THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-1200

HEALTH AFFAIRS

SEP 26 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Fiscal Year 2009 Direct Care Inpatient Billing Rates

The attached document contains the updated Department of Defense inpatient billing rates for Fiscal Year (FY) 2009. These rates are effective October 1, 2008. The TRICARE Management Activity (TMA) requests that this package be posted to the Comptroller's Web site, (www.defenselink.mil/comptroller/rates/fy2009.html) as Fiscal Year 2009 rates, Medical and Dental Services.

The rates are used when billing for medical services furnished to inpatients at military treatment facilities. My point of contact for this issue is Mr. Thomas Sadauskas, TMA/Office of the Chief Financial Officer (Management Control & Financial Studies), who may be reached at (703) 681-5827, or at Thomas.Sadauskas@tma.osd.mil.

S. Ward Casscells, MD

Attachment:
As stated

Fiscal Year 2009 Direct Care
Inpatient Billing Rates and Guidance

1.0 Fiscal Year (FY) 2009 Inpatient Charges effective 1 October 2008. [1]

Table 1. Average FY 2009 Direct Care Inpatient Billing Rates [2]

Adjusted Standard Amount (ASA)	Average International Military Education & Training (IMET) [3]	Average Interagency (IAR) [4]	Other (Full/Third Party)
Area Wage Index > 1.00	$ 5,650.84	$ 9,111.54	$ 9,619.52
Area Wage Index ≤ 1.00	$ 6,470.47	$ 9,750.07	$ 10,314.82
Overseas *		$ 5,122.49	$ 11,456.46

* Hawaii and Alaska are not considered overseas for billing purposes.

Overview

The FY 2009 inpatient rates are based on the direct care standardized cost per Relative Weighted Product (RWP). The RWP is a TRICARE Diagnosis Related Group (DRG) based measure of the relative costliness of a given discharge. The average standardized cost per RWP for hospitals in locations with area wage rates greater than 1.0, less than or equal to 1.0, and overseas is published annually as an inpatient Adjusted Standardized Amount (ASA). This approach maintains compatibility with both Medicare and TRICARE ASA policies. The ASA will be applied to the RWP for each inpatient case, determined from the TRICARE DRG weights, outlier thresholds, and payment rules published annually for hospital reimbursement rates under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) pursuant to 32 Code of Federal Regulations 199.14(a)(1). Note that due to data system limitations, for military treatment facilities (MTFs), adjustments are made for length of stay (LOS) outliers rather than high cost outliers. Each MTF providing inpatient care has its own applied ASA rate. The MTF-specific ASA rate is the published ASA rate adjusted for area wage differences and indirect medical education (IME) costs, if any, for the discharging hospital (see Appendix A). The MTF-specific ASA-based amount submitted on the claim is the amount payers will use for reimbursement purposes. The individual ASAs are included as Appendix A. This entire announcement is also published on the TRICARE Management Activity Office of the Chief Financial Officer (OCFO) Management Control and Financial Studies Division website for the Uniform Business Office (http://www.tricare.mil/ocfo/mcfs/ubo/mhs_rates.cfm). An example of how to use an MTF's applied ASA rate for a discharge in a specific DRG to arrive at the costs to be recovered through reimbursement is shown in section 3.0.

1.1 Family Member Rate: $15.65 per day

2.0 Reference Notes Regarding the FY 2009 Inpatient Billing Rate Package

[1] The inpatient full billing rate per hospital discharge is based on the cost per DRG. DRG weights reflect the intensity of hospital services provided to patients based on principal and secondary diagnoses, surgical procedures, and patient demographics. The ASA per RWP for use in the direct care system is comparable to calculations used by the Centers for Medicare and Medicaid Services (CMS) and CHAMPUS. The expenses represented by the ASAs include all direct care expenses associated with direct inpatient care. The average cost per RWP for hospitals with area wage rates greater than 1.0, less than or equal to 1.0, and overseas facilities is updated and published annually as an inpatient Adjusted Standardized Amount (ASA). Unlike CMS, the ASA includes the cost of inpatient professional services as well as institutional costs. The DRG rates apply to reimbursement from all sources, not just third party payers.

