

**REPORT FOR
-- (STERILIZED) --
OF
PROJECTED IMPACT
UTILIZING 08 CMS
V25 DRG (MS-DRG) RULES
WITHOUT INTERVENTION**

PREPARED
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ASSESSMENT OF
-- (STERILIZED) --
PROJECTED IMPACT UTILIZING
08 CMS V25 DRG (MS-DRG) RULES

By: The Fairmont Group, LLC
 (Reviewing 7/1/06-6/30/07 data)



Objective:

Review of -- (STERILIZED) -- DRG data to assess potential impact of recent MS-DRG changes.

Method:

The top 13 DRGs for -- (STERILIZED) -- based on volume from 12 months data (7/1/06-6/30/07) was determined. The expected conversion of DRGs from CMS V24 DRG to CMS V25 DRG (MS-DRG) utilizing the published CMS Crosswalk without adequate training and intervention was established. The expected conversion of DRGs from CMS V24 DRG to CMS V25 DRG (MS-DRG) utilizing the published CMS Crosswalk with adequate training and intervention was also established. The projected payment based on CMS V24 DRG weights and an average hospital specific rate as well as the payment based on the current CMS V25 DRG (MS-DRG) weights and the same average hospital specific rate was then calculated for each scenario.

Analysis:

Based on the analysis outlined in this report, without the proper training, oversight and intervention -- (STERILIZED) -- will be negatively impacted by the new MS-DRG system by \$237,950.87. Utilizing our proprietary tools and education methods, the Fairmont Group believes that under the new MS-DRG system, -- (STERILIZED) -- can actually increase payments by \$17,895.17 and avoid the potential loss of \$237,950.87. The total impact would then result in a \$220,055.70 potential gain as a result of our intervention techniques.

Note:

This report was prepared by The Fairmont Group, LLC at no cost.

Top DRGs by frequency:

DRG	Freq	Rank
89	49	1
88	36	2
127	27	3
182	17	4
174	15	5
316	15	6
320	14	7
143	12	8
79	11	9
138	11	10
296	11	11
14	8	12
544	7	13

This represents 233 of the total 385 DRGs (61.5%) documented in the 12 months data.

CMS V24 DRG information for top 13 DRGs:

DRG	FY 07 final rule post-acute care DRG	FY 07 final rule special pay DRG	MDC	TYPE	DRG title	Weights	Geometric Mean LOS
89	Yes	No	04	MED	SIMPLE PNEUMONIA & PLEURISY AGE >17 W CC	1.0376	4.6
88	No	No	04	MED	CHRONIC OBSTRUCTIVE PULMONARY DISEASE	0.8878	4
127	Yes	No	05	MED	HEART FAILURE & SHOCK	1.049	4.1
182	No	No	06	MED	ESOPHAGITIS, GASTROENT & MISC DIGEST DISORDERS AGE >17 W CC	0.7853	3.2
174	No	No	06	MED	G.I. HEMORRHAGE W CC	1.0296	3.8
316	Yes	No	11	MED	RENAL FAILURE	1.2602	4.8
320	Yes	No	11	MED	KIDNEY & URINARY TRACT INFECTIONS AGE >17 W CC	0.8769	4.1
143	No	No	05	MED	CHEST PAIN	0.5637	1.7
79	Yes	No	04	MED	RESPIRATORY INFECTIONS & INFLAMMATIONS AGE >17 W CC	1.6268	6.7
138	No	No	05	MED	CARDIAC ARRHYTHMIA & CONDUCTION DISORDERS W CC	0.8365	3
296	Yes	No	10	MED	NUTRITIONAL & MISC METABOLIC DISORDERS AGE >17 W CC	0.8334	3.6
14	Yes	No	01	MED	INTRACRANIAL HEMORRHAGE OR CEREBRAL INFARCTION	1.2118	4.3
544	Yes	No	08	SURG	MAJOR JOINT REPLACEMENT OR REATTACHMENT OF LOWER EXTREMITY	1.9878	4

CMS Crosswalks for CMS V24 DRG to CMS V25 DRG (MS-DRG) conversion based on top 13 DRGs:

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
089	04	M	193	Simple pneumonia & pleurisy w MCC
090			194	Simple pneumonia & pleurisy w CC
091			195	Simple pneumonia & pleurisy w/o CC/MCC

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
088	04	M	190	Chronic obstructive pulmonary disease w MCC
			191	Chronic obstructive pulmonary disease w CC
			192	Chronic obstructive pulmonary disease w/o CC/MCC

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
127	05	M	291	Heart failure & shock w MCC
			292	Heart failure & shock w CC
			293	Heart failure & shock w/o CC/MCC

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
182	06	M	391	Esophagitis, gastroent & misc digest disorders w MCC
183			392	Esophagitis, gastroent & misc digest disorders w/o MCC
184				

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
174	06	M	377	G.I. hemorrhage w MCC
175			378	G.I. hemorrhage w CC
			379	G.I. hemorrhage w/o CC/MCC

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
316	11	M	682	Renal failure w MCC
			683	Renal failure w CC
			684	Renal failure w/o CC/MCC

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
320	11	M	689	Kidney & urinary tract infections w MCC
321			690	Kidney & urinary tract infections w/o MCC
322				

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
143	05	M	313	Chest pain

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
079	04	M	177	Respiratory infections & inflammations w MCC
080			178	Respiratory infections & inflammations w CC
081			179	Respiratory infections & inflammations w/o CC/MCC

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
138	05	M	308	Cardiac arrhythmia & conduction disorders w MCC
139			309	Cardiac arrhythmia & conduction disorders w CC
			310	Cardiac arrhythmia & conduction disorders w/o CC/MCC

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
296	10	M	640	Nutritional & misc metabolic disorders w MCC
297			641	Nutritional & misc metabolic disorders w/o MCC
298				

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
014	01	M	064	Intracranial hemorrhage or cerebral infarction w MCC
			065	Intracranial hemorrhage or cerebral infarction w CC
			066	Intracranial hemorrhage or cerebral infarction w/o CC/MCC

CMS V24	mdc	medsurg	MS v25	MS-DRG Descriptions
544	08	S	469	Major joint replacement or reattachment of lower extremity w MCC
			470	Major joint replacement or reattachment of lower extremity w/o MCC

Projected payment based on CMSV24 DRG weights and an average hospital specific rate without conversion (\$1,360,069.60):

							Hosp Spec Rate: \$ 5,720.90		
DRG	FY 07 final rule post - acute care DRG	FY 07 final rule special pay DRG	MDC	TYPE	DRG title	Weights	Geometric Mean LOS	Payment all cases based on Hosp Spec Rate	
89	Yes	No	04	MED	SIMPLE PNEUMONIA & PLEURISY AGE >17 W CC	1.03760	4.6	\$ 290,864.29	
88	No	No	04	MED	CHRONIC OBSTRUCTIVE PULMONARY DISEASE	0.88780	4.0	\$ 182,844.54	
127	Yes	No	05	MED	HEART FAILURE & SHOCK	1.04900	4.1	\$ 162,033.05	
182	No	No	06	MED	ESOPHAGITIS, GASTROENT & MISC DIGEST DISORDERS AGE >17 W CC	0.78530	3.2	\$ 76,374.59	
174	No	No	06	MED	G.I. HEMORRHAGE W CC	1.02960	3.8	\$ 88,353.58	
316	Yes	No	11	MED	RENAL FAILURE	1.26020	4.8	\$ 108,142.17	
320	Yes	No	11	MED	KIDNEY & URINARY TRACT INFECTIONS AGE >17 W CC	0.87690	4.1	\$ 70,233.20	
143	No	No	05	MED	CHEST PAIN	0.56370	1.7	\$ 38,698.46	
79	Yes	No	04	MED	RESPIRATORY INFECTIONS & INFLAMMATIONS AGE >17 W CC	1.62680	6.7	\$ 102,374.36	
138	No	No	05	MED	CARDIAC ARRHYTHMIA & CONDUCTION DISORDERS W CC	0.83650	3.0	\$ 52,640.86	
296	Yes	No	10	MED	NUTRITIONAL & MISC METABOLIC DISORDERS AGE >17 W CC	0.83340	3.6	\$ 52,445.78	
14	Yes	No	01	MED	INTRACRANIAL HEMORRHAGE OR CEREBRAL INFARCTION	1.21180	4.3	\$ 55,460.69	
544	Yes	No	08	SURG	MAJOR JOINT REPLACEMENT OR REATTACHMENT OF LOWER EXTREMITY	1.98780	4.0	\$ 79,604.04	
							07 TOTAL		\$ 1,360,069.60

