

July 28, 1989

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 8 (1989)

TO: AUTOMOBILE SELF-INSURERS AND INSURERS LICENSED TO WRITE AUTOMOBILE INSURANCE IN NEW YORK

RE: REIMBURSEMENT FOR HOSPITAL INPATIENT SERVICES UNDER NO-FAULT FOR TREATMENT RENDERED ON AND AFTER JANUARY 1, 1988

This Circular Letter supplements Circular Letters No. 11 and 18(1988) and provides updated information to enable no-fault insurers to process and pay 1988, and 1989 hospital inpatient claims under the DRG (Diagnosis-Related Group) system. The Insurance Department has received 235 pages of revised data prepared by the Department of Health's Office of Health Systems Management. Upon receipt of a written request from the senior claims officer of your company, the Insurance Department will furnish one copy of this data to your company. Since this data has been provided to workers' compensation insurers, please request it only if you have not previously received it from another source. You should make this information available to all your claims personnel who are responsible for the review of hospital inpatient billings payable under the no-fault law.

Hospitals will submit adjusted billings for 1988 hospitalizations based upon the revised data. Information for the calculation of 1989 hospitalizations is also included with the data. This data, together with the sample calculations attached, will enable your claims personnel to make appropriate and timely DRG payments. It should be noted that the information is provided in a format which differs from that provided previously. Accordingly, the eight sample calculations included in the attachments supersede those provided with the previous circular letters, and should be used in calculating the 1988 adjustments, 1989 hospital bills and any future DRG billings. Amounts shown in the calculations are for illustrative purposes only and do not represent any particular hospital.

In addition, the revised hospital inpatient fee schedule for the 1987 carryover rates is attached. These rates are applicable to patients admitted in 1987 and discharged in 1988.

Requests for the revised data and any questions or problems in connection with DRG implementation involving no-fault insurers should be brought to the attention of Hyman Silberstein (212.602-0334), Senior Examiner, in the Department's Property and Casualty Insurance Bureau, at the above address.

Very Truly yours,

[SIGNATURE]

Wendy E. Cooper

Acting Superintendent of Insurance

INDEX OF EXAMPLES

(1) NO-FAULT CALCULATION OF INPATIENT HOSPITALIZATION BILLS FOR INLIERS (HOSPITALIZATIONS WITHIN TRIMPOINTS) WITH ALTERNATE LEVEL OF CARE

(2) NO-FAULT ALTERNATE LEVEL OF CARE

(3) NO-FAULT PAYMENT CALCULATION FOR. LONG STAY OUTLIER DRG WITH ALTERNATE LEVEL OF CARE

(4) NO-FAULT PAYMENT CALCULATION OF SHORT STAY OUTLIER DRG

(5) NO-FAULT TRANSFER PAYMENT WITH ALTERNATE LEVEL OF CARE COMPARED TO INLIER, SHORT STAY OUTLIER OR LONG STAY OUTLIER PAYMENT -

(6) NO-FAULT HIGH COST OUTLIER WITH ALTERNATE LEVEL OF CARE

(7) NO-FAULT DETERMINATION OF EXEMPT UNIT (HOSPITAL)'ACUTE CARE PAYMENT

(8) NO-FAULT DETERMINATION OF ALTERNATE LEVEL OF CARE PAYMENT-EXEMPT HOSPITAL OR UNIT

(1). Inlier

This calculation is used for an inpatient hospitalization where the stay is within the trimpoints for that specific DRG, and no alternate level of care (ALC) is required.

(2). Short Stay Outlier

This calculation is used for an inpatient hospitalization where the stay is less than the short trimpoint for that specific DRG.

(3). Short Stay Outlier Stay Outlier

This calculation is used for an inpatient hospitalization where the stay is longer than the long trimpoint for that specific DRG. This calculation will provide the additional amount to be paid over a regular DRG (Inlier).

(4). Alternate Level Of Care (ALC)

This calculation is for an additional amount to be paid over the calculated amount for the DRG when the patient is awaiting release from the hospital either to a non-acute facility or when arrangements are being made for home health care.

(5), (6) and (7) Inliers, Short Stay Outlier and Long Stay Outliers Compared to Transfer Payments

These calculations 'are made by a hospital which is transferring a patient to another acute facility. The. transfer amount cannot exceed the amount. of inlier, short stay outlier or long stay inlier DRG.

(8). High Cost Outliers

This calculation is used when a hospital's actual charges are far in excess of a calculated Inliers DRG payment only. It

does not apply on short stay outliers, long stay outliers, or transfers. There are test checks within this calculation which are in accordance with New York State Health Department Laws [subpart 86.1.55(c)(2)] and should be followed carefully when determining any additional payment to be made.

