

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)  
EFFECTIVE OCTOBER 1, 2008 – OCTOBER 1, 2011**

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**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

**REIMBURSEMENT TYPE FORMULAS**

In these examples, the per case claims payments are calculated using the statewide average per case rate of \$5,537.61. The statewide cost-to-charge ratio, the DRG relative weights and the DRG per diem rates are the actual values effective for discharges on or after October 1, 2008.

Per discharge payments will be calculated using hospital-specific per discharge rates while per diem payments will be calculated using statewide DRG-specific per diem rates. For each DRG reimbursed a per diem payment there are three different rates: (1) a rate for non-teaching hospitals, (2) a rate for teaching hospitals with an intern/resident program, and (3) a rate for teaching hospitals without an intern/resident program. The DRG Listing and the Per Diem Rates are located in Section 4 of this manual.

**REIMBURSEMENT TYPE A - PER CASE BASE PAYMENT**

**Components:** Base per case rate \$5,537.61  
 DRG relative weight

**Formula:** Base rate x DRG relative weight = total payment

**Examples:** DRG 391 relative weight 0.1181  
 \$5,537.61 x 0.1181 = \$653.99 (payment for this claim)

DRG 370 relative weight 0.9859  
 \$5,537.61 x 0.9859 = \$5,459.53 (payment for this claim)

**REIMBURSEMENT TYPE B - TRANSFER PAYMENT**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 Average of length stay (ALOS) for DRG  
 Length of stay (LOS)

**Formula:** Base rate x DRG relative weight / ALOS x LOS = transfer payment

**Examples:** **TRANSFER LOS LESS THAN ALOS**  
 DRG 370 relative weight 0.9859  
 LOS 1 day  
 ALOS 3.466 days

\$5,537.61 x 0.9859 = \$5,459.53 (base payment)  
 \$5,459.53 / 3.466 x 1 = \$1,575.17 (payment for this claim)

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

**TRANSFER LOS GREATER THAN ALOS**

DRG 370 relative weight	0.9859
LOS	12 days
ALOS	3.466 days

\$5,537.61	x	0.9859	=	\$5,459.53 (base payment)		
\$5,459.53	/	3.466	x	12	=	\$18,902.04 (transfer payment)
Lesser of Base or Transfer				=	<u>\$5,459.53</u> (payment for this claim)	

**Note:** The transfer payment cannot exceed the base payment for the DRG. The total payment amount for this claim is \$5,459.53.

**REIMBURSEMENT TYPE C - COST OUTLIER**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 Statewide cost-to-charge ratio (SWCCR)  
 Cost outlier threshold for DRG  
 Allowed charges (total claim charges - non-covered charges)  
 Cost outlier percentage (%)  
 Base payment  
 Cost outlier payment

**Formula:** Base rate x DRG relative weight = base payment  
 [(SWCCR x allowed charges) - cost outlier threshold] x cost outlier % = cost outlier payment  
 Base payment + cost outlier payment = total payment

**Note:** For claims with discharge dates before 10/1/08 - verify SWCCR.

**Examples:** DRG 370 relative weight 0.9859  
 Allowed charges \$83,972  
 SWCCR 0.3687  
 Cost outlier % 60%  
 Cost outlier threshold \$30,000

\$5,537.61	x	0.9859	=	\$5,459.53 (base payment)
[(.3687 x \$83,972) - \$30,000]	x	60%	=	\$576.29 (cost outlier payment)
\$5,459.53	+	\$576.29	=	<u>\$6,035.82</u> (payment for this claim)

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

**REIMBURSEMENT TYPE D - DAY OUTLIER**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 Base payment  
 Total covered days  
 ALOS for DRG  
 Day outlier threshold for DRG  
 Outlier days (total covered days - day outlier threshold)  
 Day outlier %

**Formula:** Base rate x DRG relative weight = base payment  
 [(Base payment/ALOS) x outlier days] x day outlier % = outlier payment  
 Base payment + outlier payment = total payment

**Example:** DRG 370 relative weight 0.9859  
 ALOS 3.466  
 Total covered days 27  
 Day outlier threshold 15  
 Outlier days 12  
 Day outlier % 60%

$$\begin{aligned}
 & \$5,537.61 \times 0.9859 & = & \$5,459.53 \text{ (base payment)} \\
 & [(\$5,459.53 / 3.466) \times 12] \times 60\% & = & \$11,341.20 \text{ (day outlier payment)} \\
 & \$5,459.53 + \$11,341.20 & = & \underline{\underline{\$16,800.73}} \text{ (payment for this claim)}
 \end{aligned}$$

**Note:** Outliers do not have to be requested. The MMIS system will consider each claim for a day and cost outlier. If your claim qualifies as both you will be paid the greater of the two.

