 2011 Claim Based Payments - Total D=B+C	SFY 2011 Supplemental Payments E	Combined Supplemental and Claim Payments F=D+E	Revised System DRG / Per Diem Payments G	Revised System Outlier Payments H	Total Claim-Based Payments Under Revised System I=G+H	Estimated Payment Change J=I-F	Estimated Payment Change Percentage K=J/F
General Acute Hospitals (COS 20)	337,980	1,234,182,017	596,959,521	1,831,141,538	320,503,820	2,151,645,358	1,715,382,190	213,579,591	1,928,961,781	(222,683,577)	-10.3%
Psychiatric Providers / Units (COS 21)											
Freestanding Psychiatric Providers	9,466	102,523,098	580	102,523,678	2,160,754	104,684,432	87,976,412	-	87,976,412	(16,708,020)	-16.0%
Psychiatric Units	33,521	127,512,883	66,201	127,579,084	22,404,755	149,983,838	156,723,321	-	156,723,321	6,739,483	4.5%
Psychiatric Total	42,987	230,035,980	66,781	230,102,761	24,565,509	254,668,270	244,699,733	-	244,699,733	(9,968,537)	-3.9%
Rehabilitation Providers / Units (COS 22)											
Freestanding Rehabilitation Providers	1,361	18,747,050	79,639	18,826,688	12,767,367	31,594,055	23,125,033	-	23,125,033	(8,469,022)	-26.8%
Rehabilitation Units	1,649	12,902,900	-	12,902,900	1,841,221	14,744,121	20,977,911	-	20,977,911	6,233,790	42.3%
Rehabilitation Total	3,010	31,649,950	79,639	31,729,588	14,608,588	46,338,176	44,102,944	-	44,102,944	(2,235,232)	-4.8%
LTAC Providers (COS 20)	1,802	75,744,919	-	75,744,919	1,515,414	77,260,333	72,145,815	-	72,145,815	(5,114,518)	-6.6%
Inpatient Set-Aside							140,000,000	-	140,000,000		
<b>Inpatient Total</b>	<b>385,779</b>	<b>1,571,612,866</b>	<b>597,105,941</b>	<b>2,168,718,806</b>	<b>361,193,332</b>	<b>2,529,912,138</b>	<b>2,216,330,682</b>	<b>213,579,591</b>	<b>2,429,910,273</b>	<b>(100,001,865)</b>	<b>-4.0%</b>

State of Illinois Department of Healthcare and Family Services  
 Hospital Rate Reform Initiative  
 Preliminary Inpatient Fiscal Simulation Model Results  
Category of Service Summary

**4/16/2013 Baseline Model A.2**

Supplemental and MPA/MHVA Payments Included in DRG Pool  
 \$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient  
 Payments With SMART Act Reductions Before Transition

Category of Service	Current System Payments - With SMART Act Reductions						Revised System Payments - With SMART Act Reductions				
	SFY 2011 Claims	SFY 2011 Claim Based Payments - Net of Outliers	SFY 2011 Claim Based Payments - Outliers Portion	SFY 2011 Claim Based Payments - Total	SFY 2011 Supplemental Payments	Combined Supplemental and Claim Payments	Revised System DRG / Per Diem Payments	Revised System Outlier Payments	Total Claim-Based Payments Under Revised System	Estimated Payment Change	Estimated Payment Change Percentage
	A	B	C	D=B+C	E	F=D+E	G	H	I=G+H	J=I-F	K=J/F
General Acute Hospitals (COS 20)	337,980	1,202,009,787	578,365,958	1,780,375,744	315,027,196	2,095,402,941	1,668,019,134	207,652,107	1,875,671,241	(219,731,699)	-10.5%
Psychiatric Providers / Units (COS 21)											
Freestanding Psychiatric Providers	9,466	98,934,793	560	98,935,353	2,085,128	101,020,480	84,897,239	-	84,897,239	(16,123,242)	-16.0%
Psychiatric Units	33,521	125,664,260	64,247	125,728,507	22,270,708	147,999,215	154,068,966	-	154,068,966	6,069,751	4.1%
Psychiatric Total	42,987	224,599,053	64,806	224,663,859	24,355,836	249,019,695	238,966,205	-	238,966,205	(10,053,491)	-4.0%
Rehabilitation Providers / Units (COS 22)											
Freestanding Rehabilitation Providers	1,361	18,090,905	76,851	18,167,756	12,320,509	30,488,265	22,315,658	-	22,315,658	(8,172,608)	-26.8%
Rehabilitation Units	1,649	12,514,293	-	12,514,293	1,791,824	14,306,117	20,329,095	-	20,329,095	6,022,978	42.1%
Rehabilitation Total	3,010	30,605,198	76,851	30,682,049	14,112,333	44,794,382	42,644,753	-	42,644,753	(2,149,629)	-4.8%
LTAC Providers (COS 20)	1,802	73,093,848	-	73,093,848	1,462,375	74,556,223	69,620,712	-	69,620,712	(4,935,511)	-6.6%
Inpatient Set-Aside							140,000,000	-	140,000,000		
<b>Inpatient Total</b>	<b>385,779</b>	<b>1,530,307,885</b>	<b>578,507,615</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>	<b>2,159,250,803</b>	<b>207,652,107</b>	<b>2,366,902,910</b>	<b>(96,870,330)</b>	<b>-3.9%</b>

