

Supporting Statement Part A
Medicare Severity Diagnosis Related Groups Reclassification Request
(MS-DRGs)
(CMS-10775; OMB-0938-1431)

A. Background

Generally, under the Inpatient Prospective Payment System (IPPS), Medicare payment to the hospital varies based on hospital-specific and patient-specific characteristics. Each Medicare claim for inpatient services is classified into the applicable Medicare Severity Diagnosis-Related Group (MS-DRG) for payment based on certain patient-specific elements, including the principal diagnosis, additional or secondary diagnoses, and procedures reported on the claim. The MS-DRG classification system currently has 345 base DRGs, most of which are split into 2 or 3 MS-DRGs based on the presence of either a complication or comorbidity (CC) or major complication or comorbidity (MCC), resulting in a total of 773 MS-DRGs for FY 2025.

Effective October 1, 2015, providers use the International Classification of Diseases, 10th Revision, Clinical Modification (ICD-10-CM) diagnosis code set in all healthcare settings and the International Classification of Diseases, 10th Revision, Procedure Coding System (ICD-10-PCS) is the code set used for inpatient hospital procedure coding. These diagnosis and procedure codes are mapped or “grouped” to specific MS-DRGs for payment under the IPPS using the ICD-10 MS-DRG Grouper software.

Since the implementation of ICD-10 occurring 10 years ago, the transition to ICD-10 MS-DRGs has resulted in an increasing number of requests which is, in part, due to the replication efforts that initially occurred between the ICD-9 based MS-DRGs and the ICD-10 based MS-DRGs, in addition to the volume of ICD-10-CM and ICD-10-PCS codes that now exist and must be analyzed in association with each request. We continue to propose refinements and enhancements to the ICD-10 MS-DRGs to address issues brought to our attention by the public or identified internally including those as a result of replication, changes in treatment patterns, and supported by our claims analysis.

The public may submit requests to create a new MS-DRG(s), modify an existing MS-DRG(s), delete an existing MS-DRG(s), change the severity level designation for a diagnosis code(s), change the operating room (O.R.) designation of a procedure code(s), reassign diagnosis and/or procedure codes among Major Diagnostic Categories (MDCs), modify the CC Exclusion List, or modify the surgical hierarchy via the electronic intake system, Medicare Electronic Application Request Information System™ (MEARIS™), which became active for MS-DRG classification change request submissions on April 5, 2022. The MS-DRG classification change request application digital platform can be accessed at: <https://mearis.cms.gov/public/home>. Prior to April 5, 2022, interested parties submitted these requests via e-mail to the following e-mail address: MSDRGClassificationChange@cms.hhs.gov. We examine these requests using statistical analysis and the judgment of our clinical advisors to evaluate the requested changes and consider any proposed updates to the MS-DRGs. Interested parties can include any information they choose to support a MS-DRG change request.

We have found that with the implementation of ICD-10, some requested changes require extensive research of appropriate materials in evaluating the potential change. With the continued increase in the number and complexity of the requested changes to the MS-DRG classification since adoption of the ICD-10 MS-DRGs, and in order to consider as many requests as possible, more time is needed to carefully evaluate the requested changes, analyze claims data, and consider any proposed updates.

For purposes of this Paperwork Reduction Act (PRA) submission, we are requesting that the approval for public use to submit materials to CMS in support of their MS-DRG classification change request(s) using the online application system, Medicare Electronic Application Request Information System™ (MEARIS™), be extended for public use to submit materials to CMS in support of their MS-DRG request(s). The MS-DRG Reclassification Request form designed for MEARIS™ was launched in April 2022 to accept requests to be considered for the FY 2024 IPPS/LTCH PPS rulemaking cycle. MEARIS™ was designed and built as a mobile-first user experience that allows users to submit and access data from a secure online web front with completely online self-guided data submission with intermittent save capability; a single view for upcoming tasks, recent applications, and processing metrics; and a serverless architecture that lends itself to cost savings in infrastructure deployment and maintenance.

We continue to believe standardized information that is collected in review of the classification change requests will increase efficiencies in our review and analysis process, as well as provide stability and transparency for the public.

We are requesting approval for an extension because we believe the New & Revised Medicare Severity Diagnosis Related Group (MS-DRG) classification change request application designed for MEARIS™ collects the same data elements as collected in the existing process for requesting MS-DRG classification changes. We believe an extension on the approval for the online request application has no impact on the data collection requirements or the burden associated with this collection. We also believe there is nothing new in the online classification change request application that a repeat requestor would not have seen in the existing process and its associated instructions.

