

# Example of medicaid reimbursement and health information management research pape...

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## Introduction

Medicaid, which is the nineteenth title of the Social Security Act in the U. S., is a dual state-federal program to finance healthcare services for specific portions of the population earning low income under rules disseminated by the federal government (Casto, & Layman, 2006). This paper presents an overview of Inpatient reimbursement approaches of the Illinois state Medicaid program, which is made up of close to 13 billion dollar programs or 25% of the state's running budget. An estimation of 50% of the overall budget is typically underwritten by the federal government hence the state contributes less than 7 billion dollars. Medicaid is administered by the state and funded by the federal government. The federal government matches state expenditures with a reimbursement rate ranging from 50% to 83%, depending on a state's wealth. Approximately two million residents of Illinois, which is a nearly a fifth of the total Illinois population, receive the Medicaid services. Medicaid also provides the prime medical coverage to more than one person out of six of the Illinois' residents (Illinois Department of Healthcare and Family Services, 2010).

Medicaid is an extension of the federal government programs which started after the Second World War to give aid and enhance health care services for the impoverished. In the year 1965 congressional cohorts of intensifying these programs capitalized in the conception of Medicare, the elderly's health insurance program, to also form the program, Medicaid. Largely an addendum, Medicaid became operational without the advantage of a single obvious congressional hearing. Local or States governments, however, swiftly took advantage of the program. Medicaid program in all the states in

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the U. S, presently institutes the majority percentage of the state expenditure, hence is classically a key basis of contention.

The eligibility of an individual for Medicaid is weighed by both state and federal law. The federal government dictates the selection of eligible groups of people and the range of services to be covered, but the state governments are provided with the flexibility to widen the access to additional groups and to cover supplementary benefits. Since Medicaid programs are operated by states, they vary extensively in their eligibility criteria, service coverage, reimbursement methods, and the general generosity to both providers and recipients.

### **In patient reimbursement systems**

The inpatient hospital services in Illinois are defined as the health care services usually offered by approved general hospitals, although does not include some inpatient services for which specific participation requirements are necessitated. The general inpatient services includes surgical, medical, orthopedic, paediatric, intensive care services, maternity and many others. Inpatient services are enclosed when the medical necessity of the patient for healthcare services on the mode of inpatient are documented (Illinois Department of Healthcare and Family Services, 2010). If surgery is performed, the provider must indicate the attending physician and the operating surgeon identification numbers on the institutional claim form. The inpatient service reimbursement is inclusive of everything; if upon realizing the need to transfer an inpatient to an improved facility, the hospital will be responsible for the payment of the specialized or additional

services offered by the other hospital. The parent hospital should ascertain the adjuvant services done at the referred hospital and indicate the charges on the inpatient claim. The other hospital is not in a position to claim reimbursement for the adjuvant services rendered. The inpatient reimbursement system also directs that the day a patient initiates a leave of absence should be treated as the discharge date and should not be enclosed as the number of days the inpatient services were rendered unless the patient returns to the facility before the end of the day; midnight. The aggregated number of days that charges can be billed on should not exceed the number of days sanctioned by the legitimate utilization review authority.

The Inpatient payments in Illinois State include two methods of reimbursement that is, the per diem and diagnosis related groups (DRGs).

## **Per Diem reimbursement**

Per Diem is a restricted type of future payment method. The health care service provider hospital is reimbursed with a static rate for every day a covered individual is hospitalized, by a third part payer (Illinois Department of Healthcare and Family Services, 2010). The per-diem payment strategy has been applied to reimburse hospitals for inpatient hospital services. The reimbursing party sets the per-diem tariffs using historical data. In order to establish a per diem rate, the aggregate costs for the entire inpatient services for the residents during a given time are divided by the summation of the days stayed in hospital. To arrive at the payment, the number if day the population is hospitalized is multiplied by the per diem rate.

With the per diem approach, health care providers are awarded with flat rate

for each day, they provide inpatient services. The per-diem payment method has been in the centre of great criticism with the contention being that it encourages inpatient service providers to raise the number of inpatients, to prolong their stay periods the lengths of stay, resulting in increased reimbursements.

Another prospective payment approach, drug related group approach, corrects the flaws perceived in the per-diem reimbursement strategy. With DRG, the inpatient service provider is reimbursed basing on the procedure and diagnoses done on a patient during the hospital stay. The diagnoses related to the hospital stay are categorized into groups necessitating a comparable intensity of services (Illinois Department of Healthcare and Family Services, 2010).

The DRG or Case based reimbursement is centred on the average charge of providing services for an explicit diagnosis class or group, irrespective the period a patient may have actually stayed in the hospital. However adjustments are specifically done for extremely long stays or outstandingly high costs. The Illinois department of health care and family services also pays inpatient service providers for the principal costs related to the stay of the Medicaid inpatient stay.

## **Improvement strategies**

In order to ensure accuracy and compliance within the Medicaid program, it is essential to pursue a coordinated strategy. Medicaid concerns spans all budgetary groups. Therefore, it is necessary to ensure that actions which would enhance the quality of healthcare for patients and develop a total

reduction in budgetary expenditures are not choked because they might increase another category of expenditures. It is recommended to implement a greater transparency mechanism for the Medicaid reporting in the State. The Medicaid budget is challenging to understand since it encompasses changes in eligibility standards, payment cycles and inflation-related adjustments created on prevailing programs (Illinois Department of Healthcare and Family Services, 2010).

The fact that taxpayers, legislators and other interested persons presently lack comprehensive data on the Medicaid program inclines to offer too much control to

Health care service providers, who understand the concerns better. To counter these concerns it is necessary to produce an annual report to these interested parties which is more comprehensive and more rigorous (Casto, & Layman, 2006). Particular data rudiments need to be explicitly prescribed in order to advance a consistent and meaningful information base. At the least, this report should contain the liabilities, expenditures, enrolment and comparisons to the other states.

It should also offer current data and past data showing the change in trends with time. A consistent listing of the changes in policy, an elucidation of the changes in expenditure and a description of how several sources of funding interrelate to produce the total state expenditures should be provided to ensure transparency in the provision of health care. The health care manager should also offer an opportunity for an unbiased group of professionals to evaluate and counter the report as it would be beneficial to the provision of good health care.

## **References**

Casto, A. B. & Layman, E. (2006). *Principles of Healthcare Reimbursement*. Chicago, Illinois: American Health Information Management Association.

Illinois Department of Healthcare and Family Services (2010). *Handbook for Providers of Hospital Services: Chapter H- 200 Policy and Procedures for Hospital Services*. Springfield, Illinois: Illinois Department of Human Services.