Pricing Information for All Patient Refined Diagnosis Related Group (APR DRG) of Inpatient Hospital Services

Effective for Inpatient Stays with Discharges On or After July 1, 2010

OFFICE OF MEDICAL ASSISTANCE PROGRAMS
DEPARTMENT OF PUBLIC WELFARE

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I. BASE APR DRG PRICING

If the provider is billing for admission through discharge and the acute care inpatient claim is not otherwise eligible for a cost outlier, a Base APR DRG payment will be used to compensate the hospital for the inpatient stay. The following computation will be utilized.

Step #1

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

(MA Allowed Amount)

Step #2

Proceed to Section VII – FINAL PRICING.

For example, ABC Hospital has a DRG payment rate of $7,788.99. APR DRG 139, Severity Level 3 is assigned to the inpatient claim which is assigned a weight of 1.10130. To determine the Base APR MA Allowed Amount, multiply the hospital's DRG payment rate by the APR DRG plus Severity Level weight.

Step #1

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG (MA Allowed Amount)

$7,788.99 x 1.10130 = $8,578.01

Step #2

Proceed to Section VII – FINAL PRICING.

II. TWO DAY PER DIEM PRICING

If the acute care hospital is billing for an inpatient stay which has been grouped into an APR DRG with an MDC of 19 (Psychiatric) or an MDC of 20 (Drug and Alcohol) where the acute care hospital is not licensed to provide drug and alcohol related services, the following two day per diem computation will be utilized.

Step #1

Determine the Base APR DRG:

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

Step #2

Divide the Base APR DRG by the APR DRG plus Severity Level Average Length of Stay (ALOS):

Base APR DRG / ALOS = (Daily) Per Diem

Step #3

Multiply the Per Diem by the number of covered days (maximum of 2):

Per Diem x Covered Days (maximum of 2) = Two Day Per Diem Payment (MA Allowed Amount)

Step #4

Proceed to Section VII – FINAL PRICING.

For example, XYZ Hospital has a DRG payment rate of $9,101.22. APR DRG 750, Severity Level 1 is assigned to the inpatient claim. The weight for APR DRG 750, Severity Level 1 is .91970 and the ALOS is 9.52. The patient was hospitalized for 4 days.

Step #1

Determine the Base APR DRG:

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

$9,101.22 x .91970 = $8,370.392034

Step #2

Divide the Base APR DRG by the APR DRG plus Severity Level Average Length of Stay (ALOS):

Base APR DRG / ALOS = Per Diem

8,370.392034 / 9.52 = $879.24286071

Step #3

Multiply the Per Diem by the number of covered days (maximum of 2):

Per Diem x Covered Days (maximum of 2) = Two Day Per Diem Payment (MA Allowed Amount)

$879.24286071 x 2(maximum) = $1,758.48572142

Although the covered days in the example is 4, when the covered days are greater than 2, pricing will only allow up to two days for a psychiatric APR DRG or a drug and alcohol APR DRG where the acute care hospital is not licensed to provide drug and alcohol services.

If the number of covered days is 1, the MA Allowed Amount would be $879.24

If the number of covered days is 2, the MA Allowed Amount would be $1,758.49.

If the number of covered days is greater than 2, the MA Allowed Amount would still be $1,758.49 because of the two day maximum.

Step #4

Proceed to Section VII – FINAL PRICING.

III. TRANSFER PRICING

If the acute care hospital is billing for an inpatient stay with a Patient Status Code 02 (discharged/transferred to another hospital for inpatient care).

NOTE: Neonate Admissions and Burn Admissions are exempt from transfer pricing (APR DRG assigned MDC 15 {Newborn} or MDC 22 {Burns}). These claims will not be taken through transfer pricing even though the Patient Status Code 02 is present. A Base APR DRG payment or a high cost outlier APR DRG payment may be the pricing result.

Step #1

Determine the Base APR DRG:

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

Step #2

Divide the Base APR DRG by the APR DRG plus Severity Level Average Length of Stay (ALOS):

Base APR DRG / ALOS = Transfer (Daily) Per Diem

Step #3

Multiply the Transfer Per Diem by the number of covered days:

Per Diem x Covered Days = Transfer Amount

Step #4

Compare the Base APR DRG amount to the Transfer Amount. The lesser of the two amounts will be the MA Allowed Amount.

