



HEALTH AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Fiscal Year 2010 Direct Care Inpatient Billing Rates

The attached document contains the updated Department of Defense Inpatient Billing Rates for Fiscal Year (FY) 2010. These rates are effective October 1, 2009. The TRICARE Management Activity (TMA) requests that this package be posted to the Comptroller's Web site, (www.defenselink.mil/comptroller/rates/fy2010.html) as FY 2010 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 Ms. DeLisa Prater, TMA/Office of the Chief Financial Officer (Management Control & Financial Studies), who may be reached at (703) 681-6757, or at Delisa.Prater@tma.osd.mil.

Ellen P. Embrey
Deputy Assistant Secretary of Defense
(Force Health Protection and Readiness)
Performing the Duties of the
Assistant Secretary of Defense
(Health Affairs)

Attachment:
As stated

Fiscal Year (FY) 2010 Inpatient Billing Rates and Guidance

1.0 FY 2010 Inpatient Charges effective 1 October 2009

Overview

The FY 2010 inpatient rates are based on the direct care standardized cost per Medicare Severity Relative Weighted Product (MS-RWP). The MS-RWP is a Medicare Severity Diagnosis Related Group (MS-DRG) based measure of the relative costliness of a given discharge. The average standardized cost per MS-RWP for hospitals in locations with area wage rates greater than 1.0, less than or equal to 1.0, and overseas will be 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 MS-RWP for each inpatient case, determined from the TRICARE MS-DRG weights, outlier thresholds, and payment rules. DoD publishes these data annually for hospital reimbursement rates under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) pursuant to 32 CFR 199.14(a)(1). Due to data system limitations, for military treatments 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-applied ASA amount submitted on the claim is the amount payers will use for reimbursement purposes. The individual ASAs are published on the TRICARE Management Activity Management Control & Financial Studies website for the Uniform Business Office (http://www.tricare.mil/ocfo/mcfs/ubo/mhs_rates.cfm). Examples of how to arrive at the reimbursement cost for a military hospital's applied ASA rate for a discharge in a specific MS-DRG are shown in Section 2.0.

The inpatient full reimbursement/third party collection (TPC) rate per hospital discharge is based on the cost per MS-DRG and weighted to reflect the intensity of hospital services provided to patients based on the principal and secondary diagnoses, surgical procedures, and patient demographics. The ASA per MS-RWP for use in the direct care system is comparable to procedures 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 standardized average cost per MS-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) and includes the cost of inpatient professional services as well as institutional costs. The MS-DRG rates apply to reimbursement from all sources, not just third party payers. Pursuant to the provisions of 10 U.S.C. 1095, the inpatient MS-DRG percentages are 93% hospital and 7% professional charges. When preparing bills for inpatient services, professional fees are 7% of the total ASA and are based on the privileged provider services. The hospital institutional fees (93%) are based on the charges for support staff, facility costs, ancillary services, pharmacy, and supplies.

MTFs without inpatient services, whose providers perform inpatient care in a civilian facility for a Department of Defense (DoD) beneficiary, can bill payers the percentage of the ASA rate that represents professional services. The MTF Business Office must receive documentation of care provided in order to produce an appropriate bill. Based on the absence of an MTF-applied ASA rate for the facility, the rate used in these cases will be based on the average ASA rate for the type of core-based 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. A full list of core-based statistical areas and supporting wage indices can be found on tables 4a and 4b at the following Centers for Medicare and Medicaid Services Website:
<http://www.cms.hhs.gov/AcuteInpatientPPS/IOFR/itemdetail.asp?filterType=none&filterByDID=0&sortByDID=1&sortOrder=ascending&itemID=CMS1227476&intNumPerPage=10>

Table 1. provides the average direct care inpatient rates for third party billing, interagency billing and International Military Education and Training (IMET) billing for high wage, low wage and overseas facilities.