We estimate continuing to receive approximately 50 requests annually. This estimated number of requests is based on the fact the number of requests we receive each year has been gradually increasing. We believe we will continue to receive an increased number of MS-DRG classification change requests.

B. Justification

1. Need and Legal Basis

Section 1886(d)(4) of the Act establishes a classification system, referred to as DRGs, for inpatient discharges and adjusts payments under the IPPS based on appropriate weighting factors assigned to each MS-DRG. Section 1886(d)(4)(C)(i) of the Act specifies adjustments to the classification and weighting factors shall occur “at least annually to reflect changes in treatment patterns, technology, and other factors which may change the relative use of hospital resources.”

Requests for FY 2027 consideration are due by October 20, 2025.

2. Information Use

The requests are evaluated in the Division of Coding and DRGs (DCDRG) by the DRG and Coding Team and the clinical advisors (medical officers) in both the Technology, Coding and Pricing Group (TCPG) and the Hospital and Ambulatory Policy Group (HAPG), along with the CMS contractor(s). To clarify, the public submits the information that they believe supports their request. When they discover what they believe may be an issue with respect to clinical coherence, severity, or resource utilization upon analysis of the data, they bring it to our attention in the form of a request so that we may consider examining the issue further, conducting our own internal analysis and determine if their request is supported or not. The CMS team participates via conference calls in the review of MedPAR claims data to analyze and perform clinical review of the requested changes. Based on the examination of claims data and clinical judgment, the team provides recommendations to CMS and HHS leadership for proposed changes. The analysis of claims data includes the volume of cases, the average length of stay, and average costs of the MS-DRG(s) that pertain to the request and comparing those figures to the volume of cases, average length of stay, and average costs of the cases reporting the diagnosis and or procedure code(s) that are the subject of the request. We present the findings from our analysis in tables and/or narrative summaries in the IPPS/LTCH PPS proposed rule. Based on the findings, we may propose the requested change, we may propose a modified version of the request, or we may propose to maintain the current structure of the MS-DRG. Requests may also be specific to changes for a severity level designation (Major Complication or Comorbidity (MCC), Complication or Comorbidity (CC) or Non-Complication or Comorbidity (NonCC) attributed to a diagnosis code or an operating room (O.R.) designation (Extensive O.R., Non-extensive O.R., Non-O.R., or Non-O.R. affecting the MS-DRG) for a procedure code which would also require similar data analyses. Lastly, requests may be related, but not limited to, changes for the Surgical Hierarchy, the CC Exclusions List, and the Unrelated MS-DRGs. Per the statute, proposed MS-DRG changes and payment adjustments must go through notice and comment rulemaking giving the opportunity for the public to comment. Finalized MS-DRG changes are effective with discharges on and after October 1, consistent with the beginning of the fiscal year. CMS makes the updated MS-DRG Grouper software and related materials that reflects the changes available to the public for free via download at:

<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/MS-DRG-Classifications-and-Software>

When an application is submitted in MEARIS™, the DRG and Coding Team in DCDRG have instant access to the application request and accompanying materials to facilitate a timely review of the request, including the ability to efficiently inform other team members involved in the process that information is available for their review and input.

3. Use of Information Technology

Requests are submitted via the Medicare Electronic Application Request Information System™ (MEARIS™), on a designated website through CMS.gov and generally include contact information about the organization or individual submitting the request, their area of expertise and the purpose of their request. The requests typically include the specific list of diagnosis and/or procedure codes with their descriptions, the MS-DRG, and/or the Major Diagnostic Category (MDC) of interest if applicable. The request will also identify any data analysis that may have been performed in support of their request. Occasionally, depending on the nature of the requests, supporting literature may also be submitted in association with the request. To complete a New & Revised Medicare Severity Diagnosis Related Groups classification change request, requestors will need to create a MEARIS™ account. The electronic version of the MS-DRG application collects the same information as solicited in the prior process for requesting MS-DRG classification changes. This secure online application request platform maintained by CMS enables requestors to submit their responses to our code request application questions directly to CMS as opposed to sending the requested information via email. We have not made any changes in MEARIS™ that impact the current standard request form that provides a more convenient way for our requestors to submit MS-DRG classification change request applications. The requestors are no longer required to email CMS as the request process is completely online. Requests that are received by the established deadline are considered for the upcoming rulemaking cycle; and requests that are received after the deadline, are considered for inclusion in the next rulemaking cycle.

