6.2 Using the MDS in the Medicare Prospective Payment System

The MDS assessment data is used to calculate the resident's Patient Driven Payment Model (PDPM) classification necessary for payment. The MDS contains extensive information on the resident's nursing and therapy needs, ADL status, cognitive status, behavioral problems, and medical diagnoses. This information is used to define PDPM case-mix adjusted groups, within

which a hierarchy exists that assigns case-mix weights that capture differences in the relative resources used for treating different types of residents.

Over half of the State Medicaid programs also use the MDS for their case-mix payment systems. The Resource Utilization Group, Version IV (RUG-IV) system replaced the Resource Utilization Group, Version III (RUG-III) system for Medicare starting on October 1, 2010. Starting October 1, 2019, PDPM replaced the RUG-IV system. However, State Medicaid agencies have the option to use the RUG-III, RUG-IV, or PDPM classification systems. CMS also makes available for the States alternative RUG-IV classification systems with 66, 57, or 48 groups with varying numbers of Rehabilitation groups (similar to the RUG-III 53, 44, and 34 groups). States have the option of selecting the system (RUG-III or RUG-IV) with the number of Rehabilitation groups that better suits their Medicaid long-term care population. State Medicaid programs always have the option to develop nursing home reimbursement systems that meet their specific program goals. The decision to implement a certain classification system for Medicaid is a State decision. Please contact your State Medicaid agency if you have questions about your State Medicaid reimbursement system.