Table 1. Average FY 2010 Direct Care Inpatient Billing Reimbursement Rates Per MS-RWP

Wage Index	Average IMET Rate	Average Interagency Rate (IAR)	Average Full/TPC Rate
Area Wage Index > 1.00	\$ 6,335.95	\$ 9,046.46	\$ 9,606.03
Area Wage Index ≤ 1.00	\$ 6,593.78	\$ 9,395.06	\$ 9,947.55
Overseas ^	\$ 6,071.30	\$ 12,974.64	\$ 13,667.51

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

The IAR is used to bill other federal agencies. The 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.

1.1 Family Member Rate

The family member rate for FY 2010 is \$16.25 per day.

2.0 Examples of Applying ASAs to Inpatient Stays

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. This includes the costs of both inpatient institutional and professional services. Billing in the examples below is at the full/TPC rate.

For each MS-DRG, TRICARE establishes short stay and long stay thresholds. An inlier is any discharge with a LOS equal to or more than the short stay threshold and equal to or less than the long stay threshold. An outlier is any discharge with a LOS less than the short stay threshold or more than the long stay threshold. Example rate computations are provided below for both inlier and outlier discharges. The full list of TRICARE MS-DRGs with DRG case weights, long stay thresholds, short stay thresholds and other information is provided at http://tricare.mil/ocfo/mcfs/ubo/mhs_rates/inpatient.cfm.

Table 2. provides the information used in the billing examples for a non-teaching hospital (DMIS ID 0098 – Reynolds Army Community Hospital, Fort Sill, Oklahoma) in an Area Wage Index ≤ 1.00 location for a discharge in MS-DRG 765 – Cesarean section with complications and comorbidities/major complications and comorbidities (CC/MCC).

Table 2. Third Party Billing Examples

MS-DRG Number	MS-DRG Description	MS-DRG Weight	Arithmetic Mean LOS	Geometric Mean LOS	Short Stay Threshold	Long Stay Threshold
765	Cesarean section with CC/MCC	0.8356	4.4	3.7	1	16

Hospital	Wage Index	Area Wage Rate Index	IME Adjustment	Group ASA	MTF-Applied TPC ASA
Reynolds Army Community Hospital	Area Wage Index \leq 1.0	0.8153	1.0	\$9,947.55	\$9,298.76

Patient	Length of Stay	Days Above Threshold	Relative Weighted Product			TPC Amount
			Inlier	Outlier	Total	
#1	7 days	0	0.8356	0	0.8356	\$7,770.04
#2	21 days	5	0.8356	0.3726	1.2082	\$11,234.76

Example #1 provides the example for the inlier LOS discharge in MS-DRG 765. The MS-RWP for an inlier case is the CHAMPUS MS-DRG weight of 0.8356. The MS-DRG weight used is the FY 2009 Version 26 TRICARE DRG weight.

- a) The FY 2010 MTF-Applied TPC ASA rate is \$9,298.76 (Reynolds Army Community Hospital's TPC rate as shown in Appendix A).
- b) The MTF amount to be recovered is the MS-DRG weight (0.8356) multiplied by the MTF-Applied TPC ASA (\$9,298.76).
- c) The inlier cost to be recovered is \$7,770.04 as computed below.
 TPC Amount Billed: MTF-Applied TPC ASA rate multiplied by the MS-DRG weight.
 $= \$9,298.76 \times 0.8356 = \$ 7,770.04$

Example #2 provides the example for the outlier LOS discharge in MS-DRG 765. The total MS-RWP for an outlier case is a combination of the CHAMPUS MS-DRG weight plus additional MS-RWP credit for each day that the LOS exceeds the Long Stay Threshold. The charge is determined by multiplying the total MS RWPs by the ASA amount. The outlier total MS RWP value to be recovered is shown in the computation below.