[2] MTFs without inpatient services, whose providers perform inpatient care in a civilian facility for a Department of Defense beneficiary, can bill payers the percentage of the ASA rate that represents professional services. Pursuant to the provisions of 10 U.S.C. 1095, the inpatient DRG hospital institutional and professional percentages are based on actual costs. When preparing bills for inpatient services, professional fees are 7% of the total ASA. The hospital institutional fees (93%) are based on the charges for support staff, facility costs, ancillary services, pharmacy, and supplies. In the absence of an ASA rate for the non-bedded facility, bills for professional services will use 7% of the average ASA rate for the type of metropolitan statistical area in which the MTF is located – areas with wage rate indices greater than 1.0, less than or equal to 1.0, or overseas. The MTF Uniform Business Office (UBO) must have documentation of care prior to producing the bill.

[3] The International Military Education and Training (IMET) program is a key funding component of U.S. security assistance that provides training on a grant basis to students from allied and friendly nations. Authority for the IMET program is found pursuant to Chapter 5, part II, Foreign Assistance Act (FAA) 1961. Funding is appropriated from the International Affairs budget of the Department of State. Not all foreign national patients participate in the IMET program.

[4] Interagency Rate (IAR) is used to bill other federal agencies.

3.0 Example of Adjusted Standardized Amounts for Inpatient Stays

Table 2 shows examples for a non-teaching hospital (Defense Medical Information System (DMIS) Identifier 0098 – Reynolds Army Community Hospital, Fort Sill, Oklahoma) in an Area Wage Index ≤ 1.00 location.

a) The cost to be recovered is the appropriate ASA rate adjusted to the MTF's location and teaching status as well as specific inpatient medical services provided. Billing in this example will be at the third party collection (TPC) rate.

b) Example case: Discharge in DRG 126 – Acute and Subacute Endocarditis. The RWP for an inlier case is the CHAMPUS DRG weight of 1.9478.

c) The FY 2009 MTF-applied ASA rate is $9,801.00 (Reynolds Army Community Hospital's TPC Rate as shown in Appendix A).

d) The MTF amount to be recovered is the RWP factor (1.9478) in subparagraph b., above, multiplied by the applied ASA ($9,801.00) in subparagraph c., above.

e) Inlier Cost to be recovered is $19,090.39.
TPC Amount Billed: MTF-applied ASA x DRG weight
= $9,801.00 x 1.9478 = $19,090.39

Table 2. Third Party Billing Examples

DRG Number	*DRG Description*	DRG* Weight	*Arithmetic* Mean LOS	Geometric Mean LOS	Short Stay Threshold	Long Stay Threshold
126	Acute & Subacute Endocarditis	1.9478	9.0	7.1	1	31

Hospital	Location	Area Wage Rate Index	IME Adjustment	Group ASA	MTF-Applied ASA
Reynolds Army Community Hospital	Low Wage Index Area	0.8630	1.0	$ 10,314.82	$9,801.00

Patient	Length of Stay	Days Above Threshold	Relative Weighted Product			TPC Amount Billed****
			Inlier**	Outlier***	Total	
#1	7 days	0	1.9478	0	1.9478	$19,090.39
#2	21 days	0	1.9478	0	1.9478	$19,090.39
#3	35 days	4	1.9478	0.3621	2.3099	$22,639.33

Note:

* The FY 2008 Version 25 TRICARE DRG weight is used for this example.

** Inlier = hospitalization stay is within established threshold.

*** Outlier = hospitalization stay exceeds Long Stay threshold. The hospitalization stay in the example for patient #3 in Figure 1 (35 days) exceeds the Long Stay threshold (31 days) established for DRG 126; therefore an "Outlier" calculation is performed and added to the total RWP; that new RWP is then multiplied by the MTF Applied ASA amount. The outlier calculation for patient #3 is shown below.

