



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

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DIRECTOR

MEMORANDUM

DATE: May 28, 2024
TO: Executive Directors of Prepaid Inpatient Health Plans
FROM: Jackie Sproat, Director *JS*
Division of Contracts and Quality Management
SUBJECT: Psychiatric Inpatient Tiered Rates

In FY19, the legislature put forth language that was signed into law to move towards a tiered rate system for psychiatric inpatient care. PA 27 2019, Sec. 1513. (1) The department shall participate in a workgroup to determine an equitable and adequate reimbursement methodology for Medicaid inpatient psychiatric hospital care. Since then, legislative and executive branches have continued to support this effort each year. In FY24, House bill 4437 Section 1815 continued support and provided \$8M GF to fund tiered rates.

MDHHS is providing this memorandum as notice to PIHPs regarding the implementation of Psychiatric Inpatient Tiered Rates. MDHHS expects tiered rate modifiers will begin to be reported on encounters starting July 1, 2024, in preparation for paying tiered rates starting October 1, 2024, pending federal review and approval.

Psychiatric Inpatient Tiered Rate Modifiers:

Effective July 1, 2024, there will be four new modifiers for inpatient psychiatric stays; these can be reported as early as April 1, 2024, but will not be required until July 1, 2024. For contracts where physician services are unbundled (i.e., not using 0100 revenue code), reporting will be required starting at a later date.

Modifier	Description
V1	Demonstration Modifier: Tier 1 – Normal staffing level
V2	Demonstration Modifier: Tier 2 – 2:1 staffing ratio
V3	Demonstration Modifier: Tier 3 – 1:1 staffing ratio
V4	Demonstration Modifier: Tier 4 – 1:2 staffing ratio

Staffing ratios represent Patients:Hospital Staff

Which code/service would these modifiers be reported on?

- Revenue Code 0100.
 - Revenue code 0100 is an all-inclusive rate for room and board plus ancillary services, including payment for both the hospital and physician service.
 - The bundling of physician services is required beginning at a later date, which may lead to some other IP Psych revenue codes being removed from the code sets.

Purpose/Goal of Psychiatric Inpatient Tiered Rates:

The goal of the proposed tiered rate methodology is to provide a standardized approach to payment increases that incentivize the provision of inpatient psychiatric services with enhanced staffing levels and improved access to care.

Tier assignment:

- Tiered rates will be assigned to each patient day without an hours threshold. Multiple days can be reported on the same claim line if staffing ratios are consistent during the span. Encounter claims should include multiple claim lines if multiple rate tiers are needed.

Covered days:

- The number of covered days applicable for each tiered rate would be based on the service to date less the service from date (subject to payor approval).
- Covered days would be reported at the claim detail line level, along with revenue code, revenue code modifier (V1-V4), and service date to allow for multiple per diem rate tiers to be billed for the same patient stay.

Validation:

- MDHHS proposes that the PIHP/CMHSP payor validate the initial placement of patients into tiers:
 - Patients can move to higher or lower rate tiers based on a physician order, with the physician order being used as documentation.
 - MDHHS continues to propose PIHPs and CMHSPs validate the initial placement of patients into higher rate tiers and maintaining the concurrent review process with current policies.

Psychiatric Inpatient Tiered Rates:

Psychiatric Inpatient Tiered Rates will not be implemented until October 1, 2024, pending federal review and approval. MDHHS intends to share the tiered rate fee schedule later this month. Effective October 1, 2024, PIHP (or subcontracted CMHSP) must pay no less than the state defined minimum rates for inpatient psychiatric services. Additionally, MDHHS has received questions regarding 3rd party payors. The tiered rates minimums apply to Medicaid only.

cc: Kristen Jordan, MDHHS
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