**REIMBURSEMENT TYPE E - TRANSFER WITH COST OUTLIER**

**Components:** Base rate 5,537.61  
 DRG relative weight  
 Base payment  
 Statewide cost-to-charge ratio (SWCCR)  
 ALOS for DRG  
 LOS

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

Transfer payment  
 Cost outlier threshold for DRG  
 Cost outlier %  
 Allowed charges (total charges - non-covered charges)

**Formula:** Base rate x DRG relative weight / ALOS x LOS = transfer payment  
 [(SWCCR x allowed charges) - cost outlier threshold] x cost outlier % = cost outlier payment  
 Transfer payment + cost outlier payment = total payment

**Note:** Transfer payment cannot exceed base payment.

**Example:**

DRG 303 relative weight	3.1914
SWCCR	0.3687
ALOS	5.976 days
LOS	4 days
Cost outlier threshold	\$49,649
Allowed charges	\$187,965
Cost outlier %	60%

\$5,537.61	x	3.1914	=	\$17,672.73 (base payment)
(\$17,672.73 / 5.976)	x	4	=	\$11,829.14 (transfer payment)
[(.3687 x \$187,965) - \$49,649]	x	60%	=	\$11,792.22 (cost outlier payment)
\$11,829.14	+	\$11,792.22	=	<u>\$23,621.36</u> (payment for this claim)

**REIMBURSEMENT TYPE F - TRANSFER WITH DAY OUTLIER**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 Base payment  
 ALOS for DRG  
 LOS  
 Day outlier threshold for DRG  
 Outlier days (LOS - day outlier threshold)  
 Day outlier %  
 Day outlier payment

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

**Formula:** Base rate x DRG relative weight = base payment  
 [(base payment/ALOS) x outlier days] x day outlier % = day outlier payment  
 Base payment + day outlier payment = total payment

**Example:** DRG 370 relative weight 0.9859  
 ALOS 3.466  
 Day outlier threshold 15  
 LOS 17  
 Outlier days 2  
 Day outlier % 60%

$$\begin{aligned}
 & \$5,537.61 \times 0.9859 = \$5,459.53 \text{ (base payment)} \\
 & [(\$5,459.53 / 3.466) \times 2] \times 60\% = \$1,890.20 \text{ (outlier payment)} \\
 & \$5,459.53 + \$1,890.20 = \underline{\underline{\$7,349.73}} \text{ (payment for this claim)}
 \end{aligned}$$

**Note:** The LOS at the transferring hospital must exceed the day outlier threshold for that specific DRG to qualify for an outlier payment.

**REIMBURSEMENT TYPE H - PARTIAL ELIGIBILITY**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 Recipient's beginning eligibility date (02/01/09)  
 LOS/dates of service (01/25/09-02/5/09)  
 Covered days  
 Covered days % (covered days/LOS)

**Formula:** Base rate x DRG relative weight x covered days % = total payment

**Example:** DRG 370 relative weight 0.9859  
 LOS 11 days  
 Covered days 4 days  
 Covered days % 0.363636

$$\$5,537.61 \times 0.9859 \times 0.363636 = \underline{\underline{\$1,985.28}} \text{ (payment for this claim)}$$

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

**REIMBURSEMENT TYPE J - PARTIAL ELIGIBILITY WITH COST OUTLIER**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 LOS/dates of service (01/25/09-02/05/09)  
 Covered days  
 Recipient's beginning eligibility date (02/01/09)  
 Covered days % (covered days/LOS)  
 Base payment  
 Cost outlier threshold  
 Cost outlier %  
 Cost outlier payment  
 Allowed charges  
 SWCCR  
 Adjusted cost (allowed charges x SWCCR)  
 Cost over the threshold (adjusted cost - cost outlier threshold)

**Formula:** Base rate x relative DRG weight = base payment  
 [(allowed charges x SWCCR) - cost outlier threshold] x cost outlier % = cost outlier payment  
 (Base payment + cost outlier payment) x covered days % = total payment

**Example:** DRG 370 relative weight 0.9859  
 SWCCR 0.3687  
 LOS 11 days  
 Covered days 4 days  
 Covered days % 0.363636  
 Cost outlier threshold \$30,000  
 Allowed charges \$90,580  
 Cost outlier % 60%

\$5,537.61	x	0.9859	=	\$5,459.53	(base payment)
\$90,580.00	x	0.3687	=	\$33,396.85	(adjusted cost)
\$33,396.85	-	\$30,000	x	60%	= \$2,038.11 (cost outlier payment)
(\$5,459.53 + \$2,038.11)	x	0.363636	=	<u>\$2,726.41</u>	(payment for this claim)