Step #5

Proceed to Section VII – FINAL PRICING.

For example, DEF Hospital has a DRG payment rate of $6,577.88. APR DRG 139, Severity Level 4 is assigned to the inpatient claim. The weight for APR DRG 139, Severity Level 4 is 2.09920 and the ALOS is 8.600. The claim contains Patient Status Code 02 and the number of covered days is 5.

Step #1

Determine the Base APR DRG:

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

$6,577.88 x 2.09920 = $13,808.285696

$13,808.29

Step #2

Divide the Base APR DRG by the APR DRG plus Severity Level Average Length of Stay (ALOS):

Base APR DRG / ALOS = Transfer Per Diem

$13,808.285696 / 8.600 = $1,605.6146158139534

Step #3

Multiply the Transfer Per Diem by the number of covered days:

Per Diem x Covered Days = Transfer Amount

$1,605.6146158139534 x 5 = $8,028.07307906976

$8,028.07

Step #4

Compare the Base APR DRG amount to the Transfer Amount. The lesser of the two amounts will be the MA Allowed Amount.

Compare $13,808.29 to $8,028.07

Lesser is $8,028.07 = MA Allowed Amount

NOTE: If the transfer amount is greater than the Base APR DRG amount, the Base APR DRG amount will be the MA Allowed Amount for the transfer admission.

Step #5

Proceed to Section VII – FINAL PRICING.

IV. HIGH COST OUTLIER PRICING

With the implementation of APR DRG, most inpatient acute care claims will be systematically reviewed for cost outlier determination (excluding psychiatric APR DRGs and drug and alcohol APR DRGs submitted by acute care hospitals who are not licensed to provide drug and alcohol services and non-newborn and/or non-burn admission transfers – see Two Day Per-Diem Pricing and/or Transfer Pricing).

For high cost outlier cases, an inpatient acute care claim will pay 80% of costs for an inpatient stay that exceeds the $24,000.00* outlier threshold for all qualified APR DRG payments after considering the Base APR DRG payment. The Department will pay 100% of costs for an inpatient stay that exceeds the $24,000.00* outlier threshold for qualified burn, transplant and neonatal inpatient cases after considering the Base APR DRG payment.

*Note that the high cost outlier threshold was changed to $30,000.00 effective for claims with dates of discharge on or after July 1, 2011.

Step #1

Calculate the Base APR DRG:

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

Step #2

Calculate the Hospital's Cost

Cost to Charge Ratio x Billed Amount = Hospital's Cost

Step #3

Calculate the Potential Outlier Amount

Hospital's Cost - Base APR DRG = Potential Outlier Amount

If the potential outlier amount is greater than $0.00, go to Step #4. If the potential outlier amount is a negative amount or zero, proceed to Section VII now.

Step #4

Calculate the Possible High Cost Outlier

Potential High Cost Outlier - Cost Outlier Threshold = Possible Outlier

If the possible outlier amount is greater than $0.00, go to Step #5. If the possible outlier amount is a negative amount or zero, proceed to Section VII now.

Step #5

Determine Outlier

Possible Cost Outlier x High Outlier Percentage for APR DRG/Severity Level = Cost Outlier

Possible Cost Outlier x .80 = Cost Outlier Amount

For Qualified Neonate, Burn, and/or Transplant Inpatient Acute Care Claims

Possible Cost Outlier x High Outlier Percentage for APR DRG/Severity Level = Cost Outlier

Possible Cost Outlier x 1.00 = Cost Outlier Amount

Step #6

Determine the MA Allowed Amount for High Cost Outlier

Base APR DRG + Cost Outlier Amount = MA Allowed Amount

Step #7

Proceed to Section VII – FINAL PRICING.

For Example, XVS Hospital has an APR DRG Rate of $4,779.19. APR DRG 011 with a Severity Level 1 is assigned to the claim, which has a weight of 8.61363. The hospital's Cost to Charge Ratio is 0.5158. The billed amount on the claim is $175,550.91. The high cost outlier threshold is $24,000.00*. The high outlier percentage for this example will be 80%.