(9). Calculation for Exempt Unit Acute Care

This calculation is for an exempt unit (hospital) - Medical Rehabilitation, Psychiatric, AIDS center, Alcohol Rehabilitation, etc.

(10). Alternate Level Of Care Calculation For Exempt Unit

This calculation is for a patient in an exempt facility awaiting release to a non acute facility or awaiting arrangements for home health care.

			SAMPLE CALCULATION
(1)	Blended Case Mix Neutral Rate Per Discharge	WC/NF Pages 32-131 Col. 2	\$ 2,340.00
(2)	Base Year Malpractice Case Mix Neutral Cost Per Case	WC/NF Pages 32-131 Col. 4	60.00
(3)	Blended Rate Plus Malpractice Per Case	Line 1 + Line 2	2,400.00
(4)	DRG Classification	UBF-1	27
(5)	Per Case Service Intensity Weight(SIW) for DRG Class	WC/NF Pages 13-23	2.8738
(6)	Inlier DRG	Line 3 x Line 5	\$ 6,897.12
(7)	Capital Cost Rate Per Case	WC/NF Pages 32/131 Col. 3	280.00
(8)	Inlier DRG Before Add-ons	Line 6 + Line 7	\$ 7,177.12
(9)	Bad Debt and Charity Care Pool		

SAMPLE
CALCULATION

	(a) percent	WC/NF Pages 32-131 Col. 5	3.80%
	(b) amount	Line 8 x Line 9(a)	272.73
(10)	Excess Physicians' Malpractice Pool Rate Per Case	WC/NF Pages 32-131 Col. 6	60.00
(11)	SPARCS Rate Per Case	WC/NF Pages 32-131 Col. 8	1.50
(12)	a. Total No-Fault Payment Before Differential	Line 8 + Line 9b + Line 10 + Line 11	7,511.35
	b. Alternate Level of Care Example 2 Line 5	[if applicable] add amount calculated in. 451.95	
	c. Total	Line 12a + Line 12b	7,963.30
(13)	a. Differential	Subpart 86-1.51(c)	13%
	b. Amount	Line 12C x Line 13a	\$ 1,035.23
(14)	Total. No-Fault Inlier Payment With Alternate Level of Care	Line 12C + Line 13b	\$ 8,998.53

SAMPLE
CALCULATION

(1)	Alternate Care Operating Per Diem	WC/NF Pages 32-131 Col. 9	\$ 87.08
(2)	a. Alternate Care Charity Care Pool Percent	WC/NF Pages 32-131 Col. 10	3.80%

SAMPLE
CALCULATION

	b. Amount	Line 1 x Line 2a	3.31
(3)	Alternate Level of Care Per Diem	Line 1 + Line 2b	90.39
(4)	No. of Alternate Level of Care Days	UBF-1 Box 144	5
(5)	Total No-Fault Alternate Level of Care Payment	Line 3 x Line 4	\$ 451.95

Note: The above calculation is added (where applicable) to inlier, inlier and long stay outlier payment, high cost outlier payment or transfer payment for total payment. This calculation cannot be used with exempt units or exempt hospitals.

LONG STAY OUTLIER PAYMENT WITH ALTERNATIVE LEVEL OF CARE - REVISED

PAYMENT CALCULATION WORKSHEETS

SAMPLE
CALCULATION

(1)	Long Stay Group Specific Case Mix Neutral Cost Per Discharge	WC/NF Pages 32-131 Col. 1	\$ 2,550.00
(2)	DRG Classification	UBF-1	27
(3)	Per Case Service Intensity. Weight For DRG Classification (SIW)	WC/NF Pages 13-23	2.8738
(4)	Subtotal	Line 1 x Line 3	7,328.19
(5)	Group Average Arithmetic Inlier Length of Stay for DRG	WC/NF Pages 13-23	11
(6)	Subtotal	Line 4/Line 5	666.20

SAMPLE
CALCULATION

(7)	Long Stay Outlier Cost Adjustment Factor	Subpart 86-1.55(b)	.60
(8)	Subtotal	Line 6 x Line 7	399.72
(9)	Price Component Percent	Subpart 86-1.53	10%
(10)	Long Stay Outlier DRG Cost Per Day	Line 8 x Line 9	39.97
(11)	Number of Total Days	UBF-1 (Field 199-5)	54
(12)	Long Trimpoint	WC/NF Pages 13-23	44
(13)	Number of Long Stay Days	Line 11 - Line 12	10
(14)	Long Stay Outlier DRG	Line 10 x Line 13	399.70
(15)	Bad Debt and Charity Care Pool		
	(a) percent	WC/NF Pages 32-131 Col. 5	3.80%
	(b) amount	Line 14 x Line 15(a)	15.19
(16)	Total No-Fault Payment Before Differential		
	(a) Long Length. Of Stay Outlier	Line 14 + Line 15b	\$ 414.89
	(b) Inlier	Example 1 Line 12a	7,511.35
	(c) Alternate Level Of Care	Example 2 Line 5	451.95