## State of Illinois Department of Healthcare and Family Services

## Hospital Rate Reform Initiative

Preliminary Inpatient Fiscal Simulation Model ResultsMedicaid Service Line Summary

## 4/16/2013 Baseline Model A.2

Supplemental and MPA/MHVA Payments Included in DRG Pool  
\$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient

Payments With SMART Act Reductions Before Transition

Medicaid Service Line	Current System Payments - With SMART Act Reductions							Revised System Payments - With SMART Act Reductions					
	SFY 2011 Claims	APR- DRG Case Mix (Acute COS 20 Only)	SFY 2011 Claim Based Payments - Net of Outliers	SFY 2011 Claim Based Payments - Outliers Portion	SFY 2011 Claim Based Payments - Total	SFY 2011 Supplemental Payments	Combined Supplemental and Claim Payments	Service Policy Adjuster	Revised System DRG / Per Diem Payments	Revised System Outlier Payments	Total Claim- Based Payments Under Revised System	Estimated Payment Change	Estimated Payment Change Percentage
	A	B	C	D	E=C+D	F	G=E+F	H	I	J	K=I+J	L=K-G	M=L/G
<i>Acute Services (COS 20):</i>													
Neonate	8,868	3.332	137,616,789	83,705,284	221,322,073	26,347,027	247,669,101	1.00	143,956,283	46,996,645	190,952,928	(56,716,173)	-22.9%
Normal newborn <sup>(1)</sup>	67,375	0.174	81,038,548	631,602	81,670,150	11,702,758	93,372,908	1.00	57,965,235	143,165	58,108,399	(35,264,508)	-37.8%
Obstetrics <sup>(1)</sup>	85,794	0.573	180,557,818	8,924,490	189,482,309	42,953,125	232,435,434	1.00	242,682,342	2,149,346	244,831,688	12,396,254	5.3%
Other pediatric services	39,803	1.206	223,103,801	58,794,206	281,898,007	48,633,890	330,531,897	1.00	237,436,163	61,996,611	299,432,775	(31,099,123)	-9.4%
Other adult services	136,140	1.466	579,692,830	426,310,375	1,006,003,205	185,390,396	1,191,393,601	1.00	985,979,111	96,366,340	1,082,345,451	(109,048,150)	-9.2%
<b>Inpatient Acute Total</b>	<b>337,980</b>	<b>1.000</b>	<b>1,202,009,787</b>	<b>578,365,958</b>	<b>1,780,375,744</b>	<b>315,027,196</b>	<b>2,095,402,941</b>		<b>1,668,019,134</b>	<b>207,652,107</b>	<b>1,875,671,241</b>	<b>(219,731,699)</b>	<b>-10.5%</b>
<i>Psychiatric Services (COS 21):</i>													
Pediatric services	15,188	N/A	122,738,970	64,806	122,803,777	4,493,163	127,296,940	1.00	115,382,587	-	115,382,587	(11,914,353)	-9.4%
Adult services	27,799	N/A	101,860,083	-	101,860,083	19,862,673	121,722,755	1.00	123,583,618	-	123,583,618	1,860,863	1.5%
<b>Inpatient Acute Total</b>	<b>42,987</b>	<b>N/A</b>	<b>224,599,053</b>	<b>64,806</b>	<b>224,663,859</b>	<b>24,355,836</b>	<b>249,019,695</b>		<b>238,966,205</b>	<b>-</b>	<b>238,966,205</b>	<b>(10,053,491)</b>	<b>-4.0%</b>
<i>Rehabilitation Services (COS 22):</i>													
Pediatric services	302	N/A	4,404,557	76,851	4,481,408	1,907,932	6,389,340	1.00	5,663,739	-	5,663,739	(725,602)	-11.4%
Adult services	2,708	N/A	26,200,640	-	26,200,640	12,204,401	38,405,042	1.00	36,981,014	-	36,981,014	(1,424,028)	-3.7%
<b>Inpatient Acute Total</b>	<b>3,010</b>	<b>N/A</b>	<b>30,605,198</b>	<b>76,851</b>	<b>30,682,049</b>	<b>14,112,333</b>	<b>44,794,382</b>		<b>42,644,753</b>	<b>-</b>	<b>42,644,753</b>	<b>(2,149,629)</b>	<b>-4.8%</b>
<i>LTAC Services Total (COS 20):</i>													
Pediatric services	10	N/A	436,590	-	436,590	5,363	441,953	1.00	411,135	-	411,135	(30,819)	-7.0%
Adult services	1,792	N/A	72,657,258	-	72,657,258	1,457,011	74,114,269	1.00	69,209,577	-	69,209,577	(4,904,692)	-6.6%
<b>Inpatient Acute Total</b>	<b>1,802</b>	<b>N/A</b>	<b>73,093,848</b>	<b>-</b>	<b>73,093,848</b>	<b>1,462,375</b>	<b>74,556,223</b>		<b>69,620,712</b>	<b>-</b>	<b>69,620,712</b>	<b>(4,935,511)</b>	<b>-6.6%</b>
Inpatient Set-Aside									140,000,000	-	140,000,000	140,000,000	N/A
<b>Inpatient Total</b>	<b>385,779</b>	<b>1.000</b>	<b>1,530,307,885</b>	<b>578,507,615</b>	<b>2,108,815,500</b>	<b>354,957,740</b>	<b>2,463,773,241</b>		<b>2,159,250,803</b>	<b>207,652,107</b>	<b>2,366,902,910</b>	<b>(96,870,330)</b>	<b>-3.9%</b>

Note: (1) The Department has historically not paid normal newborn claims because of limitations related to MMIS claims processing. To recognize the payment associated with those normal newborn claims, OB DRG claims relative weights were increased by .2012 on a per claim basis under the legacy system. Current system payments in this analysis include an allocation of the OB payment add-on to normal newborn claims.

## State of Illinois Department of Healthcare and Family Services

## Hospital Rate Reform Initiative

## Preliminary Inpatient Fiscal Simulation Model Results

## Medicaid Service Line Detail - Acute COS 20

## 4/16/2013 Baseline Model A.2

Supplemental and MPA/MHVA Payments Included in DRG Pool  
 \$100mm shifted from inpatient to outpatient and \$140mm set aside from inpatient  
 Payments With SMART Act Reductions Before Transition