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

**REIMBURSEMENT TYPE K - PARTIAL ELIGIBILITY WITH DAY OUTLIER**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 ALOS for DRG  
 LOS/dates of service (01/25/09-02/18/09)  
 Covered days  
 Recipient's beginning eligibility dates (02/01/09)  
 Covered days %  
 Base payment  
 Day outlier threshold  
 Day outlier %  
 Days over the threshold (covered days - outlier threshold)

**Formula:** Base rate x DRG relative weight = base payment  
 [(Base payment/ALOS) x days over threshold] x day outlier % = day outlier payment  
 (Base payment + day outlier payment) x covered days % = total payment

**Example:**

DRG 370 relative weight	0.9859	
LOS	24 days	
Covered days	17 days	
Day outlier threshold	15 days	
Days over threshold	9 days	
ALOS	3.466 days	
Day outlier %	60%	
Covered days %	0.708333	

  

\$5,537.61 x 0.9859	=	\$5,459.53 (base payment)
[( \$5,459.53 / 3.466 ) x 9] x 60%	=	\$8,505.90 (day outlier payment)
( \$5,459.53 + \$8,505.90 ) x 0.708333	=	<u>\$9,892.18 (payment for this claim)</u>

**REIMBURSEMENT TYPE M - SAME DAY DISCHARGE/HALF PER DIEM**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 ALOS for DRG  
 Half day rate

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

**Formula:** (Base rate x DRG relative weight) / ALOS x 50% = total payment

**Example:**

DRG 370 relative weight	0.9859			
ALOS	3.466			
Half day rate	50%			
		\$5,537.61 x 0.9859	=	\$5,459.53 (base payment)
		\$5,459.53 / 3.466 x 50%	=	<u>\$787.58</u> (payment for this claim)

**Note:** All same day discharges are paid at half the single day DRG payment except normal deliveries (DRGs 373 and 374), false labor (DRG 382), normal newborn (DRG 391), and deaths. These exception DRGs receive the whole DRG payment. Same day transfers are paid under the transfer payment methodology.

**REIMBURSEMENT TYPE N - SAME DAY DISCHARGE WITH COST OUTLIER**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 Base payment  
 ALOS for DRG  
 Allowed charges  
 Cost outlier threshold for DRG  
 SWCCR  
 Cost outlier %  
 Adjusted cost (allowed charges x SWCCR)  
 Adjusted base payment  
 Cost outlier payment

**Formula:** (Base rate x DRG relative weight) / ALOS x 50% = adjusted base payment  
 [(Allowed charges x SWCCR) - cost outlier threshold] x cost outlier % = cost outlier payment  
 Adjusted base payment + cost outlier payment = total payment

**Example:**

DRG 370 relative weight	0.9859
ALOS for DRG	3.466
Half day rate	50%
SWCCR	0.3687
Covered	\$90,650

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

charges			
Cost outlier threshold		\$30,000	
Cost outlier			
%		60%	
	\$5,537.61 x 0.9859	=	\$5,459.53 (base payment)
	(\$5,459.53 / 3.466) x 50%	=	\$787.58 (adjusted payment)
	[( \$90,650 x .3687) - \$30,000] x 60%	=	\$2,053.59 (cost outlier payment)
	\$787.58 + \$2,053.59	=	<u>\$2,841.18</u> (payment for this claim)

**REIMBURSEMENT TYPE P - PER DIEM**

**Components:** DRG Per Diem Rate (1 of 3 rates - \*nonteaching, \*teaching with or \*teaching without residents)  
 Length of Stay (Days)  
 Hospital Specific Multiplier

**Formula:** DRG Per Diem Rate x Length of Stay Days x Hospital Specific Multiplier = total payment

**Example:**

DRG 006 per diem rate (nonteaching)		\$800.68	
Length of Stay Days		3	
Hospital Specific Multiplier		1.05 (example only)	
	\$800.68 x 3 x 1.05	=	<u>\$2,522.14</u> (payment for this claim)

**Note:** Cost and day outliers are not applicable to per diem payments.

**REIMBURSEMENT TYPE Q - PER DIEM, OVER THRESHOLD**

**Components:** DRG Per Diem Rate (1 of 3 rates - \*nonteaching, \*teaching with or \*teaching without residents)  
 LOS Days  
 200% of the ALOS threshold  
 Days over the threshold  
 Reduction % for days over the threshold  
 Hospital Specific Multiplier