SAMPLE
CALCULATION

	(d) Total	Line 16a + Line 16b + Line 16c	8,378.19
(17)	Differential		
	(a) rate	Subpart 86-1.51(c)	13%
	(b) amount	Line 16(d) x Line 17	1,089.16
(18)	Total No-Fault Long Stay Outlier Payment With Alternate Level of Care	Line 16d + Line 17b	\$ 9,467.35

SHORT STAY OUTLIER PAYMENT - REVISED

PAYMENT CALCULATION WORKSHEETS<*>

SAMPLE
CALCULATION

(1)	Blended Case Mix Neutral Rate Per Discharge	WC/NF Pages 32-131 Col. 2	\$ 2,340.00
(2)	Base Year Case Mix Malpractice Case Mix Neutral Cost Per Case	WC/NF Pages 32-131 Col. 4	60.00
(3)	Blended Rate Plus Malpractice Per Case	Line 1 + Line 2	\$ 2,400.00
(4)	DRG Classification	UBF-1	27
(5)	Per Case Service Intensity Weight (SIW) for DRG Class	WC/NF Pages 13-23	2.8738
(6)	Subtotal	Line 3 x Line 5	\$ 6,897.12
(7)	Group, Average Arithmetic Inlier Length of Stay For DRG	WC/NF Pages 13-23	11

			SAMPLE CALCULATION
(8)	Subtotal	Line 6/Line 7	627.01
(9)	Short Stay Adjustment Factor	Subpart 86-1.55(a)	150%
(10)	Short Stay Outlier DRG Cost Per Day	Line 8 x Line 9	940.52
(11)	Short Stay and Transfer Capital Per Diem	WC/NF Pages 32-131 Col. 7	35.00
(12)	Short Stay Outlier Cost Per Day	Line 10 + Line 11	975.52
(13)	Number Of Total Days	UBF-1 (Field 199-5)	1
(14)	Short Trimpoint	WC/NF Pages 13-23	2

*PROCEED ONLY IF LINE 13 IS LESS THAN LINE 14 OR IS THE
SAME DAY ADMISSION AND DISCHARGE.

**WHERE THE GROUP ARITHMETIC INLIER LENGTH OF STAY IS EQUAL
TO ONE, THE SHORT STAY PAYMENT SHALL BE NO MORE THAN THE
MAXIMUM INLIER PAYMENT. SUBPART 86-1.55(a)
SHORT STAY OUTLIER PAYMENT - REVISED
PAYMENT CALCULATION WORKSHEETS<*>

			SAMPLE CALCULATION
(15)	Subtotal	Line 12 x Line 13	\$ 975.52
(16)	Bad Debt & Charity Pool		
	(a) percent	WC/NF Pages 32-131 Col. 5	3.80%
	(b) amount	Line 15 x Line 16(a)	37.07
(17)	Excess Physician's Malpractice Pool Rate		

		SAMPLE CALCULATION	
	Per Case	WC/NF Pages 32-131 Col. 6	60.00
(18)	SPARCS Rate Per Case	WC/NF Pages 32-131 Col. 8	1.50
(19)	Total No-Fault Outlier Before Differential	Line 15 + Line 16(b) +Line 17 + Line 18	1,074.09
(20)	Differential		
	(a) rate	Subpart 86-1.51(c)	13%
	(b) amount	Line 19 x Line 20(a)	139.63
(21)	Total No-Fault Short Stay Outlier Payment	Line 19 + Line 20(b)	\$ 1,213.72

DETERMINATION OF TRANSFER PAYMENT WITH
ALTERNATE LEVEL OF CARE COMPARED
TO INLIER, SHORT STAY OUTLIER OR
LONG STAY OUTLIER PAYMENT

		SAMPLE CALCULATION	
(1)	Blended Case Mix Neutral Rate Per Discharge	WC/NF Pages 32-131 Col. 2	\$ 2,340.00
(2)	Base Year Malpractice Case Mix Neutral Cost Per Case	WC/NF Pages 32-131 Col. 4	60.00
(3)	Blended Rate Plus Malpractice Per Case	Line 1 + Line 2	2,400.00
(4)	DRG Classification	UBF-1	27
(5)	Per Case Service Intensity Weight(SIW) For DRG Class	WC/NF Pages 13-23	2.8738
(6)	Subtotal	Line 3 x Line 5	6,897.12

