

# INGENIX<sup>®</sup>

## APS-DRGs<sup>®</sup>

### Key Features of APS-DRGs

- Familiar, intuitive grouping framework
- Can be directly cross-walked to CMS MS-DRGs
- Annual revisions reflecting ICD and CMS DRG changes
- Simple, explicit taxonomy and uniform clinical severity structure that is easily understood
- Severity classes based on clinical conditions and not treatment decisions
- Transparent grouping logic promotes a comprehensive understanding of how:
  - Patient severity is measured and DRGs are assigned
  - Coding and management practices affect payment and compliance

## Executive Summary

The Ingenix All-Payer Severity-Adjusted DRGs (APS-DRGs<sup>®</sup>) is a severity-adjustment solution that analyzes administrative data to classify patients into meaningful clusters based upon the diagnoses and conditions of the patient. This solution:

- Helps predict health care delivery costs based on how sick the patient is
- Provides the foundation for payers and providers to implement severity-adjusted reimbursement
- Is intuitively reasonable, clinically acceptable, and statistically powerful
- Makes use of a familiar, efficient, and flexible grouping algorithm

The APS-DRG system is the *most transparent* grouper option for a proprietary, commercially available severity-DRG methodology. Because this system is the *only* comprehensive all-payer severity-DRG methodology that is consistent with CMS MS-DRGs, adopting APS-DRGs will:

- Increase familiarity and acceptability by hospitals
- Require the least amount of coder retraining
- Lead to lower industry implementation costs and loss of productivity

## Overview

APS-DRGs build off the MS-DRG structure used by the Centers for Medicare & Medicaid Services (CMS) for Medicare inpatient reimbursement. Ingenix has generalized and enhanced the CMS methodology to make it applicable to all-payer (non-Medicare) patient populations. This classification system relies only on administrative data routinely collected by hospital abstracting and billing systems, and is appropriate for use with such diverse applications as per-case reimbursement, clinical performance measurement, provider profiling, and financial analysis.

### Severity adjustment using the APS-DRGs

Many government and commercial payers implement Medicare DRGs for reimbursement and analytic purposes. APS-DRGs offer a more powerful methodology for reimbursement and analysis of all-payer populations, while maintaining a consistent relationship with the more familiar CMS DRG structure by:

- Employing an alternate Neonatal Model for MDC 15 cases
- Reversing MS-DRG consolidations where clinically and statistically appropriate
- Applying pediatric (0-17) age splits where clinically and statistically appropriate
- Applying uniform three-level severity to all base DRGs

### The APS-DRG Neonatal Model

CMS has used seven DRGs since 1983 to classify newborns and neonates (MDC 15) and to reimburse for the costs of caring for newborns in the hospital. When it developed MS-DRGs, CMS simply carried those same seven DRGs forward without any significant change or revision.

While neonates are a relatively small part of the Medicare population, they are one of the most important segments of the population for which APS-DRGs are designed. For that reason, APS-DRGs replace the CMS neonatal model with a new classification system that groups newborns and neonates based on:

### Why use APS-DRGs?

- APS-DRGs offer the unique combination of applicability to all-payer (non-Medicare) patient populations and consistency with CMS MS-DRGs.
- The APS-DRG system is the most transparent grouper option for a proprietary, commercially available severity-DRG methodology.
- APS-DRG implementation requires limited retraining, resulting in limited impact on productivity, and lower implementation costs

- Discharge status (i.e., died or transferred)
- Presence of respiratory assistance or respiratory distress syndrome (two groups)
- Cases with no complications or comorbidities (CCs)
- Birthweight (four groups)

MDC 15 base categories are each further divided into three severity levels using:

- Length of stay for died/transferred groups (three levels)
- Birthweight for respiratory assist/distress groups and uncomplicated (non-CC) cases
- Neonatal severity class based on secondary diagnoses for birthweight groups

The result is a classification system with 27 terminal categories in MDC 15, rather than 7, and substantial improvement in the capacity of the system to explain variations in the cost of treating newborns and neonates. The emphasis on the neonatal model illustrates how the architects of APS-DRGs have focused on ensuring that customers have the tools that they need to pay appropriately for hospital services in a non-Medicare population using a prospective payment system that recognizes important clinical differences among cases.

### Components

Ingenix APS-DRGs are comprised of three components:

- The APS-DRGs Grouper is a resource-based methodology for classifying patients into meaningful clusters based upon the degree of complication or comorbid condition observed during a hospital stay.
- The APS-DRGs Weight File is a data set containing weights appropriate for use with the APS-DRGs Grouper; these weights are calculated by Ingenix using data derived from the nationally representative database.
- The APS-DRGs Definition Manual provides a comprehensive guide to grouping cases into APS-DRGs.

## Ingenix Prospective Payment Consulting

Implementing a new prospective payment system (PPS) or rebasing an existing one can be a complex process, but Ingenix PPS Consulting is there to help you every step of the way. The same experts who developed APS-DRGs are with you from initial assessment, planning and implementation through ongoing operations and maintenance. No one else in the industry offers such a comprehensive “turnkey” PPS solution.

## About Ingenix

Ingenix, a wholly owned subsidiary of UnitedHealth Group (NYSE: UNH), transforms organizations and improves health care through information and technology. Organizations rely on its innovative products, services, and consulting to improve the delivery and operations of their business. More information about Ingenix can be obtained at <http://www.ingenix.com>.

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