FY 2007 IPPS Overview: Comprehensive Changes in Effect for Inpatient Prospective Payment System

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The Inpatient Prospective Payment System (IPPS) final rule for fiscal year 2007 will prove challenging for inpatient providers. The rule (published in the August 18 *Federal Register* and available at www.access.gpo.gov/su_docs/fedreg/a060818c.html) includes some of the most comprehensive changes since the systems adoption on October 1, 1983.

While the Centers for Medicare and Medicaid Services (CMS) has adopted cost-based relative weights, the move to finalize severity-based diagnosis related groups (DRGs) has been postponed until fiscal year 2008. One new emerging technology application has also been approved. This article outlines the IPPS changes included in the final rule.

DRG Changes

CMS continues to include severity in DRG methodology changes. The final rule has added 20 new DRGs (12 medical and eight surgical) involving 13 different clinical areas that will improve the DRG systems recognition of severity. The new DRGs were developed through a combination of approaches, including:

- Subdividing existing DRGs using diagnosis codes
- Subdividing DRGs based on specific surgical procedures
- Selecting cases with specific diagnosis or procedure codes and assigning them to a new DRG that better accounts for their resource use and severity

Eight existing DRGs were deleted, and 32 were modified; 538 DRGs will now be included in IPPS. The increase in medical weights is 7.3 percent, while the decrease in surgical weights is 6.9 percent. The majority of the specific DRG changes are described in the table on the opposite page. See table 5 in the final rule for a complete listing.

In addition to the new DRGs, other revisions were made to the current DRG system and are highlighted in the table [below].

MDC Modifications

Some of the new modifications are outlined by MDC below.

Pre-MDCs

Pre-MDC changes in DRG 103 (Heart Transplant) will now include 37.63 (Replace External Heart Assist) and 37.64 (Explantation of Heart Assist) when the procedures occur during the same episode of care. DRG 513 (Pancreas Transplant) will continue to require a diabetes code as a principal or secondary diagnosis and 52.80 (Pancreatic Transplant) and 52.82 (Homotransplant of Pancreas). This DRG will no longer require a principal or secondary diagnosis of kidney disease.

MDC 1 (Nervous)

The MDC 1 revisions are straightforward and based on data analysis. New DRG 577 (Carotid Artery Stent Procedure) requires codes 00.61 and 00.63 to be classified into this DRG. Diagnosis code 433.30 may be reported in addition to 433.10, but not separately. If the fifth digit of 1 is reported with 433.1x or 433.3x, the claim will be rejected. Procedure codes for implantation of intracranial neurostimulator system for deep brain stimulation (02.93 and 86.95) will be reassigned to DRG 543 with new DRG title Craniotomy with Major Device Implant or Acute Complex CNS PDx.

MDC 4 (Respiratory)

The DRGs created from DRG 475 are driven by the mechanical ventilation codes. Procedure code 96.72 (Mechanical ventilator over 96 hours) with a respiratory system principal diagnosis will create DRG 565, while procedure codes 96.71 or 96.70 will create DRG 566.

MDC 5 (Circulatory)

The logic for the insertion of leads has been expanded to defibrillator leads. DRGs 515, 535, and 536 will now include the combinations of 37.74 and 00.54; 37.74 and 37.96; and 37.74 and 37.98, respectively.

MDC 6 (Digestive)

CMS has introduced severity into this MDC. Major esophageal disorders, gastrointestinal disorders, and peritoneal infections will be removed from DRGs 174, 175, 182, 183, 184, 188, 189, and 190 to create DRGs 571 and 572. Some examples of major esophageal disorders include tuberculosis of the esophagus, candidal esophagitis, esophageal varices, Mallory-Weiss tear, and perforated esophagus. Examples of major gastrointestinal disorder and peritoneal infections include cholera, salmonella, food poisoning, intestinal infections, tuberculous peritonitis, acute appendicitis with peritonitis, and retroperitoneal abscess. For a detailed listing of the codes, please refer to the table included in the *Federal Register*.

MDC 8 (Musculoskeletal/Connective Tissue)

The following procedure codes were removed from DRG 471 (Bilateral or Multiple Major Joint Procedures of Lower Extremity) because they do not describe bilateral or multiple major joints: 00.71, 00.72, 00.73, 00.81, 00.82, 00.83, 00.84, 81.53, and 81.55. These procedures will now be classified to DRG 545.

MDC 11 (Urinary Tract)

The major bladder procedures have been removed from DRGs 303, 304, 305, 308, and 309. See the list of codes in the *Federal Register*. These ICD-9-CM codes will create DRG 573.

MDC 16 (Blood/Immunological)

CMS has introduced severity by removing major hematological and immunological diagnoses from DRGs 395, 396, 398, and 399 to create DRG 574.

MDC 18 (Infectious/Parasitic)

DRGs 415 and 416 have been deleted and four new DRGs created. DRG 578 and DRG 579 will be determined based on the principal diagnosis assigned and an operative procedure. DRG 579 is driven by principal diagnosis codes 958.3 (Post-traumatic wound infection NEC), 998.51 (Infected postoperative seroma), 998.59 (Other postoperative infection), and 999.3 (Infection complicating medical care NEC). DRGs 575 and 576 will be assigned based on the presence or absence of 96.72 with septicemia.

