Acute Inpatient Perspective Payment System

1. Obtained IPPS wage indices for 2008 thru 2014 from http://cms.gov
2. Obtained provider county from the Provider of Service (POS)
3. NCH records
    a. Keep only inpatient claims - claim type 60
    b. Includes acute care hospitals - range 0001 thru 0879
    c. Determine provider state and county per POS
    d. Determine CBSA based on provider state and county
    e. AND CLM_TOT_CHRG_AMT > 0
    f. AND CLM_MCO_PD_SW NE '1'
    g. AND SUBSTR(PROVIDER_NUMBER,3,1) EQ '0'
    h. AND SUBSTR(PROVIDER_NUMBER,5,1) NE 'V'
    i. AND SUBSTR(PROVIDER_NUMBER,6,1) NOT IN ('E','F')
    j. AND SUBSTR(PROVIDER_NUMBER,3,3) NOT IN ('897','898','899','998','999')
    k. AND PROVIDER_NUMBER NOT IN ('050146','050660','220162','330154','330354','360242', '390196','450076','100079','100271','500138')
    l. AND PROVIDER_NUMBER NOT IN (&SOLE_COMM_HOSP);

Table 6: IPPS Labor Percentage

Fiscal Year	Greater than 1		Less than 1	
	Labor	Non-Labor	Labor	Non-Labor
2008	0.697	0.303	0.62	0.38
2009	0.697	0.303	0.62	0.38
2010	0.688	0.312	0.62	0.38
2011	0.688	0.312	0.62	0.38
2012	0.688	0.312	0.62	0.38
2013	0.688	0.312	0.62	0.38
2014	0.696	0.304	0.62	0.38

	CLM PMT AMT	$10,247		Claim payment amount from NCH
+	DEDUCTABLE AMT	$1,132		Beneficiary inpatient deductible amount
+	COINSURANCE AMT	$0		Beneficiary Part A coinsurance liability amount
	NET PAYMENT	$11,379		Claim payment plus deductible and coinsurance
×				
(	NAT LABOR PCT	0.62		Labor related share
×	CURR INDEX	0.7477		Current wage index
+	NON-LABOR PCT	0.38	)	Non-labor related share
		0.84		Current wage ratio: (0.62 × 0.7477 + 0.38) = 0.84
÷				
(	NAT LABOR PCT	0.62		Labor related share
×	PREV INDEX	0.8112		Prior wage index
+	NON-LABOR PCT	0.38	)	Non-labor related share
		0.88		Prior wage ratio: (0.62 × 0.8112 + 0.38) = 0.88
	NEW WAGE RATIO	0.96		New wage ratio = (0.84 / 0.88)
×	ADJ PAYMENT	$10,872		Adjusted payment = $11,379 × (0.84 / 0.88)
−	DEDUCTABLE AMT	$1,132		Beneficiary inpatient deductible amount
−	COINSURANCE AMT	$0		Beneficiary Part A coinsurance liability amount
	NEW PAYMENT	$9,740		New payment amount including adjustment

This method is adjusting the claim payment amount from NCH, which includes the DRG outlier approved payment amount, disproportionate share, indirect medical education, and total PPS capital. It does not include pass-thru amounts, beneficiary-paid amounts (i.e., deductibles and coinsurance); or any other payer reimbursement.

Skilled Nursing Facility

1. Obtained SNF wage indices for 2008 thru 2014 from http://cms.gov
2. Obtained provider county from the Provider of Service (POS) file
3. NCH records
    a. Keep only SNF claims - claim type 20 or 30
    b. Include provider range 5000 thru 6499
    c. Determine provider state and county per POS
    m. Determine CBSA based on provider state and county
4. Apply wage adjustment
    a. Else use Urban/Rural CBSA index
    b. Use the appropriate labor percentage from Table 6
    c. Apply wage index adjustment

Table 7: SNF Labor Percentage

2008	0.70249
2009	0.69783
2010	0.69840
2011	0.69311
2012	0.68693
2013	0.68693
2014	0.69545

	CURR INDEX	0.7121	SNF PPS wage index of current year
−	PREV INDEX	0.7327	SNF PPS wage index of prior year
	NET INDEX	-0.0206	Difference between current and prior wage index
×	LABOR SHARE	0.6984	Labor related share
	WAGE INDEX ADJ	-0.01439	Wage difference times labor related share
	NAT LABOR	0.6984	Labor related share
×	PREV INDEX	0.7327	SNF PPS wage index of prior year
	WAGE ADJ FACTOR	0.5117	Previous index times labor related share
	1	1	
−	LABOR SHARE	0.6984	Labor related share
	NONLABOR SHARE	0.3016	Non-labor related share
	CLM PMT AMT	5507.85	Claim payment amount from NCH
÷	TOT ADJ FACTOR	0.8133	Wage payment adjustment factor plus non-labor share
	BASE PMT RATE	$6,772	Claim payment times payment adjustment factor
×	WAGE INDEX ADJ	-0.01439	Wage difference times labor related share
	ADJ PMT AMT	-$97	Final adjustment to claim payment amount
+	CLM PMT AMT	$5,508	Claim payment amount from NCH
	NEW PMT AMT	$5,410	New payment amount including adjustment

