APR-DRG Calculator Instructions
Medi-Cal DRG Project

February 14, 2013

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1 Overview

The purpose of this document is to provide pertinent details to users about the design, content and functionality of the DRG pricing calculator. The DRG pricing calculator is an interactive spreadsheet.

The instructions shown in this document are intended to guide users through the steps necessary to effectively utilize the DRG pricing calculator. A variety of DRG payment types and DRG calculator utilization techniques are illustrated in the sections that follow.

1.1. Structure of the DRG Calculator

The DRG Calculator is comprised of five tabs. The five tabs are as follows:

* Cover Page – This tab contains an introduction to the DRG Calculator.

* Interactive Calculator Spreadsheet – This tab contains the interactive portion of the DRG calculator. Cells shaded in lavender are user input fields.

* DRG Base Price – This tab contains the wage areas and wage area index values from the Medicare hospital impact file that adjust each hospital's base price.

* Hospital Characteristics – This tab provides a list of hospitals that meet the DHCS definition of Remote Rural and Designated NICU, Designated Public and Non-Designated Public Hospitals as well as wage areas for all in-state hospitals.

* DRG Table – This tab contains the DRG values. This table interacts with the calculator tab. It supplies the DRG specific values which are critical in the execution of the pricing functions of the calculator.

Note that for each hospital, the statewide DRG base prices will be adjusted by the local wage area. In addition, some hospitals will use the statewide base price immediately; whereas, other hospitals will transition to the statewide base price over a period of one to three years.

In-state hospitals were mailed their specific wage area adjusted base price values from the Deparment of Health Care Services (DHCS). This base price should be entered into cell E26 of interactive calculator tab. Out-of-state hospitals will use the statewide base price of $6,223 adjusted by Medicare's national wage area index value of 1.00. The default CCR for out-of-state hospitals is .223.

In-state hospitals can refer to the Hospital Characteristics PDF file on the DHCS webpage to verify specific statewide wage area and CCR values. The webpage can be found at http://www.dhcs.ca.gov/provgovpart/Pages/DRG.aspx.

2 DRG Calculator Instructions

The examples and instructions throughout this document were developed to provide users with the information necessary to operate the DRG calculator. The user enters data into cells shaded with the lavender background. The spreadsheet automatically calculates the payment amount for the particular stay. The calculator does not predict the DRG. The user must have the DRG information prior to using the tool.

Payment policy parameter values are shown in light lavender background. The final payment amount is shown in the last active cell in the document which is shaded in black. Please keep in mind that the DRG calculator is intended to be helpful to users, but it cannot capture all the complexity of the Medicaid claims processing system. In cases of difference, the claims processing system should be considered correct.

The following pricing scenarios are depicted in this document:

- Straight DRG

- Straight DRG with Age Adjustor (Pediatrics)

- Acute Care Transfer

- Lesser of Paid or Billed Adjustment

- High-Side Outlier Adjustment

- High-Side Outlier Adjustment Two-Tier

- Low-Side Outlier Adjustment

- Interim Claim

- Designated NICU Adjustment

For simplicity, each example builds on the previous example where possible. However, changes were made among certain examples to facilitate execution of the desired scenario. The examples below were created using the statewide base price of $6,223 adjusted by a wage area value of 1.4203. This wage area adjustment factor is for Sacramento-Arden-Arcade-Roseville CA.

2.1. Straight DRG

This is the simplest case, likely to apply to approximately 80 percent of inpatient stays once the new method is implemented. Follow these steps and use these values unless otherwise directed for other scenarios. Values and parameters are examples only. The table below has been altered to assist with clarity. A full view of the calculator follows.

- *Input* Total charges (cell E7): $50,000.00

- *Input* Hospital-specific cost-to-charge ratio (cell E8): 35.00%

- *Input* Length of stay (cell E9): 2

- *Input* Patient discharge status = 02, 05, 65 or 66? (cell E10): No

- *Input* Patient age (cell E11): 25

- *Input* Other health coverage (cell E12): $0.00

- *Input* Patient share of cost (cell E13): $0.00

- *Input* Is discharge status equal to 30? (cell E14): No

- *Input* Designated NICU facility (cell E15): No

- *Input* APR-DRG (cell E16): 139-3

- *Output* **Payment amount (cell E65): $7,169.26**

Table 2.1.1			
Input for Straight DRG			
1	C	D	E
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	Total charges		$50,000.00
8	Hospital-specific cost-to-charge ratio		35.00%
9	Length of stay		2
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No
11	Patient age (in years)		25
12	Other health coverage		$0.00
13	Patient share of cost		$0.00
14	Is discharge status equal to 30?		No
15	Designated NICU facility		No
16	APR-DRG		139-3
65	**Payment amount**		**$7,169.26**

2.1.1   Straight DRG Example

Medi-Cal DRG Pricing Calculator

Note: This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.

	Indicates information to be input by the user.		*Indicates payment policy parameters set by Medicaid*
	Information	**Data**	**Comments or Formula**
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	Total charges	$50,000.00	UB-04 Form Locator 47
8	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
9	Length of stay	2	Used for transfer pricing adjustment
10	Patient discharge status = 02, 05, 65 or 66? (transfer)	No	Used for transfer pricing adjustment
11	Patient age (in years)	25	Used for age adjustor
12	Other health coverage	$0.00	UB-04 Form Locator 54 for payments by third parties
13	Patient share of cost	$0.00	Includes spend-down or copayment
14	Is discharge status equal to 30?	No	Indicates an interim claim
15	Designated NICU facility	No	Policy adjustor for designated NICU facilities
16	APR-DRG	139-3	From separate APR-DRG grouping software
17	**APR-DRG INFORMATION**		
18	APR-DRG description	OTHER PNEUMONIA	Look up from DRG table
19	Casemix relative weight--unadjusted	0.8937	Look up from DRG table
20	Service adjustor - hospital with designated NICU	1.0000	Look up from DRG table
21	Service adjustor - all other hospitals	1.0000	Look up from DRG table
22	Age adjustor	1.2500	Look up from DRG table
23	Payment relative weight	0.8937	IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), then (E19*E20), else (E19*E21)
24	Average length of stay for this APR-DRG	5.47	Look up from DRG table
25	**PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE**		
26	DRG base price	$8,022	Used for DRG base payment--see DRG base price tab
27	Cost outlier threshold 1	$40,000	Used for cost outlier adjustments
28	Cost outlier threshold 2	$125,000	Used for cost outlier adjustments
29	Marginal cost percentage_1	60%	Used for cost outlier adjustments
30	Marginal cost percentage_2	80%	Used for cost outlier adjustments
31	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
32	Interim claim threshold	29	Used for pricing interim claims
33	Interim per diem amount	$600	Used for pricing interim claims
34	**IS THIS AN INTERIM CLAIM?**		
35	Is discharge status equal to 30?	No	Look up E14
36	Is length of stay > interim claim threshold?	N/A	IF E35="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"
37	Skip to E65 for final interim claim payment amount	$0.00	IF E36="Yes", (E33*E9) rounded to 2 places, else 0
38	**WHAT IS THE DRG BASE PAYMENT?**		
39	DRG base payment for this claim	$7,169.26	E26*E23*E31
40	**IS A TRANSFER PAYMENT ADJUSTMENT MADE?**		
41	Is a transfer adjustment potentially applicable?	No	Look up E10
42	Calculated transfer payment adjustment	N/A	IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"
43	Is transfer payment adjustment < allowed amount so far?	N/A	IF E42 ="N/A" then ,"N/A", else if (E42<E39), then "Yes" else "No"
44	Allowed amount after transfer adjustment	$7,169.26	IF E43= "Yes", then E42, else E39
45	**IS A COST OUTLIER ADJUSTMENT MADE?**		
46	Estimated cost of this case	$17,500.00	E7 * E8
47	Is estimated cost > allowed amount	Loss	IF E46 > E44 then "Loss" else "Gain"
48	*High-Side Outlier Payment When Payment Is Much Lower than Cost*		
49	Estimated loss on this case	$10,330.74	IF E47 = "Loss", then (E46-E44), else "N/A"
50	Is loss > outlier threshold lower limit	No	IF E47 = "Loss", then if (E49 > E27), then "Yes", else "No", else "N/A"
51	DRG cost outlier payment increase 1	$0.00	IF E50 = "Yes", then if (E49<E28), then ((E49-E27)*E29), else ((E28-E27)*E29), else 0
52	DRG cost outlier payment increase 2	$0.00	IF E50="Yes", then if (E49>E28), then (E49-E28)*E30, rounded to 2 places else 0, else 0
53	*Low Side Outlier Payment When Payment Is Much Greater than Cost*		
54	Estimated gain on this case	N/A	IF E47="Gain", then (E44-E46), else"N/A"
55	Is gain > outlier threshold	N/A	IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"
56	DRG cost outlier payment decrease	$0.00	IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2
57	**ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS**		
58	DRG payment so far	$7,169.26	IF E47="Loss", then (E44+E51+E52), else (E44-E56)
59	**CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT**		
60	Add-on amount	$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
61	Allowed amount	$7,169.26	Allowed amount = E58+E60
62	Other health coverage	$0.00	E12
63	Patient share of cost	$0.00	E13
64	"Lesser of" calculation	$7,169.26	Existing policy ensures that payment amount cannot exceed total charges. IF E61>E7, then E7, else E61
65	Payment amount	$7,169.26	If interim claim (E35="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.