Surgical Hierarchy Changes

Every year CMS analyzes the surgical hierarchy that delineates the order in which procedures will be classified. For 2007, the changes are listed in the *Federal Register* starting on page 47955.

Changes to DRGs 468, 476, 477

Codes 04.92 (Implantation or replacement of peripheral neurostimulator lead(s)) and 86.96 (Insertion or replacement of other neurostimulator pulse generator) have been removed from DRG 468 to DRG 479 (Other Vascular Procedures w/o CC) and

DRGs 553554 (Other Vascular Procedures w/ CC w/ and w/o Major Cardiovascular (CV) Diagnosis).

Medicare Code Editor Update

The new ICD-9-CM codes for fiscal year 2007 have been added to the appropriate Medical Code Editor edits. In addition, 780.92 has been included in the newborn diagnosis edit (age = 0). Code 84.65 and age <=61 has been added to the noncovered procedures edit.

Emerging Technology

There are three add-on payments for new technologies for FY07. Two technologies (GORETAG and Restore) were continued from last year. The new X-STOP Interspinous Process Decompression System (84.58) has been approved with a maximum additional reimbursement of $4,400. The approved X-STOP device is inserted between the spinous processes of adjacent vertebrae in order to provide a minimally invasive alternative to conservative treatment (exercise and physical therapy) and invasive surgery (spinal fusion).

Selected DRG Changes, FY07

New DRG	Deleted or Modified DRG
560 Bacterial and Tuberculosis Infections of Nervous System **561** Nonbacterial Infections of Nervous System Except Viral Meningitis	Deleted: DRG 20
562 Seizure age > 17 w/ CC **563** Seizure age > 17 w/o CC **564** Headache age > 17	Deleted: DRG 24/25
565 Respiratory System Diagnosis w/ Ventilator Support 96+ Hours **566** Respiratory System Diagnosis w/ Ventilator Support < 96 Hours	Deleted: DRG 475
567 Stomach, Esophageal, & Duodenal Proc Age > 17 w/ CC w/ Major GI Diagnosis **568** Stomach, Esophageal, & Duodenal Proc Age > 17 w/ CC w/o Major GI Diagnosis	Deleted: DRG 154
569 Major Small & Large Bowel Procedures w/ CC w/ Major GI Diagnosis **570** Major Small & Large Bowel Procedures w/ CC w/o Major GI Diagnosis	Deleted: DRG 148
571 Major Esophageal Disorder **572** Major Gastrointestinal Disorder and Peritoneal Infections	Modified (certain diagnosis codes removed to form new DRGs): DRGs 174, 175, 182, 183, 184, 188, 189, 190
573 Major Bladder Procedures	Modified (certain procedure codes removed to form new DRG and renamed existing DRGs): title change to DRGs 303, 304, 305 Modified (certain procedure codes removed to form new DRGs with no name change): DRGs 308, 309
574 Major Hematological/Immunologic Diagnoses Except Sickle Cell Crisis and Coagulation Disorders	Modified (certain diagnosis codes removed to form new DRG): DRGs 395, 396, 398, 399

575 Septicemia w/Mechanical Ventilator 96+ Hours Age > 17 **576** Septicemia w/o Mechanical Ventilator 96+ Hours Age > 17	Deleted: DRG 416
577 Carotid Artery Stent Procedures	Modified (certain procedure codes removed to form new DRGs): DRGs 533 and 534
578 Infectious/Parasitic Diagnoses with OR Procedure **579** Postoperative/Post-traumatic Infections with OR Procedure	Deleted: DRG 415
Additional DRGs Modified	**Modification**
103 Heart Transplant or Implant of Heart Assist System	Added procedure code to identify external heart systems
479 Other Vascular Procedures w/o CC	Added two procedure codes from DRG 468
513 Pancreas Transplant	Removed codes to be consistent with the national coverage determination regarding pancreas transplant alone
515 Cardiac Defibrillator Implant w/o Cardiac Cath **535** Cardiac Defibrillator Implant w/ Cardiac Cath w/ AMI/HF/Shock **536** Cardiac Defibrillator Implant w/ Cardiac Cath w/o AMI/HF/Shock	Added combination codes to identify defibrillator leads
543 Craniotomy with Major Device Implant or Acute Complex CNS Principal Diagnosis (title change)	Added codes that were moved from DRG 1 Craniotomy Age > 17 w/ CC and DRG 2 Craniotomy Age > 17 w/o CC
545 Revision of Hip or Knee Replacement	Added codes moved from DRG 471
553 Other Vascular Procedures w/ CC w/ Major CV Diagnosis	Added two procedure codes from DRG 468
554 Other Vascular Procedures w/ CC w/o Major CV Diagnosis	Added two procedure codes from DRG 468

Reference

Centers for Medicare and Medicaid Services. Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2007 Rates. Available online at www.cms.hhs.gov/AcuteInpatientPPS/downloads/cms1488f.pdf.

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