4. Duplication of Efforts

This information collection does not duplicate other efforts. The electronic version of the New & Revised Medicare Severity Diagnosis Related Groups classification change request application will continue to collect the same information. Any analyses the requestor submits to us is based on older claims data. We use the most recent MedPAR claims data to evaluate all requests and consider if the requested change(s) warrant a proposal.

5. Small Businesses

This does not have a significant economic impact on small businesses. The process has been in place for several years and there is sufficient notice provided in rulemaking for the deadline to submit MS-DRG classification requests for consideration in the next fiscal year.

6. Less Frequent Collection

This information is collected upon submission by the requestor in order to comply with current regulatory requirements. Reducing or eliminating this collection would contradict the current regulation.

Each request is submitted as a single application request for consideration, however, multiple requests may be submitted by one requestor.

7. Special Circumstances

There are no special circumstances that would require an information collection to be conducted in a manner that requires respondents to:

- Report information to the agency more often than quarterly;
- Prepare a written response to a collection of information in fewer than 30 days after receipt of it;
- Submit more than an original and two copies of any document;
- Retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
- Collect data in connection with a statistical survey that is not designed to produce valid and reliable results that can be generalized to the universe of study,
- Use a statistical data classification that has not been reviewed and approved by OMB;
- Include a pledge of confidentiality that is not supported by authority established in statute or regulation that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or
- Submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

8. Federal Register/Outside Consultation

Federal Register

The 60-day notice published in the Federal Register on June 11, 2025 (90 FR 24630). A total of zero (0) comments were received.

A 30-day notice published in the Federal Register on September 2, 2025 (90 FR 42411).

No additional outside consultation was sought.

9. Payments/Gifts to Respondents

There are no payments/gifts to respondents. A single MS-DRG is assigned to an inpatient hospital claim to reflect the clinical condition chiefly responsible for the patient's admission and/or the services that were provided to treat the conditions reported. While all inpatient claims will "group" to a single MS-DRG, not all services that are billed are covered and paid under Medicare coverage policies. Coding, coverage and payment policy under the IPPS is separate and distinct from one another.

10. Confidentiality

“CMS pledges privacy to the extent provided by law.” The MEARIS™ application is covered under the CMS.gov Privacy Policy which can be found at: <https://www.cms.gov/about-cms/web-policies-important-links/web-policies/privacy>. Any personally identifiable information (PII), as defined by the Office of Management and Budget (OMB), submitted by applicants is safeguarded according to the Privacy Act of 1974, as amended (5 U.S.C. Section 552a).

11. Sensitive Questions

There are no sensitive questions.

12. Burden Estimates

For MS-DRG classification change requests, the burden associated with the submission of the request includes the time and effort involved with completing administrative requirements (e.g. data specifications), obtaining the data, analysis of the data, retaining clinicians to provide clinical input and preparing the documents to submit in connection with the request.

Based on our recent experience, in the next several years we continue to estimate receiving approximately 50 requests annually for MS-DRG classification change requests. We have chosen the average of 50 requests on a fiscal year basis for purposes of this PRA extension request. This estimated number of requests is based on the fact the number of requests we receive each year has gradually been increasing from 19 to 50. One requestor may submit multiple requests for various topics; therefore, those requests are counted individually as separate and distinct from one another versus being counted as one request. We believe that we will continue to receive this average number of MS-DRG classification change requests, our estimate of the number of requests is realistic, and using the average of 50 requests for the purposes of this PRA extension is reasonable.

We estimate the time associated with collecting the information for a MS-DRG classification change request and submitting the request electronically to CMS will continue to vary based on the type of request. For example, the collection of information relating to requests that involve the creation of a new or revised MS-DRG may require analysis of any number of the 74,044 diagnosis codes and/or the 78,986 procedure codes associated with one or more of the current 773 MS-DRGs, in one or more of the 25 Major Diagnostic Categories (MDCs).

We estimate the time associated with gathering information for what we will refer to as a simple, straightforward request and separately, a complex, multi-part request will continue to be anywhere from 1-120 working days and from one hour to 960 hours (using the extreme example of 120 days x 8 hours per day = 960 hours). We believe this is reasonable and consistent with the current process of gathering information for the various types of requests. We estimate the total burden for the collection of information to be 48,000 hours (960 hours x 50 requests).