CMS V25 DRG (MS-DRG) information for conversion without adequate training and intervention utilizing an average hospital specific rate (\$1,222,118.73):

							Hosp Spec Rate: \$ 5,720.90		
MS-DRG	FY08 Final Rule Post-Acute DRG	FY08 Final Rule Special Pay DRG	MDC	TYPE	MS-DRG Title	Weights	Geometric Mean LOS	Payment all cases based on Hosp Spec Rate	
066	Yes	No	01	MED	Intracranial hemorrhage or cerebral infarction w/o CC/MCC	1.03028	3.1	\$ 47,152.89	
179	Yes	No	04	MED	Respiratory infections & inflammations w/o CC/MCC	1.27536	4.6	\$ 80,258.52	
192	Yes	No	04	MED	Chronic obstructive pulmonary disease w/o CC/MCC	0.81448	3.4	\$ 167,744.36	
195	Yes	No	04	MED	Simple pneumonia & pleurisy w/o CC/MCC	0.83977	3.5	\$ 235,406.69	
293	Yes	No	05	MED	Heart failure & shock w/o CC/MCC	0.87648	3.1	\$ 135,384.38	
310	No	No	05	MED	Cardiac arrhythmia & conduction disorders w/o CC/MCC	0.64388	2.3	\$ 40,519.13	
379	Yes	No	06	MED	G.I. hemorrhage w/o CC/MCC	0.84756	2.9	\$ 72,732.28	
392	No	No	06	MED	Esophagitis, gastroent & misc digest disorders w/o MCC	0.71206	2.8	\$ 69,252.00	
470	Yes	No	08	SURG	Major joint replacement or reattachment of lower extremity w/o MCC	1.98713	3.7	\$ 79,577.16	
641	Yes	No	10	MED	Nutritional & misc metabolic disorders w/o MCC	0.72483	3.1	\$ 45,613.75	
684	Yes	No	11	MED	Renal failure w/o CC/MCC	0.98355	3.1	\$ 84,401.51	
690	Yes	No	11	MED	Kidney & urinary tract infections w/o MCC	0.80003	3.6	\$ 64,076.09	
							TOTAL		\$ 1,222,118.73

CMS V25 DRG (MS-DRG) information for conversion with adequate training and intervention utilizing an average hospital specific rate \$1,342,174.44):

