

State of Maryland Adopts 3M APR-DRG Classification System for Payment of Healthcare Services by All Payers

3M APR-DRG Classification System Will Replace Medicare DRGs as Maryland's Payment Methodology

3M Health Information Systems Division announced today that the Maryland Health Services Cost Review Commission (HSCRC) has selected its proprietary 3M APR-DRG classification system as the State of Maryland's methodology for determining payment of hospital acute care services. Maryland hospitals will be paid by all payers, including Medicare, Medicaid and third-party insurers, according to a new payment model that uses the 3M APR-DRG classification system to classify patients and determine payment rates.

According to Richard Averill, director of clinical and economic research for 3M Health Information Systems, the 3M APR-DRG classification system allows for precise and accurate classification of both Medicare and non-Medicare patients. "In choosing the 3M APR-DRG classification system as its payment methodology, Maryland is the first state to adopt a more comprehensive patient classification system that explicitly accounts for patient severity of illness."

The 3M APR-DRG classification system goes beyond basic DRG classification to account for a patient's severity of illness and risk of mortality. The methodology of the system describes the complete cross-section of patients in the acute care setting - from neonates to the elderly - making it possible to identify statistical differences in severity, mortality, resource use and patient care across patient populations and healthcare organizations. The 3M APR-DRG classification system is used for provider performance measurement in more than 2,000 healthcare settings nationwide, including state agencies, state hospital associations, and business coalitions in 25 states, as well as by health services researchers, such as the federal Agency for Health Care Research and Quality.

Maryland is unique among states in that it operates an all-payer hospital rate-setting system. The state sets hospital payment rates for private payers and also functions under a federal waiver from CMS allowing rate setting for Medicaid and Medicare. The Maryland HSCRC is charged with oversight of the rate-setting system. The decision to adopt the 3M APR-DRG classification system by the Maryland HSCRC was made June 2, 2004, and was approved by the Maryland Hospital Association, which advocates on behalf of Maryland's hospitals, health systems and their patients before legislative and regulatory bodies. During the state's 2005 fiscal year (July 1, 2004 to June 30, 2005), the HSCRC will collect and classify hospital data using a version of 3M APR-DRG software developed specifically for setting payment rates and measuring case mix. A transition period will allow time for Maryland hospitals to prepare for the new system.

About 3M Health Information Systems

3M Health Information Systems, part of the 3M Health Care family, is a leading provider of advanced software tools and services that help health care organizations capture, classify and manage accurate health care data. Built on a foundation of more than 20 years of clinical, financial and administrative expertise, 3M Health Information Systems' products help ensure the quality of data, which drives an organization's ability to manage revenue, comply with regulations, improve quality of patient care and manage resources effectively. 3M Health Care, the largest of 3M's seven major businesses, serves medical, dental, pharmaceutical and personal care markets. 3M is a \$18 billion diversified technology company with leading positions in healthcare, safety, electronics, telecommunications, industrial, consumer and office, and other markets. More information about 3M Health Information Systems is available at www.3Mhis.com, and by calling 800-367-2447.

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