1/7/2013

This calculator spreadsheet is intended to be helpful to users, but it cannot capture all the editing and pricing complexity of the Medicaid claims processing system. In cases of difference, the claims processing system is correct.

CALCULATOR VALUES ARE SUBJECT TO CHANGE BEFORE IMPLEMENTATION JULY 1, 2013.

Straight DRG with Age Adjustor (Pediatrics)

In this case, DRGs are paid at a higher rate for beneficiaries below a certain age, usually 21. The allowed amount is higher than in the previous scenario, keeping all other values the same.

- *Input* Patient age (cell E11): 5

- The age adjustor (cell E22) results in an increased payment relative weight (cell E23), from 0.8937 in the adult example (Section 2.1.1) to 1.1171 in the pediatric example (Section 2.1.2) cell E23.

- *Output* **Payment amount (cell E65): $8,961.58**

Table 2.2.1			
Input for Straight DRG with Age Adjustor			
1	C	D	E
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	Total charges		$50,000.00
8	Hospital-specific cost-to-charge ratio		35.00%
9	Length of stay		2
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No
11	**Patient age (in years)**		**5**
12	Other health coverage		$0.00
13	Patient share of cost		$0.00
14	Is discharge status equal to 30?		No
15	Designated NICU facility		No
16	APR-DRG		139-3
65	**Payment amount**		**$8,961.58**

2.1.2 Straight DRG with Age Adjustor Example

	C	D	E	F	G
2	**Medi-Cal DRG Pricing Calculator**				
3	*Note:* This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.				
4	*Indicates information to be input by the user.*			*Indicates payment policy parameters set by Medicaid*	
5	**Information**		**Data**	**Comments or Formula**	
6	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER				
7	Total charges		$100,000.00	UB-04 Form Locator 47	
8	Hospital-specific cost-to-charge ratio		35.00%	Used to estimate the hospital's cost of this stay	
9	Length of stay		2	Used for transfer pricing adjustment	
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No	Used for transfer pricing adjustment	
11	Patient age (in years)		5	Used for age adjustor	
12	Other health coverage		$0.00	UB-04 Form Locator 54 for payments by third parties	
13	Patient share of cost		$0.00	Includes spend-down or copayment	
14	Is discharge status equal to 30?		No	Indicates an interim claim	
15	Designated NICU facility		No	Policy adjustor for designated NICU facilities	
16	APR-DRG		139-3	From separate APR-DRG grouping software	
17	APR-DRG INFORMATION				
18	APR-DRG description		OTHER PNEUMONIA	Look up from DRG table	
19	Casemix relative weight--unadjusted		0.8937	Look up from DRG table	
20	Service adjustor - hospital with designated NICU		1.0000	Look up from DRG table	
21	Service adjustor - all other hospitals		1.0000	Look up from DRG table	
22	Age adjustor		1.2500	Look up from DRG table	
23	Payment relative weight		1.1171	IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), then (E19*E20), else (E19*E21)	
24	Average length of stay for this APR-DRG		5.47	Look up from DRG table	
25	PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE				
26	DRG base price		$8,022	Used for DRG base payment--see DRG base price tab	
27	Cost outlier threshold 1		$40,000	Used for cost outlier adjustments	
28	Cost outlier threshold 2		$125,000	Used for cost outlier adjustments	
29	Marginal cost percentage_1		60%	Used for cost outlier adjustments	
30	Marginal cost percentage_2		80%	Used for cost outlier adjustments	
31	Casemix adjustment factor		1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.	
32	Interim claim threshold		29	Used for pricing interim claims	
33	Interim per diem amount		$600	Used for pricing interim claims	
34	IS THIS AN INTERIM CLAIM?				
35	Is discharge status equal to 30?		No	Look up E14	
36	Is length of stay > interim claim threshold?		N/A	IF E35="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"	
37	Skip to E65 for final interim claim payment amount		$0.00	IF E36="Yes", (E33*E9) rounded to 2 places, else 0	
38	WHAT IS THE DRG BASE PAYMENT?				
39	DRG base payment for this claim		$8,961.58	E26*E23*E31	
40	IS A TRANSFER PAYMENT ADJUSTMENT MADE?				
41	Is a transfer adjustment potentially applicable?		No	Look up E10	
42	Calculated transfer payment adjustment		N/A	IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"	
43	Is transfer payment adjustment < allowed amount so far?		N/A	IF E42 ="N/A" then ,"N/A", else if (E42<E39), then "Yes" else "No"	
44	Allowed amount after transfer adjustment		$8,961.58	IF E43= "Yes", then E42, else E39	
45	IS A COST OUTLIER ADJUSTMENT MADE?				
46	Estimated cost of this case		$35,000.00	E7 * E8	
47	Is estimated cost > allowed amount		Loss	IF E46 > E44 then "Loss" else "Gain"	
48	*High-Side Outlier Payment When Payment Is Much Lower than Cost*				
49	Estimated loss on this case		$26,038.42	IF E47 = "Loss", then (E46-E44), else "N/A"	
50	Is loss > outlier threshold lower limit		No	IF E47 = "Loss", then if (E49 > E27), then "Yes", else "No", else "N/A"	
51	DRG cost outlier payment increase 1		$0.00	IF E50 = "Yes", then if (E49<E28), then ((E49-E27)*E29), else ((E28-E27)*E29), else 0	
52	DRG cost outlier payment increase 2		$0.00	IF E50="Yes", then if (E49>E28), then (E49-E28)*E30, rounded to 2 places else 0, else 0	
53	*Low Side Outlier Payment When Payment Is Much Greater than Cost*				
54	Estimated gain on this case		N/A	IF E47="Gain", then (E44-E46), else"N/A"	
55	Is gain > outlier threshold		N/A	IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"	
56	DRG cost outlier payment decrease		$0.00	IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2	
57	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS				
58	DRG payment so far		$8,961.58	IF E47="Loss", then (E44+E51+E52), else (E44-E56)	
59	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT				
60	Add-on amount		$0.00	Hospital-specific payment separate from DRG payment (not used at this time)	
61	Allowed amount		$8,961.58	Allowed amount = E58+E60	
62	Other health coverage		$0.00	E12	
63	Patient share of cost		$0.00	E13	
64	"Lesser of" calculation		$8,961.58	Existing policy ensures that payment amount cannot exceed total charges. IF E61>E7, then E7, else E61	
65	Payment amount		$8,961.58	If interim claim (E35="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.	