Per diem weight = DRG weight / geometric mean length of stay (LOS)

Number of Outlier days = Patient LOS - Long Stay Threshold

Outlier calculation = (33 percent of per diem weight) x (number of outlier days)
= 0.33 x (DRG Weight / geometric mean LOS) x (Patient LOS - Long Stay Threshold)
= 0.33 x (1.9478 / 7.1) x (35-31)
= 0.33 x 0.27434 (carry out to five decimal places) x (35-31)
= 0.09053 (carry to five decimal places) x 4
= 0.3621 (carry to four decimal places)
Total RWP: 1.9478 + 0.3621 = 2.3099

**** TPC Amount Billed: MTF-Applied ASA x Total RWP = $9,801.00 x 2.3099
= $22,639.33

APPENDIX A:
Fiscal Year 2009 Adjusted Standardized Amounts MTF

DMIS ID	MTF Name	Service	Full Cost Rate	Interagency Rate	IMET Rate	TPC Rate
0005	Bassett ACH - Ft. Wainwright	A	$10,155.53	$9,619.24	$5,965.71	$10,155.53
0006	3rd Med Grp - Elmendorf AFB	F	$9,647.12	$9,137.68	$5,667.05	$9,647.12
0014	60th Med Grp - Travis AFB	F	$12,905.13	$12,223.65	$7,580.92	$12,905.13
0024	NH Camp Pendleton	N	$11,100.07	$10,513.91	$6,520.57	$11,100.07
0028	NH Lemoore	N	$9,615.47	$9,107.71	$5,648.46	$9,615.47
0029	NMC San Diego	N	$14,074.34	$13,331.11	$8,267.75	$14,074.34
0030	NH Twenty Nine Palms	N	$9,709.69	$9,196.95	$5,703.81	$9,709.69
0032	Evans ACH - Ft. Carson	A	$10,183.20	$9,625.66	$6,387.91	$10,183.20
0033	10th Med Grp - USAF Academy	F	$10,297.44	$9,733.64	$6,459.57	$10,297.44
0037	Walter Reed AMC - Washington DC	A	$14,522.36	$13,755.48	$8,530.94	$14,522.36
0038	NH Pensacola	N	$12,223.35	$11,554.11	$7,667.69	$12,223.35
0039	NH Jacksonville	N	$12,789.81	$12,089.56	$8,023.03	$12,789.81
0042	96th Med Grp - Eglin AFB	F	$12,123.48	$11,459.71	$7,605.04	$12,123.48
0047	Eisenhower AMC - Ft. Gordon	A	$12,235.77	$11,565.85	$7,675.48	$12,235.77
0048	Martin ACH - Ft. Benning	A	$11,354.53	$10,732.85	$7,122.68	$11,354.53
0049	Winn ACH - Ft. Stewart	A	$9,901.13	$9,359.03	$6,210.96	$9,901.13
0052	Tripler AMC - Ft. Shafter	A	$14,242.54	$13,490.43	$8,366.56	$14,242.54
0053	366th Med Grp - Mountain Home AFB	F	$10,241.56	$9,680.82	$6,424.51	$10,241.56
0057	Irwin ACH - Ft. Riley	A	$9,575.28	$9,051.02	$6,006.56	$9,575.28
0060	Blanchfield ACH - Ft. Campbell	A	$9,426.50	$8,910.38	$5,913.23	$9,426.50
0061	Ireland ACH - Ft. Knox	A	$9,721.67	$9,189.40	$6,098.39	$9,721.67
0064	Bayne-Jones ACH - Ft. Polk	A	$9,539.84	$9,017.52	$5,984.33	$9,539.84
0066	79th Med Grp - Andrews AFB	F	$13,033.29	$12,345.03	$7,656.20	$13,033.29
0067	NNMC Bethesda	N	$12,918.07	$12,235.90	$7,588.52	$12,918.07
0073	81st Med Grp - Keesler AFB	F	$11,002.50	$10,400.10	$6,901.85	$11,002.50
0075	L. Wood ACH - Ft. Leonard Wood	A	$9,831.86	$9,293.55	$6,167.51	$9,831.86
0079	99th Med Grp - Nellis AFB	F	$9,632.56	$9,123.89	$5,658.50	$9,632.56
0086	Keller ACH - West Point	A	$10,336.60	$9,790.75	$6,072.08	$10,336.60
0089	Womack AMC - Ft. Bragg	A	$11,688.62	$11,048.65	$7,332.25	$11,688.62
0091	NH Camp LeJeune	N	$10,677.06	$10,092.48	$6,697.70	$10,677.06
0095	88th Med Grp - Wright-Patterson AFB	F	$13,974.43	$13,209.31	$8,766.14	$13,974.43
0098	Reynolds ACH - Ft. Sill	A	$9,801.00	$9,264.38	$6,148.15	$9,801.00
0104	NH Beaufort	N	$10,159.93	$9,603.66	$6,373.31	$10,159.93
0105	Moncrief ACH - Ft. Jackson	A	$10,028.88	$9,479.78	$6,291.10	$10,028.88
0108	Wm Beaumont AMC - Ft. Bliss	A	$12,047.91	$11,388.27	$7,557.63	$12,047.91
0109	Brooke AMC - Ft. Sam Houston	A	$14,454.13	$13,662.74	$9,067.05	$14,454.13
0110	Darnall AMC - Ft. Hood	A	$10,857.69	$10,263.22	$6,811.01	$10,857.69
0117	59th Med Wing - Lackland AFB	F	$16,027.76	$15,150.21	$10,054.19	$16,027.76
0120	1st Med Grp - Langley AFB	F	$10,219.17	$9,659.66	$6,410.47	$10,219.17
0123	Dewitt ACH - Ft. Belvoir	A	$11,753.56	$11,132.89	$6,904.45	$11,753.56
0124	NMC Portsmouth	N	$12,791.10	$12,090.77	$8,023.84	$12,791.10
0125	Madigan AMC - Ft. Lewis	A	$14,386.44	$13,626.73	$8,451.10	$14,386.44
0126	NH Bremerton	N	$11,426.53	$10,823.13	$6,712.34	$11,426.53
0127	NH Oak Harbor	N	$9,894.18	$9,371.70	$5,812.19	$9,894.18
0131	Weed ACH – Ft. Irwin	A	$9,710.99	$9,198.18	$5,704.57	$9,710.99