Home Health Agency (HHA)

1. Obtained HHA CBSA wage indices for 2008 thru 2014 from CM
2. NCH records
    a. Keep only HHA claims - claim type 10
    b. Include claims with a type of bill equal to 32 or 33 and claim frequency code not equal to 0 or 2
    c. Drop DME claim lines paid under fee schedule where revenue center not equal 029*x*, 060*x*, or 0274
    d. Obtain CBSA from value code 61
    e. Add wage index to claims
    f. Labor percentage for all years is77.082%
    g. Sum claim lines to the claim level
    h. Subtract outlier payment
    i. Apply adjustment
    j. Add outlier back in

		CLM PMT AMT	$1,443		Claim payment amount from NCH
	−	OULTIER PAYMENT	$483		HHA Outlier Payment
		NET PAYMENT	$960		Claim payment minus outliers
×					
(		NAT LABOR PCT	0.77082		Labor related share
	×	CURR INDEX	0.8017		Current wage index
	+	NON-LABOR PCT	0.22918	)	Non-labor related share
			0.847		Current wage ratio: (0.77082 × 0.8017 + 0.22918) = 0.847
÷					
(		NAT LABOR PCT	0.77082		Labor related share
	×	PREV INDEX	0.8159		Prior wage index
	+	NON-LABOR PCT	0.22918	)	Non-labor related share
			0.858		Prior wage ratio: (0.77082 × 0.8159 + 0.22918) = 0.858
		NEW WAGE RATIO	0.987		New wage ratio = (0.847 / 0.858)
	×	ADJ PAYMENT	$948		Adjusted payment = $960 × (0.847 / 0.858)
	+	OULTIER PAYMENT	$483		HHA Outlier Payment
		NEW PAYMENT	$1,431		New payment amount including adjustment

This method is adjusting the claim line payment amount from NCH, which includes the HHA outlier approved payment amount**.** This amount is removed when re-pricing the claim.

Physician Fee Schedule

1. Obtained 2008 - 2014 relative value units (RVUs) and geographic practice cost indexes (GPCIs) from CM
2. NCH Records
    a. Extracted physician claim lines with claim types 71 or 72
    b. Added RVUs to each claim line by HCPCS code and first modifier code
    c. Added GPCIs to claim based on contractor and locality
    d. Use the appropriate facility or non-facility practice expense RVU
        i. Facility is where the place of service equals one of the following
            21, 22, 23, 24, 26, 31, 34, 41, 42, 51, 52, 53, 61, 56
    e. Multiply the previous RVU by the previous GPCI for work, practice, and mal-practice expenses
    f. Multiply the previous RVU by the current GPCI for work, practice, and mal-practice expenses
    g. Divide the current rate by the previous rate to obtain a percent difference
    h. Multiply the percent difference by the line payment, resulting in the final adjustment value
    i. Added the final adjustment value to the line payment to obtain an adjusted payment

		Work		Practice Expense		Mal-practice		RVU x GPCI Sum	
Previous									
RVU		1.16		0.68		0.07			
GPCI	×	1		1.046		0.658			
		1.16	+	0.71128	+	0.04606	=	1.91734	Prior year payment rate
Current									
RVU		1.16		0.68		0.07			
GPCI	×	0.99		1.044		0.86			
		1.1484	+	0.70992	+	0.0602	=	1.91852	Current year payment rate
							÷	0.0615%	Percent difference of payment rates
							×	$43.26	Line payment amount from NCH
								$0.03	Final adjustment to claim payment
							+	$43.26	Line payment amount from NCH
								$43.29	New payment including adjustment

The GPCIs measure geographic differences in physician wages, wages of clinical and administrative staff, cost of contracted services (e.g. accounting and legal services), cost to rent office space, and the cost of professional liability insurance. The GPCIs assume that medical supplies (including pharmaceuticals) and medical equipment are purchased in national markets and no geographic adjustment is made for these components of a physician practice.