1/7/2013

This calculator spreadsheet is intended to be helpful to users, but it cannot capture all the editing and pricing complexity of the Medicaid claims processing system. In cases of difference, the claims processing system is correct.

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2.2. Acute Care Transfer

When a patient is transferred to another acute care setting (discharge status 02, 05, 65, or 66), the payment to the transferring hospital may, or may not, be reduced. For these stays, the transferring hospital will be paid the lesser of:

- The DRG base payment

- A per diem amount times the actual length of stay (LOS) plus one day (to recognize up-front costs of admission). The per diem amount will be the DRG base payment divided by the DRG-specific average LOS.

This reduces the DRG base payment if the actual LOS at the transferring hospital is less than the average LOS minus one day. The transfer payment adjustment applies only to the transferring hospital. The receiving hospital will be paid a full DRG payment.

- *Input* Patient age (cell E11): 25

- *Input* Patient discharge status = 02, 05, 65 or 66? (cell E10): Yes

- The average LOS for this APR-DRG is 5.47 days, but the patient was transferred after 2 days.

- When the user enters "Yes" for discharge status 02, 05, 65 or 66, cells E41-44 are updated with the transfer payment adjustment calculation.

- *Output* **Payment amount (cell E65): $3,931.95**

Table 2.3.1			
Input for Acute Care Transfer			
1	C	D	E
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	Total charges		$50,000.00
8	Hospital-specific cost-to-charge ratio		35.00%
9	Length of stay		2
10	**Patient discharge status = 02, 05, 65 or 66? (transfer)**		**Yes**
11	**Patient age (in years)**		**25**
12	Other health coverage		$0.00
13	Patient share of cost		$0.00
14	Is discharge status equal to 30?		No
15	Designated NICU facility		No
16	APR-DRG		139-3
65	**Payment amount**		**$3,931.95**

2.2.1   Acute Care Transfer Example

1	C	D	E	F	G
2	**Medi-Cal DRG Pricing Calculator**				
3	*Note:* This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.				
4	*Indicates information to be input by the user.*			*Indicates payment policy parameters set by Medicaid*	
5	**Information**		**Data**	**Comments or Formula**	
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**				
7	Total charges		$50,000.00	UB-04 Form Locator 47	
8	Hospital-specific cost-to-charge ratio		35.00%	Used to estimate the hospital's cost of this stay	
9	Length of stay		2	Used for transfer pricing adjustment	
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		Yes	Used for transfer pricing adjustment	
11	Patient age (in years)		25	Used for age adjustor	
12	Other health coverage		$0.00	UB-04 Form Locator 54 for payments by third parties	
13	Patient share of cost		$0.00	Includes spend-down or copayment	
14	Is discharge status equal to 30?		No	Indicates an interim claim	
15	Designated NICU facility		No	Policy adjustor for designated NICU facilities	
16	APR-DRG		139-3	From separate APR-DRG grouping software	
17	**APR-DRG INFORMATION**				
18	APR-DRG description		OTHER PNEUMONIA	Look up from DRG table	
19	Casemix relative weight--unadjusted		0.8937	Look up from DRG table	
20	Service adjustor - hospital with designated NICU		1.0000	Look up from DRG table	
21	Service adjustor - all other hospitals		1.0000	Look up from DRG table	
22	Age adjustor		1.2500	Look up from DRG table	
23	Payment relative weight		0.8937	IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), then (E19*E20), else E19*E21)	
24	Average length of stay for this APR-DRG		5.47	Look up from DRG table	
25	**PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE**				
26	DRG base price		$8,022	Used for DRG base payment--see DRG base price tab	
27	Cost outlier threshold 1		$40,000	Used for cost outlier adjustments	
28	Cost outlier threshold 2		$125,000	Used for cost outlier adjustments	
29	Marginal cost percentage_1		60%	Used for cost outlier adjustments	
30	Marginal cost percentage_2		80%	Used for cost outlier adjustments	
31	Casemix adjustment factor		1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.	
32	Interim claim threshold		29	Used for pricing interim claims	
33	Interim per diem amount		$600	Used for pricing interim claims	
34	**IS THIS AN INTERIM CLAIM?**				
35	Is discharge status equal to 30?		No	Look up E14	
36	Is length of stay > interim claim threshold?		N/A	IF E35="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"	
37	Skip to E65 for final interim claim payment amount		$0.00	IF E36="Yes", (E33*E9) rounded to 2 places, else 0	
38	**WHAT IS THE DRG BASE PAYMENT?**				
39	DRG base payment for this claim		$7,169.26	E26*E23*E31	
40	**IS A TRANSFER PAYMENT ADJUSTMENT MADE?**				
41	Is a transfer adjustment potentially applicable?		Yes	Look up E10	
42	Calculated transfer payment adjustment		$3,931.95	IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"	
43	Is transfer payment adjustment < allowed amount so far?		Yes	IF E42 ="N/A" then ,"N/A", else if (E42<E39), then "Yes" else "No"	
44	Allowed amount after transfer adjustment		$3,931.95	IF E43= "Yes", then E42, else E39	
45	**IS A COST OUTLIER ADJUSTMENT MADE?**				
46	Estimated cost of this case		$17,500.00	E7 * E8	
47	Is estimated cost > allowed amount		Loss	IF E46 > E44 then "Loss" else "Gain"	
48	*High-Side Outlier Payment When Payment Is Much Lower than Cost*				
49	Estimated loss on this case		$13,568.05	IF E47 = "Loss", then (E46-E44), else "N/A"	
50	Is loss > outlier threshold lower limit		No	IF E47 = "Loss", then if (E49 > E27), then "Yes", else "No", else "N/A"	
51	DRG cost outlier payment increase 1		$0.00	IF E50 = "Yes", then if (E49<E28), then ((E49-E27)*E29), else ((E28-E27)*E29), else 0	
52	DRG cost outlier payment increase 2		$0.00	IF E50="Yes", then if (E49>E28), then (E49-E28)*E30, rounded to 2 places else 0, else 0	
53	*Low Side Outlier Payment When Payment Is Much Greater than Cost*				
54	Estimated gain on this case		N/A	IF E47="Gain", then (E44-E46), else"N/A"	
55	Is gain > outlier threshold		N/A	IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"	
56	DRG cost outlier payment decrease		$0.00	IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2	
57	**ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS**				
58	DRG payment so far		$3,931.95	IF E47="Loss", then (E44+E51+E52), else (E44-E56)	
59	**CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT**				
60	Add-on amount		$0.00	Hospital-specific payment separate from DRG payment (not used at this time)	
61	Allowed amount		$3,931.95	Allowed amount = E58+E60	
62	Other health coverage		$0.00	E12	
63	Patient share of cost		$0.00	E13	
64	"Lesser of" calculation		$3,931.95	Existing policy ensures that payment amount cannot exceed total charges. IF E61>E7, then E7, else E61	
65	Payment amount		$3,931.95	If interim claim (E35="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.	

1/7/2013

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CALCULATOR VALUES ARE SUBJECT TO CHANGE BEFORE IMPLEMENTATION JULY 1, 2013.

2.3. Lesser of Paid or Billed Adjustment

This situation applies when the total allowed amount exceeds total charges. Payment cannot exceed charges. If the allowed amount exceeds charges, payment will be reduced to charges. This is consistent with current policy, which is not impacted by a change in payment method, and consistent with federal and state law. This example also demonstrates a cutback for patient share of cost and other health coverage.

- *Input* Total charges (cell E7): $2,000.00

- *Input* Patient discharge status = 02, 05, 65 or 66? (cell E10): "No"

- *Input* Other health coverage (cell E12): $200.00

- *Input* Patient share of cost (cell E13): $5.00

- The "Lesser of" calculation in cell E64 may equal total charges but never exceed them.