Medicaid Service Line - Acute COS 20 Only	SFY 2011 Claims A	APR- DRG Case Mix (Acute COS 20 Only) B	Current System Payments - With SMART Act Reductions					Revised System Payments - With SMART Act Reductions						
			SFY 2011 Claim Based Payments - Net of Outliers C	SFY 2011 Claim Based Payments - Outliers Portion D	SFY 2011 Claim Based Payments - Total E=C+D	SFY 2011 Supplemental Payments F	Combined Supplemental and Claim Payments G=E+F	Service Policy Adjuster H	Revised System DRG / Per Diem Payments I	Revised System Outlier Payments J	Total Claim- Based Payments Under Revised System K=I+J	Estimated Payment Change L=K-G	Estimated Payment Change Percentage M=L/G	
<i>Newborn/OB Services:</i>														
Obstetrics	(1) 85,794	0.573	180,557,818	8,924,490	189,482,309	42,953,125	232,435,434	1.00	242,682,342	2,149,346	244,831,688	12,396,254	5.3%	
Normal newborn	(1) 67,375	0.174	81,038,548	631,602	81,670,150	11,702,758	93,372,908	1.00	57,965,235	143,165	58,108,399	(35,264,508)	-37.8%	
Neonate	8,868	3.332	137,616,789	83,705,284	221,322,073	26,347,027	247,669,101	1.00	143,956,283	46,996,645	190,952,928	(56,716,173)	-22.9%	
<b>Inpatient Acute Total</b>	<b>162,037</b>	<b>0.558</b>	<b>399,213,156</b>	<b>93,261,376</b>	<b>492,474,532</b>	<b>81,002,910</b>	<b>573,477,442</b>		<b>444,603,860</b>	<b>49,289,156</b>	<b>493,893,016</b>	<b>(79,584,427)</b>	<b>-13.9%</b>	
<i>Other Pediatric Services:</i>														
Trauma	790	2.444	5,562,572	2,569,514	8,132,086	1,666,782	9,798,868	1.00	9,515,701	1,048,949	10,564,651	765,783	7.8%	
Mental Health	67	0.737	190,960	24,480	215,441	34,308	249,749	1.00	244,041	17,028	261,070	11,321	4.5%	
HIV	14	1.622	98,179	6,920	105,099	19,633	124,732	1.00	114,549	-	114,549	(10,183)	-8.2%	
Substance Abuse	96	0.478	414,577	18,924	433,501	77,263	510,764	1.00	225,113	59,326	284,439	(226,325)	-44.3%	
Burns	264	1.900	2,094,064	484,003	2,578,067	389,904	2,967,971	1.00	2,413,514	123,877	2,537,391	(430,580)	-14.5%	
Aftercare	169	5.649	11,359,705	2,478,751	13,838,457	1,711,838	15,550,295	1.00	4,556,487	7,057,599	11,614,086	(3,936,208)	-25.3%	
Transplant	56	13.907	10,914,201	348,488	11,262,688	1,031,048	12,293,737	1.00	3,907,312	1,498,518	5,405,830	(6,887,907)	-56.0%	
Misc Pediatric	26,321	1.279	142,683,363	41,916,193	184,599,556	34,076,716	218,676,272	1.00	166,715,285	41,772,062	208,487,346	(10,188,926)	-4.7%	