SAMPLE
CALCULATION

(7)	Group Arithmetic Inlier Length of Stay for DRG	WC/NF Pages 13-23	11
(8)	Subtotal	Line 6/Line 7	627.01
(9)	Transfer Adjustment Factor	Subpart 86-1.54(1)	120%
(10)	Transfer DRG Cost Per Day	Line 8 x Line 9	752.41
(11)	Number of Transfer Days	UBF-1.(Field 199-5)	8
(12)	Transfer DRG Cost	Line 10 x Line 11	6,019.28

*NOTE:

TOTAL TRANSFER PAYMENT CAN NOT EXCEED AMOUNT THAT WOULD
HAVE BEEN PAID IF PATIENT HAD BEEN DISCHARGED

(13)	Discharge DRG Test		
	a. Inlier DRG	Example (1), Line 6	\$ 6,897.12
	b. Long Stay Outlier DRG	Example (3), Line 14	
	c. Short Stay Outlier-DRG		
	1. Short Stay Outlier		
	DRG Cost Per Day	Example (4), Line 10	
	2. Number of Days	Example (4), Line 13	
	3. Short Stay		
	Outlier DRG	Line 13c1 x Line 13c2	

EXAMPLE 5

DETERMINATION OF TRANSFER PAYMENT WITH
ALTERNATIVE LEVEL OF CARE COMPARED
TO INLIER, SHORT STAY OUTLIER OR LONG STAY OUTLIER PAYMENT

SAMPLE
CALCULATION

** NOTES:

THE ABOVE TEST WOULD ONLY INCLUDE 6U OF THE FOREGOING

SAMPLE
CALCULATION

CALCULATIONS (A,B, OR C) - DO NOT PROCEED UNLESS LINE 12
IS LESS THAN LINE 13 A,B, OR C

(14)	Short Stay and Transfer Capital Per Day	WC/NF Page 32-131 Col. 7	\$ 35.00
(15)	Total Transfer Capital	Line 11 x Line 14	280.00
(16)	Subtotal	Line 12 + Line 15	6,299.28
(17)	Bad Debt and Charity Pool		
	(a) percent	WC/NF Pages 32-131	3.80%
	? (b) amount	Line 16 x Line 17a	239.37
(18)	Excess Physicians Malpractice Pool Rate Per Case	WC/NF. Pages12-131 Col. 6	60.00
(19)	SPARCS Rate Per Case	WC/NF Page 32-131 Col. 8	1.50
(20)	a. Total No-Fault Payment	Line 16 + Line 17(b)	
	Before Differential	Line 18 + Line 19	6,600.15
	. Alternate Level Of Care	Example 2 Line 5	451.95
	c. Total	Line 20(a) + Line 20(b)	7,052.10
	Differential		
	? (a) rate	Subpart 86-1.51(c)	13%
	? (b) amount	Line 20c x Line 21a	916.77
	Total No-Fault Transfer Payment With Alternate Level of Care	Line 20c + Line 21b	\$ 7,968.87

EXAMPLE 6

DETERMINATION OF HIGH COST OUTLIER PAYMENT

WITH ALTERNATE LEVEL OF CARE

SAMPLE CALCULATION			
(1)	High Cost Charge Convert	rWC/NF Pages 32-131 Col.70	.850007
(2)	Total Inpatient Gross Charges Per Patient UBF-	UBF-1 (Field 197)	\$ 31,883.71
(3)	Adjustment To Total Inpatient Gross Charges		
	(a) Telephone & Telegrap	UBF-1(Field 196 code 561)	20.00
	(b) Television & Radio Rental	UBF-1(Field 196 code 581)	60.00
	(c) Private Room Differential	UBF-1(Field 193, code 2031-3638)	
	(d) Blood	UBF-1(Field 187)	
	(e) Other	UBF-1(Field 193 or 196)	
(4)	Total Inpatient Cross Charges Reduced to Cost	Line 2-(Lines 3a + 3b + 3c + 3d + 3e)	31,803.71
(5)	Total Gross Inpatient Charges Reduced to Cost	Line 1 x Line 4	27,033.38
(6)	Inlier DRG Before Add-on	Example 1, Line 8	7,177.12
(7)	Twice Inlier DRG Before Add-ons	Subpart 86-1.55(c)(2) Line 6 x 2	14,354.24
(8)	Inlier Blended Rate Plus Malpractice Per Case	Example 1, Line 3	2,400.00
(9)	Overall Average Non- Medicare Case Mix Index (High Cost)	WC/NF Pages 32-131 Col. 71	1.4435
(10)	Subtotal	Line 8 x Line 9	\$ 3,464.40