- Even though the allowed amount in this example is $7,169.26, the "Lesser of" amount causes only the $2,000 to be eligible for payment.

- If the patient has other health coverage or has paid a share of the cost, those amounts are subtracted from the "Lesser of" amount (cell E65) to determine payment.

- *Output* **Payment amount (cell E65): $1,795.00**

Table 2.4.1			
Input for Lesser of Paid or Billed			
1	C	D	E
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	**Total charges**		**$2,000.00**
8	Hospital-specific cost-to-charge ratio		35.00%
9	Length of stay		2
10	**Patient discharge status = 02, 05, 65 or 66? (transfer)**		**No**
11	Patient age (in years)		25
12	**Other health coverage**		**$200.00**
13	**Patient share of cost**		**$5.00**
14	Is discharge status equal to 30?		No
15	Designated NICU facility		No
16	APR-DRG		139-3
65	**Payment amount**		**$1,795.00**

2.3.1 Lesser of Paid or Billed Adjustment Example

	C	D	E	F	G
1					
2	**Medi-Cal DRG Pricing Calculator**				
3	*Note:* This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.				
4	*Indicates information to be input by the user.*			*Indicates payment policy parameters set by Medicaid*	
5	**Information**		**Data**		**Comments or Formula**
6	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER				
7	Total charges		$2,000.00		UB-04 Form Locator 47
8	Hospital-specific cost-to-charge ratio		35.00%		Used to estimate the hospital's cost of this stay
9	Length of stay		2		Used for transfer pricing adjustment
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No		Used for transfer pricing adjustment
11	Patient age (in years)		25		Used for age adjustor
12	Other health coverage		$200.00		UB-04 Form Locator 54 for payments by third parties
13	Patient share of cost		$5.00		Includes spend-down or copayment
14	Is discharge status equal to 30?		No		Indicates an interim claim
15	Designated NICU facility		No		Policy adjustor for designated NICU facilities
16	APR-DRG		139-3		From separate APR-DRG grouping software
17	APR-DRG INFORMATION				
18	APR-DRG description		OTHER PNEUMONIA		Look up from DRG table
19	Casemix relative weight--unadjusted		0.8937		Look up from DRG table
20	Service adjustor - hospital with designated NICU		1.0000		Look up from DRG table
21	Service adjustor - all other hospitals		1.0000		Look up from DRG table
22	Age adjustor		1.2500		Look up from DRG table
23	Payment relative weight		0.8937		IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), then (E19*E20), else (E19*E21)
24	Average length of stay for this APR-DRG		5.47		Look up from DRG table
25	PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE				
26	DRG base price		$8,022		Used for DRG base payment--see DRG base price tab
27	Cost outlier threshold 1		$40,000		Used for cost outlier adjustments
28	Cost outlier threshold 2		$125,000		Used for cost outlier adjustments
29	Marginal cost percentage_1		60%		Used for cost outlier adjustments
30	Marginal cost percentage_2		80%		Used for cost outlier adjustments
31	Casemix adjustment factor		1.00		Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
32	Interim claim threshold		29		Used for pricing interim claims
33	Interim per diem amount		$600		Used for pricing interim claims
34	IS THIS AN INTERIM CLAIM?				
35	Is discharge status equal to 30?		No		Look up E14
36	Is length of stay > interim claim threshold?		N/A		IF E35="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"
37	Skip to E65 for final interim claim payment amount		$0.00		IF E36="Yes", (E33*E9) rounded to 2 places, else 0
38	WHAT IS THE DRG BASE PAYMENT?				
39	DRG base payment for this claim		$7,169.26		E26*E23*E31
40	IS A TRANSFER PAYMENT ADJUSTMENT MADE?				
41	Is a transfer adjustment potentially applicable?		No		Look up E10
42	Calculated transfer payment adjustment		N/A		IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"
43	Is transfer payment adjustment < allowed amount so far?		N/A		IF E42 ="N/A" then ,"N/A", else if (E42<E39), then "Yes" else "No"
44	Allowed amount after transfer adjustment		$7,169.26		IF E43= "Yes", then E42, else E39
45	IS A COST OUTLIER ADJUSTMENT MADE?				
46	Estimated cost of this case		$700.00		E7 * E8
47	Is estimated cost > allowed amount		Gain		IF E46 > E44 then "Loss" else "Gain"
48	*High-Side Outlier Payment When Payment Is Much Lower than Cost*				
49	Estimated loss on this case		N/A		IF E47 = "Loss", then (E46-E44), else "N/A"
50	Is loss > outlier threshold lower limit		N/A		IF E47 = "Loss", then if (E49 > E27), then "Yes", else "No", else "N/A"
51	DRG cost outlier payment increase 1		$0.00		IF E50 = "Yes", then if (E49<E28), then ((E49-E27)*E29), else ((E28-E27)*E29), else 0
52	DRG cost outlier payment increase 2		$0.00		IF E50="Yes", then if (E49>E28), then (E49-E28)*E30, rounded to 2 places else 0, else 0
53	*Low Side Outlier Payment When Payment Is Much Greater than Cost*				
54	Estimated gain on this case		$6,469.26		IF E47="Gain", then (E44-E46), else"N/A"
55	Is gain > outlier threshold		No		IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"
56	DRG cost outlier payment decrease		$0.00		IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2
57	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS				
58	DRG payment so far		$7,169.26		IF E47="Loss", then (E44+E51+E52), else (E44-E56)
59	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT				
60	Add-on amount		$0.00		Hospital-specific payment separate from DRG payment (not used at this time)
61	Allowed amount		$7,169.26		Allowed amount = E58+E60
62	Other health coverage		$200.00		E12
63	Patient share of cost		$5.00		E13
64	"Lesser of" calculation		$2,000.00		Existing policy ensures that payment amount cannot exceed total charges. IF E61>E7, then E7, else E61
65	Payment amount		$1,795.00		If interim claim (E35="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.

1/7/2013

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2.4. High-Side Outlier Adjustment

This adjustment applies to stays that are exceptionally expensive for a hospital. Each stay is evaluated for whether it qualifies as a cost outlier stay. If so, the cost outlier payment is calculated. For high-side outliers, this increases payment.

- *Input* Total charges (cell E7): $150,000.00

- *Input* Other health coverage (cell E12): $0.00

- *Input* Patient share of cost (cell E13): $0.00

- Because the estimated loss of this case (cell E49: $45,330.74) exceeds cost outlier threshold 1 (cell E27: $40,000), a cost adjustment is applicable.

- The amount of threshold 1 is subtracted from the estimated loss, and then multiplied by marginal cost percentage 1 (cell E29: 60%). That amount is added to the previously allowed amount.

- See cells E49-51 for the high-side outlier adjustment calculation.

