

**MDS 3.0 Guidance Document**  
Department of Medical Assistance Services  
Provider Reimbursement Division  
Revised October 2018

## **Use of MDS Data in Medicaid Rate Setting**

Effective July 1, 2014, the Virginia Department of Medical Assistance Services (DMAS) began the transition to a price-based reimbursement methodology for nursing facilities. For dates of service on or after November 1, 2014, DMAS implemented this methodology and requires nursing facilities to submit Resource Utilization Group (RUG) codes on nursing facility claims. The Medicaid RUG code, determined from the federally required OBRA assessments using the Minimum Data Set (MDS) Version 3.0, identifies the acuity level and expected resources needed to provide care to the member. Each RUG code has a RUG weight or Case Mix Index (CMI) score. The RUG code weight is used to adjust the provider's direct operating rate during claims adjudication.

### **MDS 3.0**

On October 1, 2010 The Centers for Medicare and Medicaid Services (CMS) implemented MDS Version 3.0. According to CMS:

*MDS 3.0 has been designed to improve the reliability, accuracy, and usefulness of the MDS, to include the resident in the assessment process, and to use standard protocols used in other settings. These improvements have profound implications for Nursing Home and Swing Bed care and public policy. Enhanced accuracy supports the primary legislative intent that MDS be a tool to improve clinical assessment and supports the credibility of programs that rely on MDS.*

### **Medicaid Assessments using MDS 3.0**

Effective July 1, 2017, Virginia changed to RUG-IV Grouper 48, Version 1.0348, Index Maximizing Calculation and will continue to use the latest version of MDS 3.0. Providers must configure their software to collect RUG-IV Grouper 48 data in the State Medicaid Billing field (Z0200). The RUGS-III, 34 Grouper, Version 5.20, Index Maximizing Calculation must be used in the Alternate State Medicaid billing field (Z0250). The Medicaid RUG grouper version will continue to be updated as determined by CMS for MDS 3.0.

For claims with dates of service between November 1, 2014 and June 30, 2017, providers should continue to use the crosswalk provided by CMS for billing RUG-III Grouper 34.

### **Effect of RUG-IV Grouper 48 and MDS 3.0 on Virginia Nursing Facility Providers**

RUG-IV Grouper 48 codes match Medicare's RUG-IV Grouper 66 non-rehabilitation RUG codes and can be used with the latest version of MDS 3.0.

Providers submitting claims for dates of service prior to July 1, 2017 should use the MDS 3.0 data as instructed by CMS in collaboration with the Virginia Department of Health (VDH). These claims should use RUG-III Grouper 34 codes and weights. DMAS does not require any additional documentation. VDH supplies DMAS with a copy of the MDS 3.0 data and the assigned RUG for the RUGS-III Grouper 34.

For RUG price-based reimbursement calculations, DMAS requires standard items collected on MDS 3.0 and items in MDS 3.0 Section S. Effective October 1, 2017 DMAS requires twelve Section S items. Required MDS Section S items and detailed guidance can be found on the nursing facility website in the link titled "[MDS 3.0 Section S](#)".

Prior to October 1, 2017 DMAS required the following MDS Section S items:

Current Primary Payer, MDS 3.0 item S9100A

Primary Payer on Entry, MDS 3.0 item S9100B  
Date of Initial Medicaid Payment, MDS 3.0 item S9100C

### **Data Items O0600: Physician Examinations and O0700: Physician Orders Update**

Effective October 1, 2017 data items O0600 and O0700 in the MDS are optional per CMS determination. DMAS will not require providers to enter data items O0600 or O0700 of the MDS. Providers shall use the standard “no information code” as directed by the RAI manual.

Data Items O0600: Physician Examinations and O0700: Physician Orders will not affect the RUG code or CMI score calculated for RUG-IV Grouper 48 and will not impact reimbursement. However, RUG codes and CMI scores generated using RUG-III Grouper 34 on or after October 1, 2017 will be invalid if either data item O0600 or O0700 are not completed.

### **Data Items K0510C: Mechanically altered diet, K0510D: Therapeutic diet, K0710A: Proportion of total calories the resident received through parenteral or tube feeding or K0710B: Average fluid intake per day by IV or tube feeding Update.**

Effective October 1, 2018 Column 1 for data items K0510C, K0510D, K0710A, and K0710B are optional per CMS determination. Virginia does not require completion of Column 1 for items K0510C, K0510D, K0710A or K0710B. If not coded, please use the standard “no information” code (a dash, “-”).

### **Additional Resources**

- MDS 3.0 technical guidance can be found at: [www.cms.gov](http://www.cms.gov) → Medicare → Nursing Home Quality Initiatives → [MDS Technical Information](#).
- General questions on MDS 3.0 including submission and coding of MDS items can be addressed to the Resident Assessment Instrument (RAI) Coordinator at VDH, Ka Ning Yu-cheng, (804) 367-2102 or [ka-ning.yu-cheng@vdh.virginia.gov](mailto:ka-ning.yu-cheng@vdh.virginia.gov).
- Technical questions on MDS 3.0 including submission and corrections of MDS items can be addressed to the RAI/MDS Automation Coordinator at VDH, Sandy Lee, (804) 367-6636 or [sandra.lee@vdh.virginia.gov](mailto:sandra.lee@vdh.virginia.gov).
- Regulations on the use of case mix in Virginia Medicaid nursing facility reimbursement, including the listing of case mix indices, can be found at [12VAC 30-90-306](#).
- Technical information regarding MDS assessments and price-based billing for RUGs can be found in Appendix F of the Nursing Facility Provider Manual.
- Questions about nursing facility reimbursement should be submitted to [NFPayment@dmass.virginia.gov](mailto:NFPayment@dmass.virginia.gov).