Pricing Inpatient Hospital Claims

Policy: [Medicaid Provider Manual](#) (MPM) Chapter “Hospital” Hospital Reimbursement Appendix Section 2. Inpatient.

MDHHS has incorporated two reimbursement methodologies for inpatient hospital care.

- Each inpatient hospital medical/surgical claim type received by CHAMPS is assigned a value using the All Patient Refined- Diagnosis Related Grouper (APR-DRG) in effect nationally on October 1 of the applicable rate year beginning with all inpatient discharges on or after October 1, 2015. The APR-DRG value is a derived element where all of the necessary data on the claim is entered into OPTUM software including but not limited to the patients’ age, gender, admission date, discharge status, revenue codes, PCS codes, diagnosis codes, newborn weight, present on admission codes etc. You can review what APR-DRG the CHAMPS system has assigned to the claim by viewing the claim header detail as well as any outlier amount payable if applicable.

- Certain inpatient claim types including Long Term Acute Care Hospital (LTACH), Freestanding Rehabilitation Hospital, and Distinct Part Rehabilitation Units are reimbursed via a Per-Diem payment.

Other factors that may affect reimbursement:

- Patient Pay Amount CARC 142
- MPM Chapter “Beneficiary Eligibility” Section “12.1 Patient Pay Amount
- Short Stay Reimbursement CARC 96 and RARC N676
  - MSA 17-47
  - MSA 15-17
  - Inpatient Hospital Short Stay Reimbursement Rate History
- Co-Pay CARC 3 and RARC MA125
  - Co-Payment Requirements
  - Co-Pay FAQ’s
- Capital Payment CARC 45 RARC N442
  - MPM Chapter “Hospital Reimbursement Appendix” Section 5 “Capital
  - MSA 15-31
  - MSA 14-59
- Other Insurance Payments
  - CARC 23
  - CARC 45 and RARC N131
Pricing Inpatient Hospital Claims – Updated 10/01/18

Pricing Rules:

**Base Rate** APR-DRG payment:
Computation: Billing NPI Provider Rate X APR-DRG value’s Weight.

**Low Day Outlier (CARC 69)** Length of stay is less than the APR-DRG low day threshold.
Computation: TCN total covered charges X cost to charge ratio not to exceed Base Rate.

**High Cost Outlier (RARC N442)** Cost exceeds computed cost threshold. Threshold is greater of $35,000 or 2 X Base Rate APR-DRG.
Computation: Claims APR-DRG Base Rate (calculated above) + [(Total Covered Charges X Cost to Charge Ratio) – (Cost Threshold)] X 85%.

**Transfers (RARC N442)** When patient is transferred to another facility and the discharge status code is = 02,05,66,70,82,85,94, or 95.
Computation: APR-DRG Base Rate / Average Length of Stay = Daily Rate X actual claims length of stay (plus any outlier payments if appropriate).

**Transplant** When claims fall into certain transplant APR-DRGs of #0011-0014, 0021-0024, 0061-0064, and 4401-4404
Computation: Total covered charges (minus organ acquisitions) X NPI Cost to Charge Ratio + Revenue Code Charges billed under the appropriate revenue code range 081X.

**Alternate Weight (CARC B22)** Additional payment amount occurs for certain APR-DRG’s ranging from #5801-6404 when billing with the Neonatal Intensive Care Unit Revenue Code 0174 as well as proper credentialing within CHAMPS provider enrollment for the billing NPI. Computation: Covered charges at the higher alternate APR-DRG weight.

**Per-Diem** this payment reimbursement methodology is for the following provider types: Long Term Acute Care Hospital (LTACH), Freestanding Rehabilitation Hospital, Distinct part Rehabilitation Units. Make sure to bill correct NPI with appropriate taxonomy code.
Computation: Covered days X per-diem amount.

Calculation Examples:

<table>
<thead>
<tr>
<th>Reimbursement Type</th>
<th>Example</th>
<th>Payment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Rate</td>
<td>NPI Rate: $4,049.00 APR-DRG: #0431 Weight: 0.7857</td>
<td>$4,049.00 X .7857 = $3,181.30</td>
</tr>
<tr>
<td>Low Day Outlier</td>
<td>NPI Rate: $4,049.00 NPI Cost to Charge Ratio: 0.962 APR-DRG: #0054 Low Day Outlier: 9 days Length of Stay: 5 days Total covered charges: $20,000.00</td>
<td>$4,049.00X11.7516=$47,582.23 Versus $20,000.00X0.962= $19,240.00 System pays $19,240.00</td>
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<tr>
<td>Provider Relations</td>
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<tr>
<td><strong>System will compare the price of the base rate APR-DRG of this claim versus the calculated Low Day Outlier price and pay the lesser of.</strong></td>
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| **High Cost Outlier** | NPI Rate: $4,049.00  
APR-DRG #0431  
Weight: 0.7857  
Threshold is greater of $35,000 or 2 X Base Rate  
APR-DRG in this specific example $35,000 is higher |
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<td>$3181.30 + {($240,500.00 - $35,000.00 = $205,500.00) X 85%} = $177,856.30</td>
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| **Transfers** | NPI Rate: $4,049.00  
APR-DRG: #0054  
Weight: 11.7516  
Average length of stay = 12.34 |
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<td>$4,049.00 X 11.7516 / 12.34 = $3,855.93 X 5 = $19,279.65</td>
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| **Transplant** | NPI cost to charge ratio: 0.962  
APR-DRG #0044  
Total Covered Charges: $192,149.31  
Acquisition Cost billed under Revenue Code 0811: $85,000.00 |
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<td>$192,149.31 – $85,000.00 = ($107,149.31 X 0.962=$103,077.64) + $85,000.00 = $188,077.64</td>
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| **Alternate Weight** | NPI Rate: $4,049.00  
APR-DRG = #6254  
Revenue code 0174 the APR-DRG weight will be 7.3375.  
Claim billed with only room & board revenue nursery code 0170 the weight will be 5.1114. |
|----------------------|-------------------------------------------------|
|                       | Claim billed with R&B Revenue 0174  
$4,049 X 7.3375 = $29,709.54  
Claim billed without NICU  
Claim billed only with R&B Revenue 0170  
$4,049 X 5.1114 = $20,696.00 |

| **Per-Diem** | NPI Per Diem: $1,047.00  
Rehab Claim is billed with Taxonomy Code = 283X00000X  
Length of stay: 35 days |
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<td>$1,047.00 X 35 = $36,645.00</td>
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Website Resources:

1. MDHHS DRG Hospital Specific Rates, Per Diem Rates, Cost to Charge Ratio: 
   http://www.michigan.gov/documents/HospitalPricesInternet_Update_110504_109155_7.XLS

2. The medical/surgical DRG Grouper Weights/Implementation Dates: 
