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## Reference Guide to Calculate Michigan Workers' Compensation Hospital Cost-To-Charge Reimbursement Ratios

- *Please refer to the Health Care Services Manual for additional information.*

## HOSPITAL SERVICES

The Workers' Compensation Agency will post a list of Cost-to-Charge ratios annually based on calculations utilizing data supplied by the Michigan department of health and human services, hospital and clinic reimbursement division. The cost-to-charge ratio is calculated by dividing each hospital's total operating expenses by total patient revenues as reported on the hospital's statement of patient revenues and operating expenses, G2 worksheet.

### FORMULA:

#### **Paying a properly submitted bill within 30 days:**

(Appropriate charges x hospital ratio for the date of service x 107%)

#### **Paying a properly submitted bill after 30 days:**

(Appropriate charges x hospital ratio for the date of service x 110%)

### Health Care Services Rules for reference:

R 418.101101 Calculation and revision of payment ratio for Michigan hospitals.

Rule 1101. (1) The workers' compensation agency shall annually calculate and revise, under the provisions of 1969 PA 306, MCL 24.201 et seq. the payment ratios for all Michigan hospitals. The calculation shall be made using a hospital's most recent fiscal year information that is submitted to the Michigan department of health and human services, hospital and clinic reimbursement division, preceding each annual calculation. The information used shall be that reported to the Michigan department of health and human services on the hospital's statement of patient revenues and operating expenses, G2 worksheet. The workers' compensation agency shall complete the payment ratio calculation when the figures are available from the Michigan department of health and human services and shall annually provide the hospital ratio calculations on the agency's website, [www.michigan.gov/wca](http://www.michigan.gov/wca).

(2) The workers' compensation agency shall calculate a hospital's cost-to-charge ratio by dividing each hospital's total operating expenses by total patient revenues as reported on the hospital's statement of patient revenues and operating expenses, G2 worksheet.

R 418.101016 Reimbursement; payment ratio methodology.

Rule 1016. (1) A hospital licensed in Michigan billing facility services shall be reimbursed using the maximum payment ratio methodology for the following services:

- (a) Inpatient or observation care.
- (b) Emergency department services.
- (c) Occupational, physical, and speech therapy services.
- (d) Outpatient surgeries.

(e) Laboratory services and outpatient services. If a carrier pays a properly submitted bill or unadjusted portion of the bill within 30 days of receipt, then the payment is calculated by multiplying the charges times the hospital's maximum payment ratio times a multiplier of 107%. If a carrier pays the bill after 30 days, then the multiplier shall be 110% allowing for a 3% late fee.

(2) When a hospital outside the state of Michigan submits a bill for facility services, the carrier may initially process payment by using the method described in subrule (1) of this rule, applying the average maximum payment ratio, as published in the health care services manual. If the facility located outside of Michigan does not accept reimbursement according to Michigan health care services rules, then the carrier shall negotiate the charges with the out-of-state facility or reimburse the facility according to the laws of the state where the facility is located.

(3) If applying the ratio methodology results in an amount greater than the hospital's charge, the carrier shall reimburse the hospital's charge. The only time a carrier shall pay in excess of the charge is if a properly submitted bill was not paid within 30 days and, in that instance, the carrier shall reimburse the charge plus a 3% late fee.

(4) Observation care shall not be for more than 24 hours. If the patient does not meet admission criteria according to the length of stay guidelines, then the patient shall be discharged from observation care.