

HOSPITAL PAYMENT POLICIES

HOSPITAL PAYMENT POLICIES OVERVIEW

Insurers will pay for the costs of proper and necessary hospital services associated with an accepted industrial injury. Hospital payment policies established by L&I are reflected in Chapters [296-20](#), [296-21](#), [296-23](#) and [296-23A](#) WAC and in the Hospital Billing Instructions. No copayments or deductibles are required or allowed from workers.

HOSPITAL BILLING REQUIREMENTS

All charges for hospital inpatient and outpatient services provided to workers must be submitted on the UB-04 billing form using the UB-04 National Uniform Billing Committee Data Element Specifications. Hospitals are responsible for establishing criteria to define inpatient and outpatient services. Bills for patients admitted and discharged the same day, however, may be treated as outpatient bills and may be paid via a POAC rate.

For State Fund claims, inpatient bills will be evaluated according to L&I's Utilization Review Program. Inpatient bills submitted to L&I without a treatment authorization number may be selected for retrospective review. For observation services, L&I will follow CMS guidance. For a current copy of the Hospital Billing Instructions, contact the L&I Provider Hotline at 1-800-848-0811.

HOSPITAL ACQUISITION COST

Any item covered under the acquisition cost policy will be paid using a hospital specific percent of allowed charges (POAC). Non-hospital facilities will be paid a statewide average POAC.

HOSPITAL INPATIENT ACUTE CARE PAYMENT INFORMATION

Self-insured Payment Method

Services for hospital inpatient care provided to workers covered by Self-insurers are paid using hospital specific POAC factors for all hospitals (see [WAC 296-23A-0210](#)).

Crime Victims Compensation Program Payment Method

Services for hospital inpatient care provided to crime victims covered by the Crime Victims Compensation Program are paid using DSHS POAC factors (see [WAC 296-30-090](#)).

State Fund Payment Methods

Services for hospital inpatient care provided to workers covered by the State Fund are paid using 3 payment methods:

1. An All Patient Diagnosis Related Group (AP DRG) system. See [WAC 296-23A-0470](#) for exclusions and exceptions. L&I currently uses AP DRG Grouper version 23.0.
2. A statewide per diem rate for those AP DRGs that have low volume or for inpatient services provided in Washington rural hospitals.
3. A POAC rate for hospitals excluded from the AP DRG system.

The following tables provide a summary of how the above methods are applied.

Hospital Type or Location	Payment Method for Hospital Inpatient Acute Care Services
Hospitals not in Washington	Paid by an out-of-state POAC factor. Effective July 1, 2011 the rate is 57.8% .
Washington excluded Hospitals: <ul style="list-style-type: none"> • Children's Hospitals • Health Maintenance Organizations (HMOs) • Military Hospitals • Veterans Administration • State Psychiatric Facilities 	Paid 100% of allowed charges.
<ul style="list-style-type: none"> • Washington Major Teaching Hospitals; • Harborview Medical Center • University of Washington Medical Center 	Paid on a per case basis for admissions falling within designated AP DRGs. ⁽¹⁾ For low volume AP DRGs, Washington hospitals are paid using the statewide per diem rates for designated AP DRG categories: <ul style="list-style-type: none"> • Chemical dependency • Psychiatric • Rehabilitation • Medical • Surgical
All other Washington Hospitals	Paid on a per case basis for admissions falling within designated AP DRGs. ⁽¹⁾ For low volume AP DRGs, Washington hospitals are paid using the statewide per diem rates for designated AP DRG categories: <ul style="list-style-type: none"> • Chemical dependency • Psychiatric • Rehabilitation • Medical • Surgical

(1) See <http://feeschedules.Lni.wa.gov> for the current AP DRG Assignment List.

Hospital Inpatient Acute Care AP DRG Base Rates

Effective **July 1, 2011** the AP DRG Base Rates

Hospital	Base Rate
Harborview Medical Center	\$11,055.17
University of Washington Medical Center	\$9,725.63
All Other Washington Hospitals	\$9,244.08

Hospital Inpatient Acute Care AP DRG Per Diem Rates

Effective **July 1, 2011** the AP DRG per diem Rates are as follows:

Payment Category	Rate ⁽¹⁾	Definition
Psychiatric AP DRG Per Diem	\$888.39 Multiplied by the number of days allowed by L&I. Payment won't exceed allowed billed charges.	AP DRGs 424-432
Chemical Dependency AP DRG Per Diem	\$733.32 Multiplied by the number of days allowed by L&I. Payment won't exceed allowed billed charges.	AP DRGs 743-751
Rehabilitation AP DRG Per Diem	\$1,532.58 Multiplied by the number of days allowed by L&I. Payment won't exceed allowed billed charges.	AP DRG 462
Medical AP DRG Per Diem	\$2,108.32 Multiplied by the number of days allowed by L&I. Payment won't exceed allowed billed charges.	AP DRGs identified as medical
Surgical AP DRG Per Diem	\$4,131.83 Multiplied by the number of days allowed by L&I. Payment won't exceed allowed billed charges.	AP DRGs identified as surgical

(1) For information on how specific rates are determined see Chapter [296-23A](#) WAC. The AP DRG Assignment List with AP DRG codes and descriptions and length of stay is in the fee schedules section and is available online at <http://feeschedules.Lni.wa.gov>.