- DRG cost outlier payment increase 1 (cell E51): $3,198.44

- *Output* **Payment amount (cell E65): $10,367.70**

Table 2.5.1			
Input for High-Side Outlier Adjustment			
1	C	D	E
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	**Total charges**		**$150,000.00**
8	Hospital-specific cost-to-charge ratio		35.00%
9	Length of stay		2
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No
11	Patient age (in years)		25
12	**Other health coverage**		**$0.00**
13	**Patient share of cost**		**$0.00**
14	Is discharge status equal to 30?		No
15	Designated NICU facility		No
16	APR-DRG		139-3
65	**Payment amount**		**$10,367.70**

2.4.1 High-Side Outlier Adjustment Example

	C	D	E	F	G
1					
2	**Medi-Cal DRG Pricing Calculator**				
3	*Note:* This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.				
4	*Indicates information to be input by the user.*			*Indicates payment policy parameters set by Medicaid*	
5	**Information**		**Data**	**Comments or Formula**	
6	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER				
7	Total charges		$150,000.00	UB-04 Form Locator 47	
8	Hospital-specific cost-to-charge ratio		35.00%	Used to estimate the hospital's cost of this stay	
9	Length of stay		2	Used for transfer pricing adjustment	
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No	Used for transfer pricing adjustment	
11	Patient age (in years)		25	Used for age adjustor	
12	Other health coverage		$0.00	UB-04 Form Locator 54 for payments by third parties	
13	Patient share of cost		$0.00	Includes spend-down or copayment	
14	Is discharge status equal to 30?		No	Indicates an interim claim	
15	Designated NICU facility		No	Policy adjustor for designated NICU facilities	
16	APR-DRG		139-3	From separate APR-DRG grouping software	
17	**APR-DRG INFORMATION**				
18	APR-DRG description		OTHER PNEUMONIA	Look up from DRG table	
19	Casemix relative weight--unadjusted		0.8937	Look up from DRG table	
20	Service adjustor - hospital with designated NICU		1.0000	Look up from DRG table	
21	Service adjustor - all other hospitals		1.0000	Look up from DRG table	
22	Age adjustor		1.2500	Look up from DRG table	
23	Payment relative weight		0.8937	IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), then (E19*E20), else (E19*E21)	
24	Average length of stay for this APR-DRG		5.47	Look up from DRG table	
25	PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE				
26	DRG base price		$8,022	Used for DRG base payment--see DRG base price tab	
27	Cost outlier threshold 1		$40,000	Used for cost outlier adjustments	
28	Cost outlier threshold 2		$125,000	Used for cost outlier adjustments	
29	Marginal cost percentage_1		60%	Used for cost outlier adjustments	
30	Marginal cost percentage_2		80%	Used for cost outlier adjustments	
31	Casemix adjustment factor		1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.	
32	Interim claim threshold		29	Used for pricing interim claims	
33	Interim per diem amount		$600	Used for pricing interim claims	
34	IS THIS AN INTERIM CLAIM?				
35	Is discharge status equal to 30?		No	Look up E14	
36	Is length of stay > interim claim threshold?		N/A	IF E35="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"	
37	Skip to E65 for final interim claim payment amount		$0.00	IF E36="Yes", (E33*E9) rounded to 2 places, else 0	
38	WHAT IS THE DRG BASE PAYMENT?				
39	DRG base payment for this claim		$7,169.26	E26*E23*E31	
40	IS A TRANSFER PAYMENT ADJUSTMENT MADE?				
41	Is a transfer adjustment potentially applicable?		No	Look up E10	
42	Calculated transfer payment adjustment		N/A	IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"	
43	Is transfer payment adjustment < allowed amount so far?		N/A	IF E42 ="N/A" then ,"N/A", else if (E42<E39), then "Yes" else "No"	
44	Allowed amount after transfer adjustment		$7,169.26	IF E43= "Yes", then E42, else E39	
45	IS A COST OUTLIER ADJUSTMENT MADE?				
46	Estimated cost of this case		$52,500.00	E7 * E8	
47	Is estimated cost > allowed amount		Loss	IF E46 > E44 then "Loss" else "Gain"	
48	*High-Side Outlier Payment When Payment Is Much Lower than Cost*				
49	Estimated loss on this case		$45,330.74	IF E47 = "Loss", then (E46-E44), else "N/A"	
50	Is loss > outlier threshold lower limit		Yes	IF E47 = "Loss", then if (E49 > E27), "Yes", else "No", else "N/A"	
51	DRG cost outlier payment increase 1		$3,198.44	IF E50 = "Yes", then if (E49<E28), then ((E49-E27)*E29), else ((E28-E27)*E29), else 0	
52	DRG cost outlier payment increase 2		$0.00	IF E50="Yes", then if (E49>E28), then (E49-E28)*E30, rounded to 2 places else 0, else 0	
53	*Low Side Outlier Payment When Payment Is Much Greater than Cost*				
54	Estimated gain on this case		N/A	IF E47="Gain", then (E44-E46), else"N/A"	
55	Is gain > outlier threshold		N/A	IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"	
56	DRG cost outlier payment decrease		$0.00	IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2	
57	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS				
58	DRG payment so far		$10,367.70	IF E47="Loss", then (E44+E51+E52), else (E44-E56)	
59	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT				
60	Add-on amount		$0.00	Hospital-specific payment separate from DRG payment (not used at this time)	
61	Allowed amount		$10,367.70	Allowed amount = E58+E60	
62	Other health coverage		$0.00	E12	
63	Patient share of cost		$0.00	E13	
64	"Lesser of" calculation		$10,367.70	Existing policy ensures that payment amount cannot exceed total charges. IF E61>E7, then E7, else E61	
65	Payment amount		$10,367.70	If interim claim (E35="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.	

1/7/2013

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2.5. High-Side Outlier Adjustment Two-Tier

This adjustment applies to stays that reach a second threshold for hospital expense. This two-tiered calculation uses two cost outlier thresholds and two corresponding marginal cost percentages. The use of two cost outlier thresholds is unusual among DRG payers and is specifically intended to buffer hospitals against extreme losses on outlier cases.

- *Input* Total charges (cell E7): $800,000.00

- Follow steps for high-side outlier adjustment (Section 1.5).

- Cost outlier threshold 2 (cell E28: $125,000) is subtracted from the estimated loss (cell E49: $273,830.74).

- That amount is then multiplied by marginal cost percentage 2 (cell E30: 80%).

- See cells E49-52 for the high-side outlier adjustment two-tier calculation.

- DRG cost outlier payment increase 1 (cell E51): $51,000.00

- DRG cost outlier payment increase 2 (cell E52): $118,264.59

- Both amounts (DRG cost outlier payment increases 1 and 2) are added to the allowed payment amount.

- *Output* **Payment amount (cell E65): $176,433.85**

Table 2.6.1			
Input for High-Side Outlier Adjustment Two-Tier			
1	C	D	E
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	**Total charges**		**$800,000.00**
8	Hospital-specific cost-to-charge ratio		35.00%
9	Length of stay		2
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No
11	Patient age (in years)		25
12	Other health coverage		$0.00
13	Patient share of cost		$0.00
14	Is discharge status equal to 30?		No
15	Designated NICU facility		No
16	APR-DRG		139-3
65	**Payment amount**		**$176,433.85**

