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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 \times 0.9859 = \$5,459.53 \text{ (base payment)} \\
\$5,459.53 \div 3.466 \times 12 = \$18,902.04 \text{ (transfer payment)}

Lesser of Base or Transfer = \$5,459.53 \text{ (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 \times DRG relative weight = base payment
[(SWCCR \times allowed charges) - cost outlier threshold] \times 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 \times 0.9859 = \$5,459.53 \text{ (base payment)} \\
\[(0.3687 \times 83,972) - 30,000\] \times 60\% = \$576.29 \text{ (cost outlier payment)}
\$5,459.53 + \$576.29 = \$6,035.82 \text{ (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%

$5,537.61 x 0.9859 = $5,459.53 (base payment)

[(5,459.53 / 3.466) x 12] x 60% = $11,341.20 (day outlier payment)

$5,459.53 + $11,341.20 = $16,800.73 (payment for this claim)

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 (SWCCCR)
ALOS for DRG
LOS
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 = $23,621.36 (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%

\[ \$5,537.61 \times 0.9859 = \$5,459.53 \text{ (base payment)} \]  
\[ \left( \frac{\$5,459.53}{3.466} \right) \times 2 \times 60\% = \$1,890.20 \text{ (outlier payment)} \]  
\[ \$5,459.53 + \$1,890.20 = \$7,349.73 \text{ (payment for this claim)} \]

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 0.9859  
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

\[ \$5,537.61 \times 0.9859 \times 0.363636 = \$1,985.28 \text{ (payment for this claim)} \]
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 = $2,726.41 (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)

\[\frac{($5,459.53 \times 3.466)}{9} \times 60\% = $8,505.90 \text{ (day outlier payment)}\]

\[($5,459.53 + $8,505.90) \times 0.708333 = $9,892.18 \text{ (payment for this claim)}\]

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: \[
\text{(Base rate x DRG relative weight)} / \text{ALOS x 50%} = \text{total payment}
\]

Example:

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRG 370 relative weight</td>
<td>0.9859</td>
</tr>
<tr>
<td>ALOS</td>
<td>3.466</td>
</tr>
<tr>
<td>Half day rate</td>
<td>50%</td>
</tr>
</tbody>
</table>

\[
\begin{align*}
\text{Base rate} & = 5,537.61 \\
\text{Adjusted base payment} & = \frac{5,537.61 \times 0.9859}{3.466 \times 0.5} = 5,459.53 \\
\text{Payment for this claim} & = \frac{5,459.53}{3.466 \times 0.5} = 787.58
\end{align*}
\]

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:

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base rate</td>
<td>$5,537.61</td>
</tr>
<tr>
<td>DRG relative weight</td>
<td>0.9859</td>
</tr>
<tr>
<td>Base payment</td>
<td></td>
</tr>
<tr>
<td>ALOS for DRG</td>
<td></td>
</tr>
<tr>
<td>Allowed charges</td>
<td></td>
</tr>
<tr>
<td>Cost outlier threshold for DRG</td>
<td></td>
</tr>
<tr>
<td>SWCCR</td>
<td></td>
</tr>
<tr>
<td>Cost outlier %</td>
<td>0.3687</td>
</tr>
<tr>
<td>Adjusted cost (allowed charges x SWCCR)</td>
<td></td>
</tr>
<tr>
<td>Adjusted base payment</td>
<td></td>
</tr>
<tr>
<td>Cost outlier payment</td>
<td></td>
</tr>
</tbody>
</table>

Formula:

\[
\text{Adjusted base payment} = \frac{(\text{Base rate} \times \text{DRG relative weight})}{\text{ALOS x 50%}}
\]

\[
\text{Cost outlier payment} = \left(\text{Allowed charges} \times \text{SWCCR} - \text{cost outlier threshold}\right) \times \text{cost outlier %} = \text{cost outlier payment}
\]

\[
\text{Total payment} = \text{Adjusted base payment} + \text{Cost outlier payment}
\]

Example:

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRG 370 relative weight</td>
<td>0.9859</td>
</tr>
<tr>
<td>ALOS for DRG</td>
<td>3.466</td>
</tr>
<tr>
<td>Half day rate</td>
<td>50%</td>
</tr>
<tr>
<td>SWCCR</td>
<td>0.3687</td>
</tr>
<tr>
<td>Covered</td>
<td>$90,650</td>
</tr>
</tbody>
</table>
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 = $2,841.18 (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 = $2,522.14 (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)

$800.68 \times 9 = $7,206.12 \text{ (base payment)}

$800.68 \times 60\% \times 1 = $480.41 \text{ (payment for days over threshold)}

$7,206.12 + $480.41 = $7,686.53 \text{ (base for multiplier)}

$7,686.53 \times 1.05 = $8,070.85 \text{ (payment for this claim)}

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 \times \text{covered days} \times \text{hospital specific multiplier} = \text{total payment}

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

$800.68 \times 4 \times 1.05 = $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: \((\text{DRG per diem rate} \times 200\% \text{ of the ALOS threshold}) + (\text{DRG per diem rate} \times 60\% \times \text{covered days over the threshold})) \times \text{hospital specific multiplier} = \text{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)

\[ \text{Base payment} = 800.68 \times 9 = 7,206.12 \]
\[ \text{Payment for days over threshold} = 800.68 \times 60\% \times 18 = 8,647.34 \]
\[ \text{Total payment} = 7,206.12 + 8,647.34 = 15,853.46 \]

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

\[ \text{Payment for this claim} = 800.68 \times 50\% \times 1.05 = 420.36 \]

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)

$5,537.61 \times 1.9238 \div 5.499 = \underline{1,937.31}$ (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.