Outpatient Perspective Payment System

1. Obtained IPPS wage indices for 2008 thru 2014 from http://cms.gov
2. Obtained provider county from the Provider of Service (POS) file
3. NCH records
    a. Keep only outpatient claims - claim type 40
    b. Limit to OPPS claims where status code equals P, S, T, V, or X
    c. Determine provider state and county per POS
        n. Determine CBSA based on provider state and county
4. Apply wage adjustment
    a. Use provider reclassification is it exists
    b. Else use Urban/Rural CBSA index
    c. Removed prior year wage index
    d. Calculate current year wage ratio
    e. Apply wage index adjustment

	LINE PMT AMT	$97.65	Line payment amount from NCH
÷	(.6 * WAGE INDEX + .4)	0.90526	Remove prior year wage index
	UNADJSTD PMT	$107.87	Unadjusted payment amount
	(.6 * WAGE 2013 + .4)	0.90364	Apply current year wage index
×	UNADJSTD PMT	$107.87	Unadjusted payment amount
	NEW PMT AMT	$97.48	New payment amount including adjustment

This process is adjusting the labor related portion of the standard OPPS national unadjusted payment rates to account for geographic wage differences. These wage indexes are the same as those in the fiscal year based IPPS, but adopted into the OPPS on a calendar year basis. Certain services such as those with status indicators of G, H, K, R, and U are not adjusted by a wage index, as the payment does not include a labor related portion (I.e. G and K represent drugs, H is devices, R is blood and blood products, U is brachytherapy sources).

Competitive Bid Program for Durable Medical Equipment Prosthetic Orthotics Supplies (DMEPOS)

1. Downloaded detailed data including geographic areas and product categories from the Competitive Bidding website located at http://www.dmecompetitivebid.com
2. Create a re-pricing table using 9 geographic areas and 6 product categories from Round 1 Re-compete and 100 geographic areas and 9 product categories from Round 2.
3. National Claims History (NCH) Records as loaded into Integrated Data Repository (IDR)
    a. Extracted DME claim lines with claim type 72, 81 or 82.
    b. Determine if DME claim is subject to competitive bidding based on zip code from the NCH.
    c. Determine whether DME claim line HCPCS code is subject to competitive bidding.
    d. Include only Fee-for-Service claims
    e. Insure claims are final action
    f. Insure claims are in a valid paid status
    g. Exclude ESRD beneficiaries (beneficiary with active dialysis period at time of service)
    h. Exclude Beneficiaries enrolled in MAO Cost Plans
    i. Calculate Medicare maximum payment by multiplying allowed charge amount by 77.6%
    j. Calculate the new payment by multiplying the single payment amount (for the HCPCS code in the geographic area as defined by the zip code) by unit quantity.
    k. Calculate new Medicare maximum payment amount by multiplying new payment by 77.6%
    l. Calculate Medicare savings by subtracting K from i.

	225.25	Allowed charge amount
×	0.776	Medicare share
	174.80	Medicare maximum payment amount
	18.88	Single payment amount for HCPCS Code A7032 in zip code 10506
×	6	unit quantity
×	0.776	Medicare share
	87.91	New Medicare maximum payment amount (competitive bidding)
	174.80	Medicare maximum payment amount
−	87.91	New Medicare maximum payment amount
	86.89	Change in spending

This process is adjusting the DME Claims to account for the changes in the prices associated with the Competitive Bidding Program. We plan to re-price DME claims from 2008 to 2012 for all Round 1 Re-compete and Round 2 prices.

Uncompensated Care Payment

1. Obtain FY 2014 Final Medicare DSH Supplemental Data from http://cms.gov
2. NCH records
   a. Keep only inpatient claims - claim type 60
   b. Exclude ESRD beneficiaries (beneficiary with active dialysis period at time of service)
   c. Exclude Sole Community Hospitals that are projected to be paid a facility-specific rate in FY 2014 (as reflected in Supplemental DSH exhibit in FY 2014 Final IPPS rule).
   d. Exclude rehab hospitals and facilities that have tied out/terminated according to "STAR."
3. Match DSH from claim to UCP from FY 2014 Final IPPS Rule
4. Calculate adjustment factor $_{(base\ year)}$
   a. Aggregate DSH payments $_{(base\ year)}$ × 75 percent × FY 2014 UCP factor 2 (of .943) / aggregate projected UCP $_{(FY\ 2014)}$
5. Calculate provider-specific per-capita UCP amount $_{(base\ year)}$
   a. Aggregate projected UCP for provider $_{(FY\ 2014)}$ × adjustment factor $_{(base\ year)}$ / number of claims $_{(base\ year)}$
6. Calculate claim level adjustment as provider-specific per-capita UCP amount $_{(base\ year)}$ minus 75 percent of DSH included in the claim payment.
7. Below exhibit is illustration of adjustment for calendar year 2012 claims.

(in millions)	CY 2012 (Original)			FY 2014	CY 2012 (adjusted)	
Provider type	DSH	DSH × 75%	DSH × 75% UCP × factor 2	UCP	UCP	Repricing adjustment
DSH in 2012 and 2014	$9,749	$7,312	$6,895	$9,029	$6,946	($366)
$0 UCP in 2014	90	68	64	0	0	(68)
$0 DSH in 2012	0	0	0	17	13	13
Total	$9,839	$7,380	$6,959	$9,046	$6,959	($421)
UCP factor 2 FY 2014	0.943					