SAMPLE
CALCULATION

(11)	Capital Cost Rate, Per Case	WC/NF Pages 32-131 Col. 3	280.00
(12)	Average Cost Per Discharge	Subpart 86-1.55(c)(2) Line 10 + Line 11	3,744.40
(13)	Six Times Average Cost Per Discharge	Subpart 86-1.55(c)(2) 6 x Line 12	22,466.40
(14)	Greater of Line 7 or Line 13	Subpart 86-1.55(c)(2)	22,466.40

EXAMPLE 6

DETERMIANTION OF HIGH COST OUTLIER PAYMENT

WITH ALTERNATIVE LEVEL OF CARE

SAMPLE
CALCULATION

(15)	Total Gross Inpatient Covered Charges Reduced to Cost Less Line 14	Subpart 86-1.55(c)(2) Line 5 - Line 14	\$ 4,566.98
(16)	Alternative Level Of Care		
	(a) Operating Per Diem	Example 2, Line 1	87.08
	(b) Number of Alternate Level Of Care Days	Example 2 Line 4	5
	(c) Total	Line 16a x Line 16b	435.40
(17)	Subtotal	Line 15 - Line 16c	4,131:58

**Note:

CONTINUE ONLY IF LINE 5 IS GREATER THAN LINE 17

(18)	Bad Debt and Charity Care Pool		
	(a) percent	WC/NF Pages 32-131 Col. 5	3.80%

			SAMPLE CALCULATION
	(b) amount	Line 17 x Line 18a	157.00
(19)	Total No-Fault Payment Before Differential		
	(a) High Cost Outlier	Line 17 + Line 18b	4,288.58
	(b) Inlier	Example 1, Line 12a	7,511.35
	(c) Alternate Level of Care	Example 2, Line 5	451.95
	(d) Total		12,251.88
(20)	Differential		
	(a) rate	Subpart 86-1.55(c)	13%
	(b) amount	Line 19d x Line 20a	1,592.74
(21)	Total No-Fault High Cost Outlier Payment With Alternate Level of Care	Line 19d + Line 20d	\$ 13,844.62

EXAMPLE 7

CALCULATION OF EXEMPT UNIT (HOSPITAL)

ACUTE CARE PAYMENT

(MEDICAL REHAB., ALCOHOL, REHAB., PSYCH, AIDS CENTER

CHILDREN, CANCER, MENTAL RETARDATION, HOSPICE)

			SAMPLE CALCULATION
(1)	Billing Rate Unit Acute Care Per Diem\$ HCols. 24,33,42,51,60 OR 69	WC/NF Pages 32-131 \$ 380.23	
(2)	Differential		
	(a) rate	Subpart 86-1.55(c)	13%
	(b) amount	Line 1 x Line 2a	49.43

SAMPLE
CALCULATION

(3)	Exempt Unit Acute Rate Per Day	Line 1 + Line 2b	429.66
(4)	Number of Exempt Unit Days	UBF-1(Field 199-5)	15
(5)	Total No-Fault Exempt Unit Acute Care Payment	Line 3 x Line 4	\$ 6,444.90

EXAMPLE 8

CALCULATION OF ALTERNATIVE LEVEL OF CASE

EXEMPT UNIT OR HOSPITAL

(MEDICAL REHAB., ALCOHOL, REHAB., PSYCH, AIDS CENTER

CHILDREN, CANCER, MENTAL RETARDATION, HOSPICE)

SAMPLE
CALCULATION

(1)	Billing Rate Unit Acute Care Per Diem	WC/NF Pages 32-131 Cols. 24,32,41,50, or 68	\$ 111.73
(2)	Differential (a) rate (b) amount	Subpart 86-1.55(c) Line 1 x Line 2a	13% 14.52
(3)	Exempt Unit Alternate Level of Care Days	Line 1 + Line 2b	126.25
(4)	Number of Exempt Unit Alternate Level of Care Payment	Medical Records	5
(5)	Total No-Fault Exempt Unit Acute Care Payment	Line 3 x Line 4	\$ 631.25

NOTE: The above alternate level of care calculations is to be used only by exempt units or exempt hospitals. The calculation uses data for the unit or hospital in which the patient received services (e.g. Medical Rehabilitation).