Resp Pediatric	12,026	0.837	49,786,179	10,946,934	60,733,113	9,626,397	70,359,510	1.00	49,744,161	10,419,252	60,163,413	(10,196,097)	-14.5%	
<b>Inpatient Acute Total</b>	<b>39,803</b>	<b>1.206</b>	<b>223,103,801</b>	<b>58,794,206</b>	<b>281,898,007</b>	<b>48,633,890</b>	<b>330,531,897</b>		<b>237,436,163</b>	<b>61,996,611</b>	<b>299,432,775</b>	<b>(31,099,123)</b>	<b>-9.4%</b>	
<i>Other Adult Services:</i>														
Mental Health	377	0.791	593,188	76,170	669,359	243,518	912,877	1.00	1,449,482	3,039	1,452,521	539,645	59.1%	
Burns	104	4.963	931,130	1,637,812	2,568,943	358,810	2,927,752	1.00	2,527,270	904,120	3,431,390	503,638	17.2%	
Gastroent Adult	20,624	1.403	81,763,595	48,258,855	130,022,450	24,431,253	154,453,703	1.00	142,622,722	12,062,695	154,685,416	231,713	0.2%	
Rehab	1	1.420	4,184	-	4,184	93	4,278	1.00	6,686	-	6,686	2,408	56.3%	
Aftercare	56	2.293	232,223	415,264	647,487	39,285	686,771	1.00	597,582	69,333	666,915	(19,857)	-2.9%	
HIV	826	2.387	4,647,262	3,913,755	8,561,017	2,370,898	10,931,915	1.00	9,867,357	978,296	10,845,654	(86,261)	-0.8%	
Trauma	1,434	3.075	10,218,436	18,289,212	28,507,648	4,720,154	33,227,801	1.00	21,594,722	4,910,292	26,505,013	(6,722,788)	-20.2%	
Transplant	139	13.467	20,212,907	401,549	20,614,456	1,131,856	21,746,312	1.00	9,290,858	1,380,296	10,671,154	(11,075,158)	-50.9%	
Substance Abuse	19,614	0.408	39,967,791	1,013,751	40,981,542	12,696,230	53,677,772	1.00	41,297,379	125,138	41,422,517	(12,255,255)	-22.8%	
Resp Adult	16,842	1.343	73,665,342	34,195,497	107,860,838	23,355,053	131,215,892	1.00	111,334,050	5,804,998	117,139,048	(14,076,843)	-10.7%	
Circulatory Adult	17,612	1.734	85,843,888	74,524,410	160,368,298	30,093,901	190,462,199	1.00	151,258,742	13,358,910	164,617,652	(25,844,547)	-13.6%	
Misc Adult	58,511	1.713	261,612,883	243,584,100	505,196,983	85,949,346	591,146,330	1.00	494,132,262	56,769,223	550,901,485	(40,244,845)	-6.8%	
<b>Inpatient Acute Total</b>	<b>136,140</b>	<b>1.466</b>	<b>579,692,830</b>	<b>426,310,375</b>	<b>1,006,003,205</b>	<b>185,390,396</b>	<b>1,191,393,601</b>		<b>985,979,111</b>	<b>96,366,340</b>	<b>1,082,345,451</b>	<b>(109,048,150)</b>	<b>-9.2%</b>	
<b>Inpatient Acute Total (Less Inpatient Set-Aside)</b>	<b>337,980</b>	<b>1.000</b>	<b>1,202,009,787</b>	<b>578,365,958</b>	<b>1,780,375,744</b>	<b>315,027,196</b>	<b>2,095,402,941</b>		<b>1,668,019,134</b>	<b>207,652,107</b>	<b>1,875,671,241</b>	<b>(219,731,699)</b>	<b>-10.5%</b>	