2.5.1 High-Side Outlier Adjustment Two-Tier Example

	C	D	E	F	G
1					
2	**Medi-Cal DRG Pricing Calculator**				
3	*Note:* This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.				
4	*Indicates information to be input by the user.*			*Indicates payment policy parameters set by Medicaid*	
5	Information		Data	Comments or Formula	
6	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER				
7	Total charges		$800,000.00	UB-04 Form Locator 47	
8	Hospital-specific cost-to-charge ratio		35.00%	Used to estimate the hospital's cost of this stay	
9	Length of stay		2	Used for transfer pricing adjustment	
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No	Used for transfer pricing adjustment	
11	Patient age (in years)		25	Used for age adjustor	
12	Other health coverage		$0.00	UB-04 Form Locator 54 for payments by third parties	
13	Patient share of cost		$0.00	Includes spend-down or copayment	
14	Is discharge status equal to 30?		No	Indicates an interim claim	
15	Designated NICU facility		No	Policy adjustor for designated NICU facilities	
16	APR-DRG		139-3	From separate APR-DRG grouping software	
17	APR-DRG INFORMATION				
18	APR-DRG description		OTHER PNEUMONIA	Look up from DRG table	
19	Casemix relative weight--unadjusted		0.8937	Look up from DRG table	
20	Service adjustor - hospital with designated NICU		1.0000	Look up from DRG table	
21	Service adjustor - all other hospitals		1.0000	Look up from DRG table	
22	Age adjustor		1.2500	Look up from DRG table	
23	Payment relative weight		0.8937	IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), else (E19*E20), else (E19*E21)	
24	Average length of stay for this APR-DRG		5.47	Look up from DRG table	
25	PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE				
26	DRG base price		$8,022	Used for DRG base payment--see DRG base price tab	
27	Cost outlier threshold 1		$40,000	Used for cost outlier adjustments	
28	Cost outlier threshold 2		$125,000	Used for cost outlier adjustments	
29	Marginal cost percentage_1		60%	Used for cost outlier adjustments	
30	Marginal cost percentage_2		80%	Used for cost outlier adjustments	
31	Casemix adjustment factor		1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.	
32	Interim claim threshold		29	Used for pricing interim claims	
33	Interim per diem amount		$600	Used for pricing interim claims	
34	IS THIS AN INTERIM CLAIM?				
35	Is discharge status equal to 30?		No	Look up E14	
36	Is length of stay > interim claim threshold?		N/A	IF E35="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"	
37	Skip to E65 for final interim claim payment amount		$0.00	IF E36="Yes", (E33*E9) rounded to 2 places, else 0	
38	WHAT IS THE DRG BASE PAYMENT?				
39	DRG base payment for this claim		$7,169.26	E26*E23*E31	
40	IS A TRANSFER PAYMENT ADJUSTMENT MADE?				
41	Is a transfer adjustment potentially applicable?		No	Look up E10	
42	Calculated transfer payment adjustment		N/A	IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"	
43	Is transfer payment adjustment < allowed amount so far?		N/A	IF E42 ="N/A" then ,"N/A", else if (E42<E39), then "Yes" else "No"	
44	Allowed amount after transfer adjustment		$7,169.26	IF E43= "Yes", then E42, else E39	
45	IS A COST OUTLIER ADJUSTMENT MADE?				
46	Estimated cost of this case		$280,000.00	E7 * E8	
47	Is estimated cost > allowed amount		Loss	IF E46 > E44 then "Loss" else "Gain"	
48	*High-Side Outlier Payment When Payment Is Much Lower than Cost*				
49	Estimated loss on this case		$272,830.74	IF E47 = "Loss", then (E46-E44), else "N/A"	
50	Is loss > outlier threshold lower limit		Yes	IF E47 = "Loss", then if (E49 > E27), then "Yes", else "No", else "N/A"	
51	DRG cost outlier payment increase 1		$51,000.00	IF E50 = "Yes", then if (E49<E28), then ((E49-E27)*E29), else ((E28-E27)*E29), else 0	
52	DRG cost outlier payment increase 2		$118,264.59	IF E50="Yes", then if (E49>E28), then (E49-E28)*E30, rounded to 2 places else 0, else 0	
53	*Low Side Outlier Payment When Payment Is Much Greater than Cost*				
54	Estimated gain on this case		N/A	IF E47="Gain", then (E44-E46), else"N/A"	
55	Is gain > outlier threshold		N/A	IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"	
56	DRG cost outlier payment decrease		$0.00	IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2	
57	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS				
58	DRG payment so far		$176,433.85	IF E47="Loss", then (E44+E51+E52), else (E44-E56)	
59	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT				
60	Add-on amount		$0.00	Hospital-specific payment separate from DRG payment (not used at this time)	
61	Allowed amount		$176,433.85	Allowed amount = E58+E60	
62	Other health coverage		$0.00	E12	
63	Patient share of cost		$0.00	E13	
64	"Lesser of" calculation		$176,433.85	Existing policy ensures that payment amount cannot exceed total charges. IF E61>E7, then E7, else E61	
65	Payment amount		$176,433.85	If interim claim (E35="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.	

1/7/2013

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2.6. Low-Side Outlier Adjustment

Just as outlier payments are intended to increase payment when a stay is extraordinarily and unpredictably expensive, the low-side outlier adjustment decreases funding when a stay is extraordinarily and unpredictably inexpensive. This adjustment applies when payment would be much greater than cost and the hospital stands to make a large gain. It reduces the payment amount allowed to providers.

- *Input* Total charges (cell E7): $125,000.00

- *Input* APR-DRG (cell E16): 001-4

- Estimated gain (cell E54: $111,115.51) exceeds cost outlier threshold 1.

- The outlier threshold is subtracted from the estimated gain and multiplied by marginal cost percentage 1.

- See cells E54-56 for the low-side outlier adjustment calculation.

- Allowed amount before outlier adjustment (cell E44): $154,865.51

- DRG cost outlier payment decrease (cell E56): $42,669.31

- *Output* **Payment amount (cell E65): $112,196.20**

Table 2.7.1			
Input for Low-Side Outlier Adjustment			
1	C	D	E
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	**Total charges**		**$125,000.00**
8	Hospital-specific cost-to-charge ratio		35.00%
9	Length of stay		2
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No
11	Patient age (in years)		25
12	Other health coverage		$0.00
13	Patient share of cost		$0.00
14	Is discharge status equal to 30?		No
15	Designated NICU facility		No
16	**APR-DRG**		**001-4**
65	**Payment amount**		**$112,196.20**

2.6.1 Low-Side Outlier Adjustment Example

	C	D	E	F	G
1					
2	**Medi-Cal DRG Pricing Calculator**				
3	*Note:* This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.				
4	*Indicates information to be input by the user.*			*Indicates payment policy parameters set by Medicaid*	
5	Information		Data	Comments or Formula	
6	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER				
7	Total charges		$125,000.00	UB-04 Form Locator 47	
8	Hospital-specific cost-to-charge ratio		35.00%	Used to estimate the hospital's cost of this stay	
9	Length of stay		2	Used for transfer pricing adjustment	
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No	Used for transfer pricing adjustment	
11	Patient age (in years)		25	Used for age adjustor	
12	Other health coverage		$0.00	UB-04 Form Locator 54 for payments by third parties	
13	Patient share of cost		$0.00	Includes spend-down or copayment	
14	Is discharge status equal to 30?		No	Indicates an interim claim	
15	Designated NICU facility		No	Policy adjustor for designated NICU facilities	
16	APR-DRG		001-4	From separate APR-DRG grouping software	
17	APR-DRG INFORMATION				
18	APR-DRG description		LIVER TRANSPLANT &/OR INTESTINAL TRANSPLANT	Look up from DRG table	
19	Casemix relative weight--unadjusted		19.3051	Look up from DRG table	
20	Service adjustor - hospital with designated NICU		1.0000	Look up from DRG table	
21	Service adjustor - all other hospitals		1.0000	Look up from DRG table	
22	Age adjustor		1.2500	Look up from DRG table	
23	Payment relative weight		19.3051	IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), then (E19*E20), else (E19*E21)	
24	Average length of stay for this APR-DRG		32.06	Look up from DRG table	
25	PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE				
26	DRG base price		$8,022	Used for DRG base payment--see DRG base price tab	
27	Cost outlier threshold 1		$40,000	Used for cost outlier adjustments	
28	Cost outlier threshold 2		$125,000	Used for cost outlier adjustments	
29	Marginal cost percentage_1		60%	Used for cost outlier adjustments	
30	Marginal cost percentage_2		80%	Used for cost outlier adjustments	
31	Casemix adjustment factor		1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.	
32	Interim claim threshold		29	Used for pricing interim claims	
33	Interim per diem amount		$600	Used for pricing interim claims	
34	IS THIS AN INTERIM CLAIM?				
35	Is discharge status equal to 30?		No	Look up E14	
36	Is length of stay > interim claim threshold?		N/A	IF E35="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"	
37	Skip to E65 for final interim claim payment amount		$0.00	IF E36="Yes", (E33*E9) rounded to 2 places, else 0	
38	WHAT IS THE DRG BASE PAYMENT?				
39	DRG base payment for this claim		$154,865.51	E26*E23*E31	
40	IS A TRANSFER PAYMENT ADJUSTMENT MADE?				
41	Is a transfer adjustment potentially applicable?		No	Look up E10	
42	Calculated transfer payment adjustment		N/A	IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"	
43	Is transfer payment adjustment < allowed amount so far?		N/A	IF E42 ="N/A" then ,"N/A", else if (E42<E39), then "Yes" else "No"	
44	Allowed amount after transfer adjustment		$154,865.51	IF E43= "Yes", then E42, else E39	
45	IS A COST OUTLIER ADJUSTMENT MADE?				
46	Estimated cost of this case		$43,750.00	E7 * E8	
47	Is estimated cost > allowed amount		Gain	IF E46 > E44 then "Loss" else "Gain"	
48	*High-Side Outlier Payment When Payment Is Much Lower than Cost*				
49	Estimated loss on this case		N/A	IF E47 = "Loss", then (E46-E44), else "N/A"	
50	Is loss > outlier threshold lower limit		N/A	IF E47 = "Loss", then if (E49 > E27), then "Yes", else "No", else "N/A"	
51	DRG cost outlier payment increase 1		$0.00	IF E50 = "Yes", then if (E49<E28), then ((E49-E27)*E29), else ((E28-E27)*E29), else 0	
52	DRG cost outlier payment increase 2		$0.00	IF E50="Yes", then if (E49>E28), then (E49-E28)*E30, rounded to 2 places else 0, else 0	
53	*Low Side Outlier Payment When Payment Is Much Greater than Cost*				
54	Estimated gain on this case		$111,115.51	IF E47="Gain", then (E44-E46), else"N/A"	
55	Is gain > outlier threshold		Yes	IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"	
56	DRG cost outlier payment decrease		$42,669.31	IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2	
57	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS				
58	DRG payment so far		$112,196.20	IF E47="Loss", then (E44+E51+E52), else (E44-E56)	
59	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT				
60	Add-on amount		$0.00	Hospital-specific payment separate from DRG payment (not used at this time)	
61	Allowed amount		$112,196.20	Allowed amount = E58+E60	
62	Other health coverage		$0.00	E12	
63	Patient share of cost		$0.00	E13	
64	"Lesser of" calculation		$112,196.20	Existing policy ensures that payment amount cannot exceed total charges. IF E61>E7, then E7, else E61	
65	Payment amount		$112,196.20	If interim claim (E35="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.	

