

resources used to treat cases in all DRGs.

Congress recognized that it would be necessary to recalculate the DRG relative weights periodically to account for changes in resource consumption. Accordingly, section 1886(d)(4)(C) of the Act requires that the Secretary adjust the DRG classifications and relative weights at least annually. These adjustments are made to reflect changes in treatment patterns, technology, and any other factors that may change the relative use of hospital resources. Changes to the DRG classification system and the recalibration of the DRG weights for discharges occurring on or

after October 1, 2003 are discussed below.

#### *B. DRG Reclassification*

##### 1. General

Cases are classified into DRGs for payment under the IPPS based on the principal diagnosis, up to eight additional diagnoses, and up to six procedures performed during the stay. In a small number of DRGs, classification is also based on the age, sex, and discharge status of the patient. The diagnosis and procedure information is reported by the hospital using codes from the International

Classification of Diseases, Ninth Revision, Clinical Modification (ICD-9-CM).

For FY 2003, cases are assigned to one of 510 DRGs in 25 major diagnostic categories (MDCs). Most MDCs are based on a particular organ system of the body. For example, MDC 6 is Diseases and Disorders of the Digestive System. This approach is used because clinical care is generally organized in accordance with the organ system affected. However, some MDCs are not constructed on this basis because they involve multiple organ systems (for example, MDC 22 (Burns)). The table below lists the 25 MDCs.

	Major diagnostic categories
1 .....	Diseases and Disorders of the Nervous System.
2 .....	Diseases and Disorders of the Eye.
3 .....	Diseases and Disorders of the Ear, Nose, Mouth, and Throat.
4 .....	Diseases and Disorders of the Respiratory System.
5 .....	Diseases and Disorders of the Circulatory System.
6 .....	Diseases and Disorders of the Digestive System.
7 .....	Diseases and Disorders of the Hepatobiliary System and Pancreas.
8 .....	Diseases and Disorders of the Musculoskeletal System and Connective Tissue.
9 .....	Diseases and Disorders of the Skin, Subcutaneous Tissue and Breast.
10 .....	Endocrine, Nutritional and Metabolic Diseases and Disorders.
11 .....	Diseases and Disorders of the Kidney and Urinary Tract.
12 .....	Diseases and Disorders of the Male Reproductive System.
13 .....	Diseases and Disorders of the Female Reproductive System.
14 .....	Pregnancy, Childbirth, and the Puerperium.
15 .....	Newborns and Other Neonates with Conditions Originating in the Perinatal Period.
16 .....	Diseases and Disorders of the Blood and Blood Forming Organs and Immunological Disorders.
17 .....	Myeloproliferative Diseases and Disorders and Poorly Differentiated Neoplasms.
18 .....	Infectious and Parasitic Diseases (Systemic or Unspecified Sites).
19 .....	Mental Diseases and Disorders.
20 .....	Alcohol/Drug Use and Alcohol/Drug Induced Organic Mental Disorders.
21 .....	Injuries, Poisonings, and Toxic Effects of Drugs.
22 .....	Burns.
23 .....	Factors Influencing Health Status and Other Contacts with Health Services.
24 .....	Multiple Significant Trauma.
25 .....	Human Immunodeficiency Virus Infections.

In general, cases are assigned to an MDC based on the patient's principal diagnosis before assignment to a DRG. However, for FY 2003, there are eight DRGs to which cases are directly assigned on the basis of ICD-9-CM procedure codes. These DRGs are for heart, liver, bone marrow, lung, simultaneous pancreas/kidney, and pancreas transplants (DRGs 103, 480, 481, 495, 512, and 513, respectively) and for tracheostomies (DRGs 482 and 483). Cases are assigned to these DRGs before they are classified to an MDC.

Within most MDCs, cases are then divided into surgical DRGs and medical DRGs. Surgical DRGs are based on a hierarchy that orders operating room (O.R.) procedures or groups of O.R. procedures by resource intensity.

Medical DRGs generally are differentiated on the basis of diagnosis and age (less than or greater than 17 years of age). Some surgical and medical DRGs are further differentiated based on the presence or absence of a complication or a comorbidity (CC).

Generally, nonsurgical procedures and minor surgical procedures that are not usually performed in an operating room are not treated as O.R. procedures. However, there are a few non-O.R. procedures that do affect DRG assignment for certain principal diagnoses, for example, extracorporeal shock wave lithotripsy for patients with a principal diagnosis of having urinary stones.

Patient's diagnosis, procedure, discharge status, and demographic

information is fed into the Medicare claims processing systems and subjected to a series of automated screens called the Medicare Code Editor (MCE). The MCE screens are designed to identify cases that require further review before classification into a DRG.

After patient information is screened through the MCE and any further development of the claim is conducted, cases are classified into the appropriate DRG by the Medicare GROUPER software program. The GROUPER program was developed as a means of classifying each case into a DRG on the basis of the diagnosis and procedure codes and, for a limited number of DRGs, demographic information (that is, sex, age, and discharge status).