- a) For the outlier MS-RWP value calculation, 33 percent of the per diem weight is multiplied by the number of outlier days. The number of outlier days is computed as the actual LOS minus the Long Stay Threshold. Per diem weight is determined by dividing by the MS-DRG weight by the Geometric Mean LOS.
- b) LOS Outlier MS-RWP value calculation
 $= .33 \times (\text{MS-DRG Weight} / \text{Geometric Mean LOS}) (\text{Patient LOS} - \text{Long Stay Threshold})$
 $= .33 \times (0.8356 / 3.7)(21 - 16)$

$$\begin{aligned} &= .33 \times .22584 \text{ note 1. (21-16)} \\ &= 0.07453 \times 5 \\ &= 0.3726 \text{ note 2.} \end{aligned}$$

Note 1. Carry out to five decimal places

Note 2. Carry out to four decimal places

- c) The total MS RWP is the MS-DRG weight (0.8356) added to the LOS outlier MS-RWP value.
Total MS-RWP: $0.8356 + 0.3726 = 1.2082$
- d) The MTF amount to be recovered is the MTF-Applied TPC ASA rate (\$9,298.76) multiplied by the total MS RWP.
TPC Amount Billed: MTF-Applied TPC ASA rate x Total MS-RWP
 $= \$9,298.76 \times 1.2082$
 $= \$11,234.76$

APPENDIX A: FY 2010 Adjusted Standardized Amounts (ASA) by Military Treatment Facility

DMISID	MTF NAME	SERV	FULL COST RATE	INTERAGENCY RATE	IMET RATE	TPC RATE
0005	Bassett ACH - Ft. Wainwright	A	\$10,044.56	\$9,459.44	\$6,625.19	\$10,044.56
0006	3rd Med Grp - Elmendorf AFB	F	\$9,643.28	\$9,081.54	\$6,360.52	\$9,643.28
0014	60th Med Grp - Travis AFB	F	\$12,523.73	\$11,794.19	\$8,260.41	\$12,523.73
0024	NH Camp Pendleton	N	\$11,338.29	\$10,677.81	\$7,478.51	\$11,338.29
0028	NH Lemoore	N	\$9,606.03	\$9,046.46	\$6,335.95	\$9,606.03
0029	NMC San Diego	N	\$14,904.33	\$14,036.12	\$9,830.60	\$14,904.33
0030	NH Twentynine Palms	N	\$9,734.89	\$9,167.81	\$6,420.94	\$9,734.89
0032	Evans ACH - Ft. Carson	A	\$9,788.45	\$9,244.79	\$6,488.32	\$9,788.45
0037	Walter Reed AMC - Washington DC	A	\$16,297.65	\$15,348.27	\$10,749.61	\$16,297.65
0038	NH Pensacola	N	\$11,757.84	\$11,104.80	\$7,793.74	\$11,757.84
0039	NH Jacksonville	N	\$11,756.93	\$11,103.94	\$7,793.14	\$11,756.93
0042	96th Med Grp - Eglin AFB	F	\$12,065.67	\$11,395.54	\$7,997.79	\$12,065.67
0047	Eisenhower AMC - Ft. Gordon	A	\$11,976.57	\$11,311.39	\$7,938.73	\$11,976.57
0048	Martin ACH - Ft. Benning	A	\$10,961.36	\$10,352.56	\$7,265.79	\$10,961.36
0049	Winn ACH - Ft. Stewart	A	\$9,208.11	\$8,696.69	\$6,103.64	\$9,208.11
0052	Tripler AMC - Ft. Shafter	A	\$14,570.17	\$13,721.42	\$9,610.20	\$14,570.17
0053	366th Med Grp - Mountain Home AFB	F	\$9,873.85	\$9,325.45	\$6,544.93	\$9,873.85
0057	Irwin ACH - Ft. Riley	A	\$9,286.42	\$8,770.65	\$6,155.55	\$9,286.42
0060	Blanchfield ACH - Ft. Campbell	A	\$9,044.32	\$8,541.99	\$5,995.07	\$9,044.32
0061	Ireland ACH - Ft. Knox	A	\$9,303.58	\$8,786.85	\$6,166.92	\$9,303.58
0064	Bayne-Jones ACH - Ft. Polk	A	\$9,236.75	\$8,723.74	\$6,122.62	\$9,236.75
0066	779 th Med Grp - Andrews AFB	F	\$12,383.38	\$11,662.02	\$8,167.83	\$12,383.38
0067	NNMC Bethesda	N	\$13,286.60	\$12,512.62	\$8,763.58	\$13,286.60
0073	80th Med Grp - Keesler AFB	F	\$10,606.89	\$10,017.78	\$7,030.83	\$10,606.89
0075	L. Wood ACH - Ft. Leonard Wood	A	\$9,437.88	\$8,913.70	\$6,255.94	\$9,437.88
0079	99th Med Grp - Nellis AFB	F	\$9,614.70	\$9,054.62	\$6,341.67	\$9,614.70
0086	Keller ACH - West Point	A	\$10,491.11	\$9,879.98	\$6,919.73	\$10,491.11
0089	Womack AMC - Ft. Bragg	A	\$11,125.00	\$10,507.11	\$7,374.26	\$11,125.00
0091	NH Camp LeJeune	N	\$10,191.16	\$9,625.14	\$6,755.26	\$10,191.16
0095	74th Med Grp - Wright-Patterson AFB	F	\$14,146.95	\$13,361.22	\$9,377.37	\$14,146.95
0098	Reynolds ACH - Ft. Sill	A	\$9,298.76	\$8,782.30	\$6,163.73	\$9,298.76
0104	NH Beaufort	N	\$9,736.04	\$9,195.30	\$6,453.58	\$9,736.04
0105	Moncrief ACH - Ft. Jackson	A	\$9,566.73	\$9,035.39	\$6,341.35	\$9,566.73
0108	Wm Beaumont AMC - Ft. Bliss	A	\$11,844.00	\$11,186.18	\$7,850.85	\$11,844.00
0109	Brooke AMC - Ft. Sam Houston	A	\$14,725.86	\$13,907.98	\$9,761.11	\$14,725.86
0110	Darnall AMC - Ft. Hood	A	\$10,392.52	\$9,815.31	\$6,888.73	\$10,392.52
0117	59th Med Wing - Lackland AFB	F	\$16,007.32	\$15,118.27	\$10,610.53	\$16,007.32
0120	1st Med Grp - Langley AFB	F	\$9,868.27	\$9,320.18	\$6,541.23	\$9,868.27
0123	Dewitt ACH - Ft. Belvoir	A	\$11,803.81	\$11,116.21	\$7,785.56	\$11,803.81
0124	NMC Portsmouth	N	\$12,937.45	\$12,218.90	\$8,575.65	\$12,937.45