When computed, assuming a median hourly wage of \$51.23 per hour (based on data from the Bureau of Labor and Statistics website at <https://www.bls.gov/oes/current/oes119111.htm>

for the position of Medical and Health Services Managers) plus 100 percent for fringe benefits (\$51.23 per hour x 2), the estimated cost per request is \$102.46 per hour. Continuing with the extreme example, the total cost burden to respondents or record-keepers resulting from the collection of this information is \$ 4,918,100 (960 hours x \$92.92/hour = \$98,362 x 50 requests).

Some requestors choose the option to purchase Medicare Provider Analysis and Review (MedPAR) data to provide a detailed cost analysis demonstrating the need for a MS-DRG classification change. The MedPAR data is available for purchase from the CMS contractor Research Data Assistance Center (ResDAC) for a fee dependent on the beneficiary count (https://resdac.org/sites/datadocumentation.resdac.org/files/2021-01/CMS%20Fee%20List%20for%20Research%20Files_25.pdf) For purposes of this PRA package we have used the amount of \$3,000. In the event that all requestors purchase the MedPAR data, we assume an additional burden of \$3,000 per requestor for a total additional burden of \$150,000 (\$3,000 x 50 requests).

This results in a total annual cost burden to respondents or record-keepers of \$5,068,100 (\$4,918,100+ \$150,000).

13. Capital Costs

There are no capital costs. The MS-DRG application is available online on a designated website through CMS.gov. Requestors need a computer with internet access, which is publicly available.

14. Cost to Federal Government

The cost to process the information submitted is estimated as follows based on review by analysts, medical officers, and supervisory staff. This review includes analyses of the submission, entering each request into a Tracker log by MDC and topic ID number, summarization of each issue and request into a Topics document for communication with our contractor and to inform the proposed Grouper specifications, review of the coding and MS-DRG logic, review of proposals for new codes that were discussed at recent ICD-10 Coordination and Maintenance Committee meetings, required data calculations, database inputs, and conferences with contractors, requestors and their representatives. We estimate the total time to process, evaluate and reach a proposed decision is 80 to 120 hours per request. We use the midpoint of this range (100 hours) to derive the following estimated labor cost for government employees. (This estimate does not include the time to draft language for briefing papers that will inform the discussion to be drafted for public comment in the IPPS/LTCH PPS proposed rule nor any additional rulemaking related procedures performed(e.g., additional analyses during clearance) involving the request.)

\$43.46/hr. (average salary GS 12, 13, 14)¹ X 100 hours per request x 50 requests
(potential/projected number of requests) = \$217,300.

¹ Office of Personnel Management. 2025 General Schedule (Base). Retrieved on March 24, 2025 from <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2025/general-schedule>

15. Changes to Burden

There are no anticipated changes to burden. The content of the electronic MS-DRG Reclassification Request application form collects the same data variables as currently solicited for consideration of a MS-DRG classification change as described in our annual IPPS rulemaking.

16. Publication/Tabulation Dates

Requests are currently submitted to CMS on a rolling basis and continue to be submitted in this manner using the electronic application form. Requests received by October 20, 2025 will be considered for FY 2027 or a future date depending on the nature and complexity of the request.

Upon receipt of the MS-DRG request by the established deadline, the DRG and Coding Team, with input from the HAPG and TCPG Medical Officers and recommendations from our contractor's clinical advisors (i.e., the MS-DRG workgroup), draft proposals that include CMS' claims analysis for each of the MS-DRG requests. Each of these MS-DRG requests that are summarized as proposals are made publicly available when put on display via the Federal Register website at <https://www.federalregister.gov/agencies/centers-for-medicare-medicaid-services> and subsequently published in the Notice of Proposed Rule Making (NPRM).

In the NPRM we ask the public to submit comments in response to our proposed recommendations for each of the MS-DRG requests during the allotted 60 day comment period. As public comments are received during and through the close of the comment period, they are grouped according to their topic area. Subsequently, in the fiscal year's Final Rule, we publish a summarized account of comments for each MS-DRG request along with our response that includes the finalized policy that has been approved through HHS during the clearance process.

17. Expiration Date

The existing PRA package will expire on September 30, 2025. The OMB approval expiration date is made available on the welcome page of the MS-DRG request application in MEARIS™ at: <https://mearis.cms.gov/secure/msdrg/introduction>.

18. Certification Statement

There are no exceptions to the certification statement.

C. Collection of Information Employing Statistical Methods

There are no statistical methods.