



Hospital Base Rate Reform Development

Joe Gamis, Kelly Swope and Brad Zuzenak



HOSPITAL BASE RATES

The Department contacted Myers and Stauffer to explore base rate reform options

Inpatient Base Rates

- Inpatient analysis begun prior to outpatient base rates
- Interest in exploring a cost-based methodology
- Modeling used to refine options

Outpatient Base Rates

- Similar cost-based methodology



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

Costing Claims



COSTING CLAIMS

Revenue Code Crosswalk

Standard Revenue Code Crosswalk
Medicaid Costing for FY2018 Hospital Cost Reports

EXAMPLE

Revenue Code	Description	Primary Cost Center	Secondary Cost Center	Tertiary Cost Center	Fallback Rate
A	B	C	D	E	F
001-099	INVALID	NC			
100-109	All Inclusive Rate	NC			
110	Private Room & Board	Routine			
111	Private Room & Board: Medical/Surgical/Gyn	Routine			
112	Private Room & Board: OB	Routine			
113	Private Room & Board: Pediatric	Routine			
114	Private Room & Board: Psychiatric	Subprovider IPF			Routine
115	Private Room & Board: Hospice	NC			
116	Private Room & Board: Detoxification	Subprovider IPF			Routine
117	Private Room & Board: Oncology	Routine			

- The Revenue Code is mapped to the primary cost center. If that cost center is blank, the secondary, or tertiary options are used.
- Routine is for revenue codes less than 220.
- Ancillary is for revenue codes greater than or equal to 220.

COSTING CLAIMS PER DIEM

Facility Cost Report Crosswalk - Detail Report

Provider: EXAMPLE

Provider Name:

FYE:

Cost Type:

Period:

Revenue Code	Cost Report Line #	Per Diem	Current Days <i>Claims Data</i>	Calculated Total Cost	Cost Allocation Percentage	Allocated Cost	Allocated Per Diem	Cost Center Description
<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E = C * D</i>	<i>F</i>	<i>G = E * F</i>	<i>H = G / D</i>	<i>I</i>
111	30.00	\$ 650.40	9,565	6,221,076	100.00%	6,221,076	650.40	ADULTS & PEDIATRICS
118	41.00	\$ 824.80	93	76,706	100.00%	76,706	824.80	SUBPROVIDER - IRF
121	30.00	\$ 650.40	611	397,394	100.00%	397,394	650.40	ADULTS & PEDIATRICS
123	30.00	\$ 650.40	1	650	100.00%	650	650.40	ADULTS & PEDIATRICS
164	30.00	\$ 650.40	3	1,951	100.00%	1,951	650.40	ADULTS & PEDIATRICS
180	NC	\$ -	28	-	100.00%	-	-	Non Covered
200	31.00	\$ 1,181.88	2,237	2,643,866	100.00%	2,643,866	1,181.88	INTENSIVE CARE UNIT
210	32.00	\$ 1,819.90	160	291,184	100.00%	291,184	1,819.90	CORONARY CARE UNIT

- The revenue code on the detail line is linked to the corresponding cost report line. Using the cost report line, the per diem is pulled from the cost report and multiplied by the days from the current claims data.

- The Cost Center Description is from the line used from the cost report.

COSTING CLAIMS CCR

Facility Cost Report Crosswalk - Detail Report

Provider: EXAMPLE

Provider Name:

FYE:

Cost Type:

Period:

Revenue Code	Cost Report Line #	CCR	Current Charges <i>Claims Data</i>	Calculated Total Cost	Allocation Percentage	Cost	Cost Factor	Cost Center Description
<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E = C * D</i>	<i>F</i>	<i>G = E * F</i>	<i>H = G / D</i>	<i>I</i>
250	73.00	0.144546	3,080,141	445,222	100.00%	445,222	0.144546	DRUGS CHARGED TO PATIENTS
251	73.00	0.144546	1,476	213	100.00%	213	0.144543	DRUGS CHARGED TO PATIENTS
258	73.00	0.144546	1,519,429	219,627	100.00%	219,627	0.144546	DRUGS CHARGED TO PATIENTS
259	73.00	0.144546	2,777,673	401,502	100.00%	401,502	0.144546	DRUGS CHARGED TO PATIENTS
260	73.00	0.144546	208,785	30,179	100.00%	30,179	0.144546	DRUGS CHARGED TO PATIENTS
270	71.00	0.197743	2,088,391	412,965	100.00%	412,965	0.197743	MEDICAL SUPPLIES CHARGED TO PATIENT
272	71.00	0.197743	7,063,827	1,396,822	100.00%	1,396,822	0.197743	MEDICAL SUPPLIES CHARGED TO PATIENT
274	72.00	0.211040	11,915	2,515	100.00%	2,515	0.211040	IMPL. DEV. CHARGED TO PATIENTS
275	72.00	0.211040	515,178	108,723	100.00%	108,723	0.211040	IMPL. DEV. CHARGED TO PATIENTS
278	72.00	0.211040	6,451,210	1,361,463	100.00%	1,361,463	0.211040	IMPL. DEV. CHARGED TO PATIENTS
300	60.00	0.040462	34,535	1,397	100.00%	1,397	0.040462	LABORATORY
301	60.00	0.040462	16,579,937	670,857	100.00%	670,857	0.040462	LABORATORY
302	60.00	0.040462	1,040,975	42,120	100.00%	42,120	0.040462	LABORATORY
305	60.00	0.040462	5,536,180	224,005	100.00%	224,005	0.040462	LABORATORY
306	60.00	0.040462	2,021,050	81,776	100.00%	81,776	0.040462	LABORATORY

- The revenue code on the detail line is linked to the corresponding cost report line. Using the cost report line, the cost to charge ratio is used and multiplied by the current charges from the claims data in order to calculate cost.

- The Cost Center Description is from the line used from the cost report.

COSTING CLAIMS

Individual Claim

Line Number	Revcode	Cost Center Line	Cost Center Description	Paycode	Units	Charges	Cost Factor*	Cost
-------------	---------	------------------	-------------------------	---------	-------	---------	--------------	------

Routine Revenue Codes								
1	111	30.00	ADULTS & PEDIATRICS		20	14,320.00	650.40	13,008.00
2	121	30.00	ADULTS & PEDIATRICS		13	8,931.00	650.40	8,455.20
3	210	32.00	CORONARY CARE UNIT		1	1,922.80	1,819.90	1,819.90
Routine Cost Total:								23,283.10

Ancillary Revenue Codes								
4	250	73.00	DRUGS CHARGED TO PATIENTS		305	8,419.00	0.144546	1,216.93
5	258	73.00	DRUGS CHARGED TO PATIENTS		5	703.00	0.144546	101.62
6	259	73.00	DRUGS CHARGED TO PATIENTS		999	14,660.00	0.144546	2,119.04
7	270	71.00	MEDICAL SUPPLIES CHARGED TO PATIENT		235	3,815.00	0.197743	754.39
8	272	71.00	MEDICAL SUPPLIES CHARGED TO PATIENT		106	5,842.00	0.197743	1,155.21
9	300	60.00	LABORATORY		2	242.00	0.040462	9.79
10	301	60.00	LABORATORY		56	22,453.00	0.040462	908.49
11	305	60.00	LABORATORY		20	6,695.00	0.040462	270.89
12	306	60.00	LABORATORY		8	2,170.00	0.040462	87.80
13	307	60.00	LABORATORY		1	244.00	0.040462	9.87
14	310	60.00	LABORATORY		1	834.00	0.040462	33.75
15	320	54.00	RADIOLOGY-DIAGNOSTIC		3	1,792.00	0.118638	212.60
16	324	54.00	RADIOLOGY-DIAGNOSTIC		4	2,456.00	0.118638	291.37
17	351	57.00	CT SCAN		1	4,802.00	0.014423	69.26
18	360	50.00	OPERATING ROOM		3	8,718.00	0.109353	953.34
19	370	53.00	ANESTHESIOLOGY		2	2,787.00	0.055388	154.37
20	402	54.00	RADIOLOGY-DIAGNOSTIC		1	219.00	0.118638	25.98
21	410	65.00	RESPIRATORY THERAPY		71	15,928.00	0.094964	1,512.59
22	420	66.00	PHYSICAL THERAPY		27	5,442.00	0.205958	1,120.82
23	424	66.00	PHYSICAL THERAPY		3	917.00	0.205958	188.86
24	450	91.00	EMERGENCY		2	2,490.00	0.089540	222.95
25	460	65.00	RESPIRATORY THERAPY		6	522.00	0.094964	49.57
26	636	73.00	DRUGS CHARGED TO PATIENTS		690	18,444.00	0.144546	2,666.01
27	710	51.00	RECOVERY ROOM		7	6,782.00	0.075853	514.44
28	730	69.00	ELECTROCARDIOLOGY		1	445.00	0.056869	25.31
29	921	54.00	RADIOLOGY-DIAGNOSTIC		1	2,763.00	0.118638	327.80
Ancillary Total:								15,003.05