Step #1

Calculate the Base APR DRG:

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

$4,779.19 x 8.61363 = $41,166.1743597

Step #2

Calculate the Hospital's Cost

Cost to Charge Ratio x Billed Amount = Hospital's Cost

0.5158 x $175,550.91 = $90,549.159378

Step #3

Calculate the Potential Outlier Amount

Hospital's Cost - Base APR DRG = Potential Outlier Amount

$90,549.159378 - $41,166.1743597 = $49,382.9850183

If the potential outlier amount is greater than $0.00, go to Step #4. If the potential outlier amount is a negative amount or zero, proceed to Section VII now.

Step #4

Calculate the Possible High Cost Outlier

Potential High Cost Outlier - Cost Outlier Threshold = Possible Outlier

$49,382.9850183 - $24,000.00* = $25,382.9850183

If the possible outlier amount is greater than $0.00, go to Step #5. If the possible outlier amount is a negative amount or zero, proceed to Section VII now.

Step #5

Determine Outlier

Possible Cost Outlier x High Outlier Percentage for APR DRG/Severity Level = Cost Outlier

Possible Cost Outlier x .80 = Cost Outlier Amount

$25,382.9850183 x .80 = $20,306.38801464

For Qualified Neonate, Burn, and/or Transplant Inpatient Acute Care Claims

Possible Cost Outlier x High Outlier Percentage for APR DRG/Severity Level = Cost Outlier

Possible Cost Outlier x 1.00 = Cost Outlier Amount

Step #6

Determine the MA Allowed Amount for High Cost Outlier

Base APR DRG + Cost Outlier Amount = MA Allowed Amount

$41,166.1743597 + $20,306.38801464 = $61,472.56237434

$61,472.56

Step #7

Proceed to Section VII – FINAL PRICING.

V. LOW COST OUTLIER PRICING – Effective for dates of discharge on or after July 1, 2011

The low cost outlier policy makes an adjustment to payments where the cost of the inpatient stay is below the cost threshold established by the Department. Effective for dates of discharge on or after July 1, 2011 all inpatient acute care claims will be systematically reviewed for a low cost outlier determination with the exception of claims identified as transfer and/or two-day per-diem as defined in this appendix.

For low cost outlier claims an inpatient acute care claim payment will include:

- the cost of the claim;
- the amount of the universal low cost outlier threshold; and,
- 20% of the amount exceeding the sum of the cost of the claim and the amount of the universal low cost outlier threshold up to the Base APR-DRG price of the claim.

Step #1

Calculate the Base APR-DRG:

Hospital payment rate x APR-DRG plus Severity Level Weight = Base APR DRG

Step #2

Calculate the Hospital's Cost:

Cost to Charge Ratio x Billed Amount = Hospital's Cost

Step #3

Calculate the Potential Outlier Amount

Hospital's Cost – Base APR DRG = Potential Outlier Amount

If the potential outlier amount is less than zero, go to Step #4. If the potential outlier amount is greater than zero proceed to Section VII now.

Step #4

Calculate the Possible Low Cost Outlier

Potential Low Cost Outlier + Low Cost Outlier Threshold = Possible Outlier

If the possible outlier amount is less than $0.00, go to Step #5. If the possible outlier amount is a positive amount or zero, proceed to Section VII now.

Step #5

Determine the Outlier

Possible Cost Outlier x (1 minus Low Cost Outlier Percentage for the APR-DRG/Severity Level) = Cost Outlier

Possible Cost Outlier x (1- 0.2) = Cost Outlier Amount

Step #6

Determine the MA Allowed Amount for Low Cost Outlier

Base APR-DRG + Cost Outlier Amount = MA Allowed Amount

Or, alternatively the MA Allowed Amount can be calculated as follows

Hospital's Cost + Low Cost Outlier Threshold + (0.2 x - Possible Cost Outlier from Step #4)

Step # 7

Proceed to Section VII - Final Pricing

For Example, XVS Hospital has an APR DRG Rate of $4,779.19. APR DRG 011 with a Severity Level 1 is assigned to the claim, which has a weight of 8.61363. The hospital's Cost to Charge Ratio is 0.5158. The billed amount on the claim is $5,550.91. The low cost outlier threshold is $30,000.00. The low outlier percentage is 20%.