Additional Inpatient Acute Care Hospital Rates

Payment Category	Rate	Definition
Transfer-out Cases	Unless the transferring hospital's charges qualify for low outlier status, the stay at this hospital is compared to the AP DRGs average length of stay. If the worker's stay is less than the average length of stay, a per-day rate is established by dividing the AP DRG payment amount by the average length of stay for the AP DRG. Payment for the first day of service is 2 times the per-day rate. For subsequent allowed days, the basic per-day rate will be paid. If the worker's stay is equal to or greater than the average length of stay, the AP DRG payment amount will be paid.	A transfer is defined as an admission to another acute care hospital within 7 days of a previous discharge.
Low Outlier Cases (costs are less than the threshold)	Hospital Specific POAC Factor multiplied by allowed billed charges.	Cases where the cost ⁽¹⁾ of the stay is less than 10% of the statewide AP DRG rate or \$581.63 , whichever is greater.
High Outlier Cases (costs are greater than the threshold)	AP DRG payment rate plus 100% of costs in excess of the threshold.	Cases where the cost ⁽¹⁾ of the stay exceeds \$17,446.32 or 2 standard deviations above the statewide AP DRG rate, whichever is greater.

(1) Costs are determined by multiplying the allowed billed charges by the hospital specific POAC factor.

HOSPITAL OUTPATIENT PAYMENT INFORMATION

Self-insured Payment Method

Services for hospital outpatient care provided to workers covered by self-insurers are paid using facility-specific POAC factors or the appropriate Professional Services Fee Schedule amounts (see [WAC 296-23A-0221](#)).

Crime Victims Compensation Program Payment Method

Services for hospital outpatient care provided to crime victims covered by the Crime Victims Compensation Program are paid using either DSHS POAC factors or the Professional Services Fee Schedule (see [WAC 296-30-090](#)).

State Fund Payment Methods

Services for hospital outpatient care provided to workers covered by the State Fund are paid using 3 payment methods:

1. Outpatient Prospective Payment System (OPPS) using an Ambulatory Payment Classification (APC) system. See Chapter [296-23A WAC](#) (Section 4), WACs [296-23A-0220](#), [296-23A-0700](#) through [296-23A-0780](#) for a description of L&I's OPPS system.
2. An amount established through L&I's Professional Services Fee Schedule for items not covered by the APC system
3. POAC for hospital outpatient services not paid by either the APC system or with an amount from the Professional Services Fee Schedule

The following table provides a summary of how the above methods are applied.

Hospital Type or Location	Payment Method for Hospital Outpatient Services
Hospitals not in Washington State	Paid by an out-of-state POAC factor. Effective July 1, 2011 the rate is 57.8%
Washington Excluded Hospitals: <ul style="list-style-type: none"> • Children’s Hospitals • Military Hospitals ⁽¹⁾ • Veterans Administration • State Psychiatric Facilities 	Paid 100% of allowed charges
<ul style="list-style-type: none"> • Rehabilitation Hospitals • Cancer Hospitals • Critical Access Hospitals • Private Psychiatric Facilities 	Paid a facility-specific POAC or Fee Schedule amount depending on procedure
All other Washington Hospitals	Paid on a per APC ⁽²⁾ basis for services falling within designated APCs. For non-APC paid services, Washington hospitals are paid using an appropriate Professional Services Fee Schedule amount, or a facility-specific POAC ⁽¹⁾ .

(1) Military hospitals may bill HCPCS code T1015 for all outpatient clinic services.

(2) Hospitals will be sent their individual POAC and APC rates each year.

Pass-Through Devices

A transitional pass-through device is an item accepted for payment as a new, innovative medical device by CMS where the cost of the new device has not already been incorporated into an APC. Hospitals will be paid fee schedule or if no fee schedule exists, a hospital-specific POAC for new or current pass-through devices. New or current drug or biological pass-through items will be paid by fee schedule or POAC (if no fee schedule exists).

Hospital OPPS Payment Process

Question	Answer	Payment Method
1. Does L&I cover the service?	No	Don't Pay
	Yes	Go to question 2
2. Does the service coding pass the Outpatient Code Editor (OCE) edits?	No	Don't Pay
	Yes	Go to question 3
3. Is the procedure on the inpatient-only list?	No	Go to question 4
	Yes	Pay POAC ⁽¹⁾
4. Is the service packaged?	No	Go to question 5
	Yes	Don't Pay, but total the Costs for possible outlier ⁽²⁾ consideration. Go to question 7.
5. Is there a valid APC?	No	Go to question 6
	Yes	Pay the APC amount and total payments for outlier ⁽²⁾ consideration. Go to question 7.
6. Is the service listed in a Fee Schedule?	No	Pay POAC
	Yes	Pay the Facility Amount for the service
7. Does the service qualify for outlier? ⁽¹⁾	No	No outlier payment
	Yes	Pay outlier amount ⁽³⁾

(1) If only 1 line item on the bill is inpatient (IP), the entire bill will be paid POAC.

(2) Only services packaged or paid by APC are used to determine outlier payments.

(3) Outlier amount is in addition to regular APC payments.

OPPS Relative Weights and Payment Rates

The relative weights used by CMS will be used for the OPPS program. Each hospital's blended per-APC rate was determined using a combination of the average hospital-specific per APC rate and the statewide average per APC rate. Additional information on the formulas used to establish individual hospital rates can be found in WAC [296-23A-0720](#). Hospitals will receive notification of their blended per-APC rate via separate letter from L&I or by accessing <http://feeschedules.Lni.wa.gov> and going to the hospital rates link.

OPPS Outlier Payments

L&I follows the current CMS outlier payment policy. See the most current federal register for a complete description of the policy.