Note: (1) The Department has historically not paid normal newborn claims because of limitations related to MMIS claims processing. To recognize the payment associated with those normal newborn claims, OB DRG claims relative weights were increased by .2012 on a per claim basis under the legacy system. Current system payments in this analysis include an allocation of the OB payment add-on to normal newborn claims.

State of Illinois Department of Healthcare and Family Services  
 Hospital Rate Reform Initiative  
 Preliminary Outpatient Fiscal Simulation Model Results

**4/16/2013 Baseline Model A.2**

*Supplemental Payments + \$100mm Included in EAPG Pool*

**Model Components**

Design Component	Description
<b>Acute Services (COS 24 and 25)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid outpatient hospital FFS acute claims data with COS 24 and 25 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, non-institutional claims, and ASC claims.
<b>EAPG classification version</b>	3M EAPG version 3.7.
<b>Proposed EAPG system target expenditures</b>	New APR-DRG system funding pool based on SFY 2011 acute claim reported payments net of DSH, supplemental payments without the 3.5% SMART Act payment reduction, and \$100 million shifted from the inpatient system.
<b>EAPG conversion factors</b>	Based on statewide standardized amount of \$262.14, with labor portion adjusted by CY 2013 Medicare OPPS wage index (with reclassifications). Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>EAPG relative weights</b>	Based on 3M's version 3.7 EAPG national weights, adjusted (divided) by a factor of 0.620834 to scale the weights to an average Illinois case mix of 1.0.
<b>EAPG base payments</b>	Calculated by multiplying the EAPG conversion factor by the EAPG relative weight and the discount factor with the 3.5% SMART Act payment reduction.
<b>Procedure consolidation</b>	Simulated EAPG payment for procedures that are classified as the same or clinically-related to the main significant procedure, based on default EAPG settings, are consolidated (zero-paid).
<b>Ancillary packaging</b>	Simulated EAPG payment for routine ancillary services that are classified as packaged, based on the default EAPG list plus class I and minor chemotherapy and pharmacotherapy (based on 3M recommendation) are packaged (zero-paid). Durable Medical Equipment EAPGs also packaged, consistent with the current APL methodology.
<b>Discounting</b>	Simulated EAPG payment for services selected for terminated procedure discounting, multiple procedure discounting and repeat ancillary discounting, based on default EAPG settings, is reduced by 50 percent. Simulated EAPG payment for services selected for bilateral procedure discounting, based on default EAPG settings, is multiplied by 150 percent.
<b>Outlier payments</b>	None.
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction. Static payments allocated to acute based on charges.