1/7/2013

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CALCULATOR VALUES ARE SUBJECT TO CHANGE BEFORE IMPLEMENTATION JULY 1, 2013.

2.7. Interim Claim

When the beneficiary is still a patient and the actual length of stay is greater than 29 days, a hospital may choose to submit an interim claim. Submission of interim claims is always voluntary, never mandatory. In these situations, hospitals will be paid a per diem amount (cell E33: $600). Payment of interim claims requires an approved admission TAR/SAR. Final payment is calculated by the DRG method and then reduced by the interim claim amounts that were previously submitted.

- *Input* Total charges (cell E7): $75,000.00

- *Input* Length of Stay (cell E9): 31

- *Input* Is discharge status equal to 30? (cell E14): "Yes"

- *Input* APR-DRG (cell E16): 089-4

- The interim per diem amount (cell E33: $600) is multiplied by the actual length of stay.

- That amount is the allowed payment to the provider.

- At the end of the hospital stay, the hospital submits a final claim for the complete stay.

- Interim claims are subtracted from the final payment amount.

- *Output* **Payment amount (cell E65): $18,600.00**

Table 2.8.1			
Input for Interim Claim			
1	C	D	E
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	**Total charges**		$75,000.00
8	Hospital-specific cost-to-charge ratio		35.00%
9	**Length of stay**		31
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No
11	Patient age (in years)		25
12	Other health coverage		$0.00
13	Patient share of cost		$0.00
14	**Is discharge status equal to 30?**		Yes
15	Designated NICU facility		No
16	**APR-DRG**		089-4
65	**Payment amount**		$18,600.00

2.7.1   Interim Claim Example

	C	D	E	F	G
1					
2	**Medi-Cal DRG Pricing Calculator**				
3	*Note:* This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.				
4	*Indicates information to be input by the user.*			*Indicates payment policy parameters set by Medicaid*	
5	Information		Data		Comments or Formula
6	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER				
7	Total charges		$75,000.00		UB-04 Form Locator 47
8	Hospital-specific cost-to-charge ratio		35.00%		Used to estimate the hospital's cost of this stay
9	Length of stay		31		Used for transfer pricing adjustment
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No		Used for transfer pricing adjustment
11	Patient age (in years)		25		Used for age adjustor
12	Other health coverage		$0.00		UB-04 Form Locator 54 for payments by third parties
13	Patient share of cost		$0.00		Includes spend-down or copayment
14	Is discharge status equal to 30?		Yes		Indicates an interim claim
15	Designated NICU facility		No		Policy adjustor for designated NICU facilities
16	APR-DRG		089-4		From separate APR-DRG grouping software
17	**APR-DRG INFORMATION**				
18	APR-DRG description		MAJOR CRANIAL/FACIAL BONE PROCEDURES		Look up from DRG table
19	Casemix relative weight--unadjusted		7.5132		Look up from DRG table
20	Service adjustor - hospital with designated NICU		1.0000		Look up from DRG table
21	Service adjustor - all other hospitals		1.0000		Look up from DRG table
22	Age adjustor		1.2500		Look up from DRG table
23	Payment relative weight		7.5132		IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), then (E19*E20), else (E19*E21)
24	Average length of stay for this APR-DRG		20.75		Look up from DRG table
25	PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE				
26	DRG base price		$8,022		Used for DRG base payment--see DRG base price tab
27	Cost outlier threshold 1		$40,000		Used for cost outlier adjustments
28	Cost outlier threshold 2		$125,000		Used for cost outlier adjustments
29	Marginal cost percentage_1		60%		Used for cost outlier adjustments
30	Marginal cost percentage_2		80%		Used for cost outlier adjustments
31	Casemix adjustment factor		1.00		Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
32	Interim claim threshold		29		Used for pricing interim claims
33	Interim per diem amount		$600		Used for pricing interim claims
34	IS THIS AN INTERIM CLAIM?				
35	Is discharge status equal to 30?		Yes		Look up E14
36	Is length of stay > interim claim threshold?		Yes		IF E35="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"
37	Skip to E65 for final interim claim payment amount		$18,600.00		IF E36="Yes", (E33*E9) rounded to 2 places, else 0
38	WHAT IS THE DRG BASE PAYMENT?				
39	DRG base payment for this claim		$60,270.89		E26*E23*E31
40	IS A TRANSFER PAYMENT ADJUSTMENT MADE?				
41	Is a transfer adjustment potentially applicable?		No		Look up E10
42	Calculated transfer payment adjustment		N/A		IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"
43	Is transfer payment adjustment < allowed amount so far?		N/A		IF E42 ="N/A" then ,"N/A", else if (E42<E39), then "Yes" else "No"
44	Allowed amount after transfer adjustment		$60,270.89		IF E43= "Yes", then E42, else E39
45	IS A COST OUTLIER ADJUSTMENT MADE?				
46	Estimated cost of this case		$26,250.00		E7 * E8
47	Is estimated cost > allowed amount		Gain		IF E46 > E44 then "Loss" else "Gain"
48	*High-Side Outlier Payment When Payment Is Much Lower than Cost*				
49	Estimated loss on this case		N/A		IF E47 = "Loss", then (E46-E44), else "N/A"
50	Is loss > outlier threshold lower limit		N/A		IF E47 = "Loss", then if (E49 > E27), then "Yes", else "No", else "N/A"
51	DRG cost outlier payment increase 1		$0.00		IF E50 = "Yes", then if (E49<E28), then ((E49-E27)*E29), else ((E28-E27)*E29), else 0
52	DRG cost outlier payment increase 2		$0.00		IF E50="Yes", then if (E49>E28), then (E49-E28)*E30, rounded to 2 places else 0, else 0
53	*Low Side Outlier Payment When Payment Is Much Greater than Cost*				
54	Estimated gain on this case		$34,020.89		IF E47="Gain", then (E44-E46), else"N/A"
55	Is gain > outlier threshold		No		IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"
56	DRG cost outlier payment decrease		$0.00		IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2
57	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS				
58	DRG payment so far		$60,270.89		IF E47="Loss", then (E44+E51+E52), else (E44-E56)
59	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT				
60	Add-on amount		$0.00		Hospital-specific payment separate from DRG payment (not used at this time)
61	Allowed amount		$60,270.89		Allowed amount = E58+E60
62	Other health coverage		$0.00		E12
63	Patient share of cost		$0.00		E13
64	"Lesser of" calculation		$60,270.89		Existing policy ensures that payment amount cannot exceed total charges. IF E61>E7, then E7, else E61
65	Payment amount		$18,600.00		If interim claim (E35="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.