DMIS ID	MTF Name	Service	Full Cost Rate	Interagency Rate	IMET Rate	TPC Rate
0607	Landstuhl Rgn MC	A	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0612	121st CSH - Seoul	A	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0615	NH Guantanamo Bay	N	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0617	NH Naples	N	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0618	NH Rota	N	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0620	NH Guam-Agana	N	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0621	NH Okinawa	N	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0622	NH Yokosuka	N	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0624	NH Sigonella	N	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0633	48th Med Grp - RAF Lakenheath	F	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0638	51st Med Grp - Osan AB	F	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0639	35th Med Grp - Misawa	F	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0640	374th Med Grp - Yokota AB	F	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0805	52nd Med Grp - Spangdahlem	F	$12,036.33	$11,456.46	$5,122.49	$12,036.33
0808	31st Med Grp - Aviano	F	$12,036.33	$11,456.46	$5,122.49	$12,036.33

Acronyms used above:
A - Army
AB – Air Base
ACH – Army Community Hospital
AFB – Air Force Base
AMC – Army Medical Center
CSH – Combat Support Hospital
DMIS ID – Defense Medical Information System (DMIS) Identifier (ID)
F – Air Force
Grp – Group
N - Navy
NH – Naval Hospital
NMC – Naval Medical Center
NNMC – National Naval Medical Center
RAF – Royal Air Force
USAF – United States Air Force

Note:
For use in FY 2009, Keesler AFB (DMIS 0073) had complete data for the first year since Hurricane Katrina in CY 2004. Therefore, their FY 2007 data was used and they were included in the standardization process.

ASA rates were not calculated for the following facilities that ceased providing inpatient care during FY 2007: NH Cherry Point (DMIS 0092), NHC Great Lakes (DMIS 0056), and McDonald ACH, Ft Eustis (DMIS 0121). Also during FY 2008, 95th CSH – Heidelberg (DMIS 0606) transitioned from a hospital to a clinic, so an ASA rate was not calculated.