State of Illinois Department of Healthcare and Family Services  
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Preliminary Outpatient Fiscal Simulation Model Results

**4/16/2013 Baseline Model A.2**

*Supplemental Payments + \$100mm Included in EAPG Pool*

**Model Components**

Design Component	Description
<b>Psychiatric Services (COS 27 and 28)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid outpatient hospital FFS psychiatric claims data with COS 27 and 28 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, non-institutional claims, and ASC claims.
<b>EAPG classification version</b>	3M EAPG version 3.7.
<b>Proposed EAPG system target expenditures</b>	New APR-DRG system funding pool based on SFY 2011 psychiatric claim reported payments net of DSH and supplemental payments without the 3.5% SMART Act payment reduction.
<b>EAPG conversion factors</b>	Based on statewide standardized amount of \$245.41, with labor portion adjusted by CY 2013 Medicare OPPS wage index (with reclassifications). Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>EAPG relative weights</b>	Based on 3M's version 3.7 EAPG national weights, adjusted (divided) by a factor of 0.620834 to scale the weights to an average Illinois case mix of 1.0.
<b>EAPG base payments</b>	Calculated by multiplying the EAPG conversion factor by the EAPG relative weight and the discount factor with the 3.5% SMART Act payment reduction.
<b>Procedure consolidation</b>	Simulated EAPG payment for procedures that are classified as the same or clinically-related to the main significant procedure, based on default EAPG settings, are consolidated (zero-paid).
<b>Ancillary packaging</b>	Simulated EAPG payment for routine ancillary services that are classified as packaged, based on the default EAPG list plus class I and minor chemotherapy and pharmacotherapy (based on 3M recommendation) are packaged (zero-paid). Durable Medical Equipment EAPGs also packaged, consistent with the current APL methodology.
<b>Discounting</b>	Simulated EAPG payment for services selected for terminated procedure discounting, multiple procedure discounting and repeat ancillary discounting, based on default EAPG settings, is reduced by 50 percent. Simulated EAPG payment for services selected for bilateral procedure discounting, based on default EAPG settings, is multiplied by 150 percent.
<b>Outlier payments</b>	None.
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction. Static payments allocated to psychiatric based on charges.

State of Illinois Department of Healthcare and Family Services  
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Model Components