1/7/2013

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2.8. Designated NICU Adjustment

This calculation is designed for hospitals with designated neonatal intensive care units. The Department of Health Care Services has defined a designated NICU as a NICU certified by the California Children's Services program for neonatal surgery. Hospitals with this designation will receive a higher policy adjustor on sick babies. The policy adjustor affects the payment relative weight applied to the DRG base price and, thus, increases the allowed payment amount.

- *Input* Total charges (cell E7): $50,000.00

- *Input* Length of stay (cell E9): 2

- *Input* Patient age (cell E11): 0

- *Input* Designated NICU Facility (cell E15): "Yes"

- *Input* APR-DRG (cell E16): 639-3

- Service adjustor - hospital with designated NICU (cell E20: 1.75) is included in the payment relative weight calculation (cell E23).

- See cell E39 for calculation of the DRG base payment.

- *Output* **Payment amount (cell E65): $21,168.65**

Table 2.9.1			
Input for Designated NICU Adjustment			
1	C	D	E
6	**INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER**		
7	**Total charges**		**$50,000.00**
8	Hospital-specific cost-to-charge ratio		35.00%
9	**Length of stay**		**2**
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No
11	**Patient age (in years)**		**0**
12	Other health coverage		$0.00
13	Patient share of cost		$0.00
14	**Is discharge status equal to 30?**		**No**
15	**Designated NICU facility**		**Yes**
16	**APR-DRG**		**639-3**
65	**Payment amount**		**$21,168.65**

2.8.1 Designated NICU Adjustment Example

	C	D	E	F	G
1					
2	**Medi-Cal DRG Pricing Calculator**				
3	*Note:* This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.				
4	*Indicates information to be input by the user.*			*Indicates payment policy parameters set by Medicaid*	
5	**Information**		**Data**	**Comments or Formula**	
6	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER				
7	Total charges		$50,000.00	UB-04 Form Locator 47	
8	Hospital-specific cost-to-charge ratio		35.00%	Used to estimate the hospital's cost of this stay	
9	Length of stay		2	Used for transfer pricing adjustment	
10	Patient discharge status = 02, 05, 65 or 66? (transfer)		No	Used for transfer pricing adjustment	
11	Patient age (in years)		0	Used for age adjustor	
12	Other health coverage		$0.00	UB-04 Form Locator 54 for payments by third parties	
13	Patient share of cost		$0.00	Includes spend-down or copayment	
14	Is discharge status equal to 30?		No	Indicates an interim claim	
15	Designated NICU facility		Yes	Policy adjustor for designated NICU facilities	
16	APR-DRG		639-3	From separate APR-DRG grouping software	
17	APR-DRG INFORMATION				
18	APR-DRG description		NEONATE BIRTHWT >2499G W OTHER SIGNIFICANT	Look up from DRG table	
19	Casemix relative weight--unadjusted		1.5079	Look up from DRG table	
20	Service adjustor - hospital with designated NICU		1.7500	Look up from DRG table	
21	Service adjustor - all other hospitals		1.2500	Look up from DRG table	
22	Age adjustor		1.0000	Look up from DRG table	
23	Payment relative weight		2.6388	IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), then (E19*E20), else (E19*E21)	
24	Average length of stay for this APR-DRG		8.64	Look up from DRG table	
25	PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE				
26	DRG base price		$8,022	Used for DRG base payment--see DRG base price tab	
27	Cost outlier threshold 1		$40,000	Used for cost outlier adjustments	
28	Cost outlier threshold 2		$125,000	Used for cost outlier adjustments	
29	Marginal cost percentage_1		60%	Used for cost outlier adjustments	
30	Marginal cost percentage_2		80%	Used for cost outlier adjustments	
31	Casemix adjustment factor		1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.	
32	Interim claim threshold		29	Used for pricing interim claims	
33	Interim per diem amount		$600	Used for pricing interim claims	
34	IS THIS AN INTERIM CLAIM?				
35	Is discharge status equal to 30?		No	Look up E14	
36	Is length of stay > interim claim threshold?		N/A	IF E35="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"	
37	Skip to E65 for final interim claim payment amount		$0.00	IF E36="Yes", (E33*E9) rounded to 2 places, else 0	
38	WHAT IS THE DRG BASE PAYMENT?				
39	DRG base payment for this claim		$21,168.65	E26*E23*E31	
40	IS A TRANSFER PAYMENT ADJUSTMENT MADE?				
41	Is a transfer adjustment potentially applicable?		No	Look up E10	
42	Calculated transfer payment adjustment		N/A	IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"	
43	Is transfer payment adjustment < allowed amount so far?		N/A	IF E42 ="N/A" then ,"N/A", else if (E42<E39), then "Yes" else "No"	
44	Allowed amount after transfer adjustment		$21,168.65	IF E43= "Yes", then E42, else E39	
45	IS A COST OUTLIER ADJUSTMENT MADE?				
46	Estimated cost of this case		$17,500.00	E7 * E8	
47	Is estimated cost > allowed amount		Gain	IF E46 > E44 then "Loss" else "Gain"	
48	*High-Side Outlier Payment When Payment Is Much Lower than Cost*				
49	Estimated loss on this case		N/A	IF E47 = "Loss", then (E46-E44), else "N/A"	
50	Is loss > outlier threshold lower limit		N/A	IF E47 = "Loss", then if (E49 > E27), then "Yes", else "No", else "N/A"	
51	DRG cost outlier payment increase 1		$0.00	IF E50 = "Yes", then if (E49<E28), then ((E49-E27)*E29), else ((E28-E27)*E29), else 0	
52	DRG cost outlier payment increase 2		$0.00	IF E50="Yes", then if (E49>E28), then (E49-E28)*E30, rounded to 2 places else 0, else 0	
53	*Low Side Outlier Payment When Payment Is Much Greater than Cost*				
54	Estimated gain on this case		$3,668.65	IF E47="Gain", then (E44-E46), else"N/A"	
55	Is gain > outlier threshold		No	IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"	
56	DRG cost outlier payment decrease		$0.00	IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2	
57	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS				
58	DRG payment so far		$21,168.65	IF E47="Loss", then (E44+E51+E52), else (E44-E56)	
59	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT				
60	Add-on amount		$0.00	Hospital-specific payment separate from DRG payment (not used at this time)	
61	Allowed amount		$21,168.65	Allowed amount = E58+E60	
62	Other health coverage		$0.00	E12	
63	Patient share of cost		$0.00	E13	
64	"Lesser of" calculation		$21,168.65	Existing policy ensures that payment amount cannot exceed total charges. IF E61>E7, then E7, else E61	
65	Payment amount		$21,168.65	If interim claim (E35="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.	

1/7/2013

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2.9. Conclusion

This concludes the specific examples for training on use of the DRG calculator. Please feel free to apply to other examples. If you have questions, please contact DHCS at DRG@dhcs.ca.gov.