Notes:

Cost Factor for Revenue Codes 219 and below is routine Per Diem (D-1, Part II)

Cost Factor for Revenue Codes 220 and below is ancillary Cost-to-Charge (CCR) - (C, Part I)

Total Cost: 38,286.15

Costing Example 2

Inflation

Inflating Costs and Removing IME

Cost Report FYE - 09/30/18

Claim Last DOS - 1/31/2018

Inflation End Date - 07/01/2020

Routine Cost Centers

Cost Report FYE	Revenue Code	Description	Units	Uninflated Cost	Inflation Begin Date	Inflation Begin Index*	Inflation End Date	Inflation End Index*	Inflation Factor	Inflated Cost	IME Factor	Cost Less Med. Ed.
A	B	C	D	E	F = Midpoint of CR FY	G	H = Midpoint of Update Year	I	J = I / G	K = E * J	L	M = K / (1 + L)
9/30/2018	173	NEONATAL ICU	9	\$ 16,351.11	3/31/2018	1.088462	7/1/2020	1.159055	106.49%	\$ 17,411.57	0.237909	\$ 14,065.31
9/30/2018	174	NEONATAL ICU	6	\$ 10,900.74	3/31/2018	1.088462	7/1/2020	1.159055	106.49%	\$ 11,607.72	0.237909	\$ 9,376.87
				\$ 27,251.85						\$ 29,019.29		\$ 23,442.18

Ancillary Cost Centers

Claim Last DOS	Revenue Code	Description	Units	Uninflated Cost	Inflation Begin Date	Inflation Begin Index*	Inflation End Date	Inflation End Index*	Inflation Factor	Inflated Cost	IME Factor	Cost Less Med. Ed.
A	B	C	D	E	F = Claim Last DOS	G	H = Midpoint of Update Year	I	J = I / G	K = E * J	L	M = K / (1 + L)
1/31/2018	306	LABORATORY	1	\$ 391.05	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 418.40	0.237909	\$ 337.99
1/31/2018	390	LABORATORY	1	\$ 46.51	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 49.76	0.237909	\$ 40.20
1/31/2018	320	RADIOLOGY-DIAGNOSTIC	1	\$ 733.55	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 784.84	0.237909	\$ 634.01
1/31/2018	402	RADIOLOGY-DIAGNOSTIC	1	\$ 1,821.11	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 1,948.44	0.237909	\$ 1,573.98
1/31/2018	301	LABORATORY	1	\$ 154.01	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 164.78	0.237909	\$ 133.11
1/31/2018	300	LABORATORY	1	\$ 1,051.46	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 1,124.98	0.237909	\$ 908.77
1/31/2018	259	DRUGS CHARGED TO PATIENTS	1	\$ 164.27	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 175.76	0.237909	\$ 141.98
1/31/2018	270	MEDICAL SUPPLIES CHARGED TO PATIENT	1	\$ 251.68	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 269.27	0.237909	\$ 217.52
1/31/2018	250	DRUGS CHARGED TO PATIENTS	1	\$ 50.81	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 54.36	0.237909	\$ 43.91
1/31/2018	305	LABORATORY	1	\$ 50.29	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 53.81	0.237909	\$ 43.47
1/31/2018	258	DRUGS CHARGED TO PATIENTS	1	\$ 118.11	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 126.37	0.237909	\$ 102.08
1/31/2018	302	LABORATORY	1	\$ 106.88	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 114.36	0.237909	\$ 92.38
1/31/2018	410	RESPIRATORY THERAPY	1	\$ 116.59	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 124.74	0.237909	\$ 100.76
1/31/2018	324	RADIOLOGY-DIAGNOSTIC	1	\$ 726.73	1/31/2018	1.083308	7/1/2020	1.159055	106.99%	\$ 777.55	0.237909	\$ 628.11
				\$ 5,783.06						\$ 6,187.42		\$ 4,998.28

Total Inflated Cost:

\$ 35,206.71

Total Inflated Cost Less Med. Ed.:

\$ 28,440.46



Q&A



**DEDICATED TO
GOVERNMENT HEALTH PROGRAMS**