MS-DRG	FY08 Final Rule Post-Acute DRG	FY08 Final Rule Special Pay DRG	MDC	TYPE	MS-DRG Title	Hosp Spec Rate:		Payment all cases based on Hosp Spec Rate
						Weights	Geometric Mean LOS	
064	Yes	No	01	MED	Intracranial hemorrhage or cerebral infarction w MCC	1.54702	5.6	\$ 35,401.33
065	Yes	No	01	MED	Intracranial hemorrhage or cerebral infarction w CC	1.19007	4.3	\$ 6,808.26
066	Yes	No	01	MED	Intracranial hemorrhage or cerebral infarction w/o CC/MCC	1.03028	3.1	\$ 17,682.33
177	Yes	No	04	MED	Respiratory infections & inflammations w MCC	1.84439	7.2	\$ 63,309.37
178	Yes	No	04	MED	Respiratory infections & inflammations w CC	1.56358	6.0	\$ 26,835.34
179	Yes	No	04	MED	Respiratory infections & inflammations w/o CC/MCC	1.27536	4.6	\$ 14,592.46
190	Yes	No	04	MED	Chronic obstructive pulmonary disease w MCC	1.11385	5.1	\$ 76,466.35
191	Yes	No	04	MED	Chronic obstructive pulmonary disease w CC	0.94052	4.2	\$ 32,283.74
192	Yes	No	04	MED	Chronic obstructive pulmonary disease w/o CC/MCC	0.81448	3.4	\$ 83,872.18
193	Yes	No	04	MED	Simple pneumonia & pleurisy w MCC	1.25051	5.5	\$ 100,156.74
194	Yes	No	04	MED	Simple pneumonia & pleurisy w CC	1.02345	4.5	\$ 128,811.41
195	Yes	No	04	MED	Simple pneumonia & pleurisy w/o CC/MCC	0.83977	3.5	\$ 62,454.84
291	Yes	No	05	MED	Heart failure & shock w MCC	1.25850	5.1	\$ 57,598.07
292	Yes	No	05	MED	Heart failure & shock w CC	1.01338	4.1	\$ 57,974.26
293	Yes	No	05	MED	Heart failure & shock w/o CC/MCC	0.87648	3.1	\$ 45,128.13
308	No	No	05	MED	Cardiac arrhythmia & conduction disorders w MCC	1.08412	4.3	\$ 37,213.02
309	No	No	05	MED	Cardiac arrhythmia & conduction disorders w CC	0.82332	3.1	\$ 14,130.39
310	No	No	05	MED	Cardiac arrhythmia & conduction disorders w/o CC/MCC	0.64388	2.3	\$ 7,367.11
377	Yes	No	06	MED	G.I. hemorrhage w MCC	1.33671	5.0	\$ 15,294.37
378	Yes	No	06	MED	G.I. hemorrhage w CC	1.01952	3.7	\$ 40,828.03
379	Yes	No	06	MED	G.I. hemorrhage w/o CC/MCC	0.84756	2.9	\$ 29,092.91
391	No	No	06	MED	Esophagitis, gastroent & misc digest disorders w MCC	0.95646	4.1	\$ 21,887.28
392	No	No	06	MED	Esophagitis, gastroent & misc digest disorders w/o MCC	0.71206	2.8	\$ 52,957.41
469	Yes	No	08	SURG	Major joint replacement or reattachment of lower extremity w MCC	2.66641	7.1	\$ 15,254.26
470	Yes	No	08	SURG	Major joint replacement or reattachment of lower extremity w/o MCC	1.98713	3.7	\$ 68,208.99
640	Yes	No	10	MED	Nutritional & misc metabolic disorders w MCC	0.97930	4.1	\$ 22,409.83
641	Yes	No	10	MED	Nutritional & misc metabolic disorders w/o MCC	0.72483	3.1	\$ 29,026.93
682	Yes	No	11	MED	Renal failure w MCC	1.46636	5.3	\$ 50,333.56
683	Yes	No	11	MED	Renal failure w CC	1.19417	4.5	\$ 54,653.67
684	Yes	No	11	MED	Renal failure w/o CC/MCC	0.98355	3.1	\$ 5,626.77
689	Yes	No	11	MED	Kidney & urinary tract infections w MCC	1.05867	5.0	\$ 18,169.60
690	Yes	No	11	MED	Kidney & urinary tract infections w/o MCC	0.80003	3.6	\$ 50,345.50
TOTAL								\$ 1,342,174.44

Assessment:

DRG assignment and projected payment using 07 CMS V24 DRG Rules: \$ 1,360,069.60
 DRG assignment and projected payment using 08 CMS V25 DRG (MS-DRG) Rules WITHOUT intervention: \$ 1,122,118.73
 Projected LOSS using 08 CMS V25 DRG (MS-DRG) Rules WITHOUT intervention: \$ (237,950.87)

DRG assignment and projected payment using 07 CMS V24 DRG Rules: \$ 1,360,069.60
 DRG assignment and projected payment using 08 CMS V25 DRG (MS-DRG) Rules WITH intervention: \$ 1,342,174.44
 Projected LOSS using 08 CMS V25 DRG (MS-DRG) Rules WITH intervention: \$ (17,895.17)

Total projected impact using 08 CMS V25 DRG (MS-DRG) Rules WITHOUT intervention: \$ (220,055.70)