Step #1

Calculate the Base APR DRG:

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

$4,779.19 x 8.61363 = $41,166.1743597

Step #2

Calculate the Hospital's Cost

Cost to Charge Ratio x Billed Amount = Hospital's Cost

0.5158 x $5,550.91 = $2,863.159378

Step #3

Calculate the Potential Outlier Amount

Hospital's Cost - Base APR DRG = Potential Outlier Amount

$2,863.159378 - $41,166.1743597 = $-38,303.0149817

If the potential outlier amount is less than zero, go to Step #4. If the potential outlier amount is greater than zero proceed to Section VII now.

Step #4

Calculate the Possible Low Cost Outlier

Potential Low Cost Outlier + Cost Outlier Threshold = Possible Outlier

$-38,303.0149817 + $30,000.00 = $-8,303.0149817

If the possible outlier amount is less than $0.00, go to Step #5. If the possible outlier amount is a positive amount or zero, proceed to Section VII now.

Step #5

Determine Outlier

Possible Cost Outlier x (1 minus Low Outlier Percentage for APR DRG/Severity Level) = Cost Outlier

Possible Cost Outlier x (1 - 0.20) = Cost Outlier Amount

$-8,303.0149817 x 0.80 = $-6,642.41198536

Step #6

Determine the MA Allowed Amount for Low Cost Outlier

Base APR DRG + Cost Outlier Amount = MA Allowed Amount

$41,166.1743597 + $-6,642.41198536 = $34,523.76237434

$34,523.76

Or Using the Alternative Calculation

Hospital's Cost + Low Cost Outlier Threshold + (0.2 x -Possible Cost Outlier)

$2,863.159378 + $30,000.00 + 0.2 * $8,303.0149817 = $34,523.76

Step #7

Proceed to Section VII – FINAL PRICING.

VI. INTERIM OUTLIER PRICING

If the acute care hospital is billing for an inpatient stay that is at least 90 days AND with a Patient Status Code of 30 (still a patient), Interim Outlier Pricing logic will be used to determine payment. With Interim Outlier Pricing, the MA Allowed Amount will be determined using the lesser of the following:

1 – The Base APR DRG Amount plus High Cost Outlier (See Section IV. pricing formula); or

2 – The Interim Outlier Ceiling Amount (pricing formula below).

INTERIM OUTLIER – PATIENT STATUS CODE 30 WHERE STAY IS AT LEAST 90 DAYS

Step #1

Determine the Base APR DRG:

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

Step #2

Divide the Base APR DRG by the APR DRG plus Severity Level Average Length of Stay (ALOS):

Base APR DRG / ALOS = (Daily) Per Diem

Step #3

Multiply the Per Diem by 150%:

Per Diem x 150% = Daily Interim Outlier Rate

Step #4

Multiply the number of covered days by the Daily Interim Outlier Rate

Covered days x Daily Interim Outlier Rate = Interim Outlier Ceiling Amount

Step #5

Calculate the Hospital's Cost

Cost to Charge Ratio x Billed Amount = Hospital's Cost

Step #6

Calculate the Potential Outlier Amount

Hospital's Cost - Base APR DRG (refer to Step #1 result) = Potential Outlier Amount

If the potential outlier amount is greater than $0.00, go to Step #7. If the potential outlier amount is a negative amount or zero, use the cost outlier amount of $0.00 and proceed to Step #9 now.

Step #7

Calculate the Possible High Cost Outlier

Potential High Cost Outlier - Cost Outlier Threshold = Possible Outlier

If the possible outlier amount is greater than $0.00, go to Step #8. If the possible outlier amount is a negative amount or zero, use the cost outlier amount of $0.00 and proceed to Step #9 now.

Step #8

Determine Outlier

Possible Cost Outlier x High Outlier Percentage for APR DRG/Severity Level = Cost Outlier

Possible Cost Outlier x .80 = Cost Outlier Amount

NOTE: For Qualified Neonate, Burn, and/or Transplant Inpatient Acute Care Claims

Possible Cost Outlier x High Outlier Percentage for APR DRG/Severity Level = Cost Outlier

Possible Cost Outlier x 1.00 = Cost Outlier Amount

Step #9

Compare the Base APR DRG plus cost outlier and the Interim Outlier Ceiling Amount.