DMISID	MTF NAME	SERV	FULL COST RATE	INTERAGENCY RATE	IMET RATE	TPC RATE
0125	Madigan AMC - Ft. Lewis	A	\$14,721.94	\$13,864.35	\$9,710.30	\$14,721.94
0126	NH Bremerton	N	\$11,356.96	\$10,695.39	\$7,490.83	\$11,356.96
0127	NH Oak Harbor	N	\$9,646.56	\$9,084.62	\$6,362.68	\$9,646.56
0131	Weed ACH - Ft. Irwin	A	\$9,670.16	\$9,106.85	\$6,378.25	\$9,670.16
0607	Landstuhl Rgn MC	A	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0611	Vicenza Medical Services Center	A	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0612	Brian Allgood ACH - Seoul	A	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0615	NH Guantanamo Bay	N	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0617	NH Naples	N	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0618	NH Rota	N	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0620	NH Guam	N	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0621	NH Okinawa	N	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0622	NH Yokosuka	N	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0624	NH Sigonella	N	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0633	48th Med Grp - RAF Lakenheath	F	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0638	51st Med Grp - Osan AB	F	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0639	35th Med Grp - Misawa	F	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0640	374th Med Grp - Yokota AB	F	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51
0808	31st Med Grp - Aviano	F	\$13,667.51	\$12,974.64	\$6,071.30	\$13,667.51

Acronyms used above:

A - Army
AB – Air Base
ACH – Army Community Hospital
AFB – Air Force Base
AMC – Army Medical Center
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