

## Pricing Inpatient Hospital Claims

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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 3M™ All Patient Refined- Diagnosis Related Grouper (3M™ 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 3M™ 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. Providers can review what 3M™ 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 impact 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
- Provider Preventable Conditions  
[MPM Chapter](#) “Hospital Reimbursement Appendix” Section 5 “Capital”  
CARC 233

## Pricing Rules

**Base Rate** 3M™ APR-DRG payment: Computation: Billing NPI Provider Rate X 3M™ APR-DRG value's Weight.

**Low Day Outlier (CARC 69)** Length of stay is less than the 3M™ 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. The threshold is greater than \$35,000 or 2 X Base Rate 3M™ APR-DRG. Computation: Claims 3M™ 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: 3M™ 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 3M™ 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 3M™ 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 3M™ 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 the correct NPI with the appropriate taxonomy code. Computation: Covered days X per-diem amount.

### Calculation Examples:

Reimbursement Type	Example	Payment Amount
Base Rate	NPI Rate: \$4,049.00 3M™ APR-DRG: #0431 Weight: 0.7857	\$4,049.00 X .7857 = \$3,181.30
Low Day Outlier	NPI Rate: \$4,049.00 NPI Cost to Charge Ratio: 0.962 3M™ APR-DRG: #0054 Low Day Outlier: 9 days Length of Stay: 5 days Total covered charges: \$20,000.00 System will compare the price of the base rate 3M™ APR-DRG of this claim	\$4,049.00 X 11.7516 = \$47,582.23 Versus \$20,000.00 X 0.962 = \$19,240.00 System pays \$19,240.00

Reimbursement Type	Example	Payment Amount
	versus the calculated Low Day Outlier price and pay the lesser of.	
High Cost Outlier	NPI Rate: \$4,049.00 3M™ APR-DRG #0431 Weight: 0.7857 Threshold is greater of \$35,000 or 2 X Base Rate 3M™ APR-DRG in this specific example \$35,000 is higher	$\$3181.30 + [(\$240,500.00 - \$35,000.00 = \$205,500.00) \times 85\% = \$174,675.00] = \$177,856.30$
Transfers	NPI Rate: \$4,049.00 3M™ APR-DRG: #0054 Weight: 11.7516 Average length of stay = 12.34 Length of stay: 5 days	$\$4,049.00 \times 11.7516 / 12.34 = \$3,855.93 \times 5 = \$19,279.65$
Transplant	NPI cost to charge ratio: 0.962 3M™ APR-DRG #0044 Total Covered Charges: \$192,149.31 Acquisition Cost billed under Revenue Code 0811: \$85,000.00	$\$192,149.31 - \$85,000.00 = (\$107,149.31 \times 0.962 = \$103,077.64) + \$85,000.00 = \$188,077.64$
Alternate Weight	NPI Rate: \$4,049.00 3M™ APR-DRG = #6254 Revenue code 0174 the 3M™ 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 $\$4,049 \times 7.3375 = \$29,709.54$ Claim billed without NICU Claim billed only with R&B Revenue 0170 $\$4,049 \times 5.1114 = \$20,696.00$
Per-Diem	NPI Per Diem: \$1,047.00 Rehab Claim is billed with Taxonomy Code = 283X00000X Length of stay: 35 days	$\$1,047.00 \times 35 = \$36,645.00$

## 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](http://www.michigan.gov/documents/HospitalPricesInternet_Update_110504_109155_7.XLS)
2. The medical/surgical DRG Grouper Weights/Implementation Dates:  
[http://www.michigan.gov/documents/DRG\\_Groupers-9-2004\\_103440\\_7.Xls](http://www.michigan.gov/documents/DRG_Groupers-9-2004_103440_7.Xls)
3. MSA Policy Bulletin 15-30: [http://www.michigan.gov/documents/mdch/MSA\\_15-30\\_498742\\_7.pdf](http://www.michigan.gov/documents/mdch/MSA_15-30_498742_7.pdf)
4. Capitol Rates: [http://www.michigan.gov/mdhhs/0,5885,7-339-71551\\_2945\\_42542\\_42543\\_42546\\_42551-151010--,00.html](http://www.michigan.gov/mdhhs/0,5885,7-339-71551_2945_42542_42543_42546_42551-151010--,00.html)