Base APR DRG + Cost Outlier

Interim Outlier Ceiling Amount

Use the lesser of these amounts as the MA Allowed Amount.

Step #10

Proceed to Section VII – FINAL PRICING.

For example, a patient remains hospitalized after 89 days. An acute care inpatient hospital may submit an interim claim. The Type of Bill (TOB) should be 112 and the Patient Status Code must be 30. The billed amount on the claim is $1,999,689.40. The high cost outlier threshold is $24,000.00*. The high outlier percentage for this example will be 100%. ABS Hospital has an APR DRG Rate of $8,888.88. The claim is eligible for a high cost outlier; however, the Interim Outlier Ceiling Amount is less, so the Interim Outlier Pricing is applied. For the purposes of this example, the covered days are 90, the Patient Status Code is 30, and the APR DRG and Severity Level assigned is 0591, MDC 15, Severity Level 4, which has a weight of 14.6520 and ALOS of 98.310.

Step #1

Determine the Base APR DRG:

Hospital payment rate x APR DRG plus Severity Level Weight = Base APR DRG

$8,888.88 x 14.6520 = $130,239.86

$130,239.86

Step #2

Divide the Base APR DRG by the APR DRG plus Severity Level Average Length of Stay (ALOS):

Base APR DRG / ALOS = Per Diem

$130,239.86 / 98.310 = $1,324.78

Step #3

Multiply the Per Diem by 150%:

Per Diem x 150% = Daily Interim Outlier Rate

$1,324.78 x 1.50 = $1,987.17

Step #4

Multiply the number of covered days by the Daily Interim Outlier Rate

Covered days x Daily Interim Outlier Rate = Interim Outlier Ceiling Amount

90 x $1,987.17 = $178,845.30

$178,845.30

Step #5

Calculate the Hospital's Cost

Cost to Charge Ratio x Billed Amount = Hospital's Cost

0.1015 x $1,999,689.40 = $202,968.47

Step #6

Calculate the Potential Outlier Amount

Hospital's Cost - Base APR DRG (refer to Step #1 result) = Potential Outlier Amount

$202,968.47 - $130,239.86 = $72,728.61

If the potential outlier amount is greater than $0.00, go to Step #7. If the potential outlier amount is a negative amount or zero, use the cost outlier amount of $0.00 and proceed to Step #9 now.

Step #7

Calculate the Possible High Cost Outlier

Potential High Cost Outlier - Cost Outlier Threshold = Possible Outlier

$72,728.61 - $24,000.00* = $48,728.61

If the possible outlier amount is greater than $0.00, go to Step #8. If the possible outlier amount is a negative amount or zero, use the cost outlier amount of $0.00 and proceed to Step #9 now.

Step #8

Determine Outlier

Possible Cost Outlier x High Outlier Percentage for APR DRG/Severity Level = Cost Outlier

Possible Cost Outlier x 1.00 = Cost Outlier Amount

$48,728.61 x 1.00 = $48,728.61

SPECIAL NOTE: The example provided was a qualified neonate so the high outlier percentage was 100%. Most interim pricing will be calculated with the 80% high outlier percentage unless it is a qualified neonate, burn and/or transplant where 100% high outlier percentage will be used.

Step #9

Compare the Base APR DRG plus cost outlier and the Interim Outlier Ceiling Amount.

$130,239.86 + 48,728.61 = $178,968.47 (Base APR DRG + Cost Outlier)

$178,845.30 (Interim Outlier Ceiling Amount)

Use the lesser of these amounts as the MA Allowed Amount.

The lesser of these amounts is $178,845.30.

Step #10

Proceed to Section VII – FINAL PRICING.

VII. FINAL PRICING

To establish the MA paid amount, subtract all of the following that apply from the calculated MA Allowed Amount:

a) All applicable third party resources,
b) Any patient pay amounts,
c) Any MA copayments,
d) Any GA deductible amounts