**4/16/2013 Baseline Model A.2**  
*Supplemental Payments + \$100mm Included in EAPG Pool*

Design Component	Description
<b>Rehabilitation Services (COS 29)</b>	
<b>Claims data</b>	SFY 2011 Illinois Medicaid outpatient hospital FFS rehabilitation claims data with COS 29 from in-state and selected out-of-state hospitals. Excludes Medicare dual eligibles, Cook County/University of Illinois/La Rabida claims, non-institutional claims, and ASC claims.
<b>EAPG classification version</b>	3M EAPG version 3.7.
<b>Proposed EAPG system target expenditures</b>	New APR-DRG system funding pool based on SFY 2011 rehabilitation claim reported payments net of DSH and supplemental payments without the 3.5% SMART Act payment reduction.
<b>EAPG conversion factors</b>	Based on statewide standardized amount of \$459.55, with labor portion adjusted by CY 2013 Medicare OPPI wage index (with reclassifications). Statewide standardized amount set such that statewide aggregate simulated total claim payments are budget neutral to target expenditures without the 3.5% SMART Act payment reduction.
<b>EAPG relative weights</b>	Based on 3M's version 3.7 EAPG national weights, adjusted (divided) by a factor of 0.620834 to scale the weights to an average Illinois case mix of 1.0.
<b>EAPG base payments</b>	Calculated by multiplying the EAPG conversion factor by the EAPG relative weight and the discount factor with the 3.5% SMART Act payment reduction.
<b>Procedure consolidation</b>	Simulated EAPG payment for procedures that are classified as the same or clinically-related to the main significant procedure, based on default EAPG settings, are consolidated (zero-paid).
<b>Ancillary packaging</b>	Simulated EAPG payment for routine ancillary services that are classified as packaged, based on the default EAPG list plus class I and minor chemotherapy and pharmacotherapy (based on 3M recommendation) are packaged (zero-paid). Durable Medical Equipment EAPGs also packaged, consistent with the current APL methodology.
<b>Discounting</b>	Simulated EAPG payment for services selected for terminated procedure discounting, multiple procedure discounting and repeat ancillary discounting, based on default EAPG settings, is reduced by 50 percent. Simulated EAPG payment for services selected for bilateral procedure discounting, based on default EAPG settings, is multiplied by 150 percent.
<b>Outlier payments</b>	None.
<b>Policy adjusters</b>	None.
<b>Supplemental Payments</b>	Based on SFY 2011 GRF static supplemental payments with 3.5% SMART Act payment reduction. Static payments allocated to rehabilitation based on charges.

**State of Illinois Department of Healthcare and Family Services  
Hospital Rate Reform Initiative  
Preliminary Outpatient Fiscal Simulation Model Results  
Category of Service Summary**

**4/16/2013 Baseline Model A.2**  
*Supplemental and MPA/MHVA Payments Included in EAPG Pool  
Payments Without SMART Act Reductions Before Transition*

Category of Service	Current System - Without SMART Act Reductions				Revised System Before Transition - Without SMART Act Reductions		
	SFY 2011 Claims A	SFY 2011 Claim Based Payments B	SFY 2011 Supplemental Payments C	Current System Combined Claim and Supplemental Payments D=B+C	Revised EAPG System Payments E	Estimated Payment Change F=E-D	Estimated Payment Change Percentage G=F/D
General Acute Hospitals (COS 24 and 25)	2,323,670	473,456,029	45,843,166	519,299,195	619,302,731	100,003,536	19.3%
Psychiatric Providers / Units (COS 27 and 28)	147,718	16,214,152	311,961	16,526,113	16,526,542	429	0.0%
Rehabilitation Providers / Units (COS 29)	32,528	6,903,838	8,597	6,912,435	6,912,166	(269)	0.0%
<b>Outpatient Total</b>	<b>2,503,916</b>	<b>496,574,018</b>	<b>46,163,724</b>	<b>542,737,742</b>	<b>642,741,438</b>	<b>100,003,696</b>	<b>18.4%</b>

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**4/16/2013 Baseline Model A.2**

*Supplemental Payments + \$100mm Included in EAPG Pool  
 Payments With SMART Act Reductions Before Transition*

Category of Service	Current System - With SMART Act Reductions				Revised System Before Transition - With SMART Act Reductions		
	SFY 2011 Claims A	SFY 2011 Claim Based Payments B	SFY 2011 Supplemental Payments C	Current System Combined Claim and Supplemental Payments D=B+C	Revised EAPG System Payments E	Estimated Payment Change F=E-D	Estimated Payment Change Percentage G=F/D
General Acute Hospitals (COS 24 and 25)	2,323,670	460,800,927	45,142,884	505,943,812	602,135,257	96,191,446	19.0%
Psychiatric Providers / Units (COS 27 and 28)	147,718	15,869,284	310,954	16,180,238	16,165,231	(15,007)	-0.1%
Rehabilitation Providers / Units (COS 29)	32,528	6,694,833	8,296	6,703,129	6,703,252	123	0.0%
<b>Outpatient Total</b>	<b>2,503,916</b>	<b>483,365,044</b>	<b>45,462,135</b>	<b>528,827,178</b>	<b>625,003,741</b>	<b>96,176,562</b>	<b>18.2%</b>