**Formula:** ((DRG per diem rate x LOS days up to the threshold) + (DRG per diem rate x 60% x days over the threshold)) x Hospital Specific Multiplier = total payment

**Example:**

DRG 006 per diem rate (nonteaching)	\$800.68	
LOS	10	
200% of the ALOS		
Threshold	9	
Days over the threshold	1	
Reduction % for days over the threshold	60%	
Hospital Specific Multiplier	1.05	(example only)

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

$$\begin{aligned}
 & \$800.68 \quad \times \quad 9 \quad = \quad \$7,206.12 \text{ (base payment)} \\
 & \$800.68 \quad \times \quad 60\% \quad \times \quad 1 \quad = \quad \$480.41 \text{ (payment for days over threshold)} \\
 & \$7,206.12 \quad + \quad \$480.41 \quad = \quad \$7,686.53 \text{ (base for multiplier)} \\
 & \$7,686.53 \quad \times \quad 1.05 \quad = \quad \underline{\underline{\$8,070.85}} \text{ (payment for this claim)}
 \end{aligned}$$

**REIMBURSEMENT TYPE R - PER DIEM, PARTIAL ELIGIBILITY**

**Components:** DRG Per Diem Rate (1 of 3 rates - \*nonteaching, \*teaching with or \*teaching without residents)  
 LOS / dates of service (01/29/09 - 02/05/09)  
 Recipient's beginning eligibility date (02/01/09)  
 Covered days  
 Hospital Specific Multiplier

**Formula:** DRG per diem rate x covered days x hospital specific multiplier = total payment

**Example:** DRG 006 per diem rate (nonteaching) \$800.68  
 Covered days 4  
 Hospital Specific Multiplier 1.05 (example only)

$$\$800.68 \quad \times \quad 4 \quad \times \quad 1.05 \quad = \quad \underline{\underline{\$3,362.86}} \text{ (payment for this claim)}$$

**REIMBURSEMENT TYPE S - PER DIEM, OVER THRESHOLD, PARTIAL ELIGIBILITY**

**Components:** DRG Per Diem Rate (1 of 3 rates - \*nonteaching, \*teaching with or \*teaching without residents)  
 LOS / dates of service (01/30/09-02/28/09)  
 200% of the ALOS threshold  
 Recipient's beginning eligibility date (02/01/09)  
 Covered days  
 Covered days over the threshold  
 Reduction % for days over the threshold  
 Hospital Specific Multiplier

**Formula:** ((DRG per diem rate x 200% of the ALOS threshold) + (DRG per diem rate x 60% x covered days over the threshold)) x hospital specific multiplier = total payment.

**Example:** DRG 006 per diem rate (nonteaching) \$800.68  
 LOS 29

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

200% of the ALOS threshold		9			
Covered days		27			
Reduction % for days over the threshold		60%			
Covered days over the threshold		18			
Hospital Specific Multiplier				1.05 (example only)	
\$800.68	x	9	=	\$7,206.12 (base payment)	
\$800.68	x	60%	x	18	= \$8,647.34 (payment for days over threshold)
\$7,206.12	+	\$8,647.34	=	\$15,853.46 (base for multiplier)	
\$15,853.46	x	1.05	=	<u>\$16,646.14</u> (payment for this claim)	

**REIMBURSEMENT TYPE T - PER DIEM, SAME-DAY STAY**

**Components:** DRG Per Diem Rate (1 of 3 rates - \*nonteaching, \*teaching with or \*teaching without residents)  
 LOS  
 Hospital Specific Multiplier

**Formula:** (DRG per diem rate x 50%) x hospital specific multiplier = total payment

**Example:**

DRG per diem rate	\$800.68
LOS	< 1 day
Half day rate	50%
Hospital Specific Multiplier	1.05

  

\$800.68	x	50%	x	1.05	=	<u>\$420.36</u> (payment for this claim)
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**Note:** Exceptions are deaths and transfers (these are paid the full per diem).

**REIMBURSEMENT TYPE U - ONE-DAY STAY**

**Components:** Base rate \$5,537.61  
 DRG relative weight  
 Dates of service  
 ALOS

**Formula:** Base rate x DRG relative weight / ALOS = total payment

**Example:**

DRG 269 relative weight	1.9238
ALOS	5.499

**PAYMENT CALCULATIONS FOR THE HYBRID PROSPECTIVE PAYMENT SYSTEM (PPS)**

$$\$5,537.61 \times 1.9238 / 5.499 = \underline{\underline{\$1,937.31}} \text{ (payment for this claim)}$$

**Note:** Exceptions are DRGs 373, 374, 382, 391, and deaths. These receive the full DRG payment. Transfers are paid under the transfer payment methodology.