

**Payment Policies for Healthcare Services
Provided to Injured Workers and Crime Victims**

Chapter 35: Hospitals

Effective July 1, 2014



Link: Look for possible **updates and corrections** to these payment policies at:

<http://www.lni.wa.gov/ClaimsIns/Providers/Billing/FeeSched/2014/>



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Payment policy: All hospitals

▶ Payment methods

Insurers will pay for the costs of proper and necessary hospital services associated with an accepted industrial injury.

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.



Links: Hospital payment policies established by L&I are reflected in the Hospital Billing Instructions (call L&I's Provider Hotline at **1-800-848-0811** for a current copy) and in [WAC 296-20](#), [WAC 296-21](#), [WAC 296-23](#), and [WAC 296-23A](#).

▶ Requirements for billing

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 the POAC rate.



Note: For POAC rates for outpatient hospitals, see the "State Fund payment methods" section of the payment policy for "Outpatient hospitals" later in this chapter.

▶ Payment limits

No copayments or deductibles are required or allowed from workers.



Payment policy: Hospital acquisition cost policy

▶ Payment methods

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

Nonhospital facilities will be paid a statewide average POAC.



Payment policy: Inpatient hospital acute care

▶ Self-insured employer payment methods

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 methods

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 provider network coverage requirements

Services from both network and non network providers can be covered:

- If done in an emergency room at an acute care hospital, *or*
- If done prior to discharge for a patient who was directly hospitalized from an initial emergency room visit.



Link: For more information about the network, see [WAC 296-20-01010\(3\)](#), and for information on “Who may treat,” see [WAC 296-20-015\(1\)](#).

▶ State Fund payment methods

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

- An All Patient Refined Diagnosis Related Group (APR DRG) system. L&I currently uses APR DRG Grouper version 30.0. For exclusions and exceptions, see [WAC 296-23A-0470](#), *or*
- A statewide per diem rate for those APR DRGs that have low volume or for inpatient services provided in Washington rural hospitals, *or*
- A POAC rate for hospitals excluded from the APR DRG system.



Link: For the current APR DRG Assignment List, see: <http://feeschedules.Lni.wa.gov/>



Note: The following tables in this section provide a summary of how the above methods are applied.

Payment methods for hospital type or location:

If the hospital type or location is...	Then the payment method for inpatient hospital acute care services is:
Hospital not in Washington	Paid by an out of state POAC factor. Effective July 1, 2014 the rate is 59.3% for hospitals within the United States and 100% for out of country hospitals.
Washington excluded hospital: <ul style="list-style-type: none"> • Children’s hospital, • Health Maintenance Organizations (HMOs), • Military hospitals, • Veterans Administration, • State psychiatric facilities. 	Paid 100% of allowed charges.
Washington major teaching hospital: <ul style="list-style-type: none"> • Harborview Medical Center, • University of Washington Medical Center. or All other Washington hospitals	Paid on a per case basis for admissions falling within designated APR DRGs. For low volume APR DRGs, Washington hospitals are paid using the statewide per diem rates for these designated APR DRG categories: <ul style="list-style-type: none"> • Chemical dependency, • Psychiatric, • Rehabilitation, • Medical, • Surgical.

▶ **Hospital inpatient acute care rates**



Links: For information on how specific rates are determined see [WAC 296-23A](#).

The APR DRG Assignment List with APR DRG codes and descriptions and length of stay is in the fee schedules section, available at: <http://feeschedules.Lni.wa.gov>.

APR DRG base rates, effective July 1, 2014:

If the hospital is...	Then the base rate is:
Harborview Medical Center	\$11,232.76
University of Washington Medical Center	\$9,881.87
All other Washington hospitals	\$9,392.57

APR DRG per diem rates, effective July 1, 2014:

If the payment category is...	Then the rate is...	And the definition is:
Psychiatric APR DRG per diem	\$902.66 multiplied by the number of days allowed by L&I.	APR DRGs identified as Psych
Chemical dependency APR DRG per diem	\$745.10 multiplied by the number of days allowed by L&I.	APR DRGs identified as Chem Dep
Rehabilitation APR DRG per diem	\$1,557.20 multiplied by the number of days allowed by L&I.	APR DRGs identified as Rehab
Medical APR DRG per diem	\$2,142.19 multiplied by the number of days allowed by L&I.	APR DRGs identified as Medical
Surgical APR DRG per diem	\$4,198.21 multiplied by the number of days allowed by L&I.	APR DRGs identified as Surgical



Note: Payment won't exceed allowed billed charges.

Additional inpatient acute care hospital rates:

If the payment category is...	Then the rate is...	And the definition is:
Transfer-out cases	Unless the transferring hospital's charges qualify for low outlier status, the stay at this hospital is compared to the APR 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 APR DRG payment amount by the average length of stay for the APR 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 APR 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 (see note below table) of the stay is less than 10% of the statewide APR DRG rate or \$590.97 , whichever is greater.
High outlier cases (costs are greater than the threshold)	APR DRG payment rate plus 100% of costs in excess of the threshold.	Cases where the cost (see note below table) of the stay exceeds \$17,726.58 or 2 standard deviations above the statewide APR DRG rate, whichever is greater.



Notes: Costs are determined by multiplying the allowed billed charges by the hospital specific POAC factor.

Out of country hospitals will be paid at a POAC rate of 100%.



Payment policy: Outpatient hospitals

▶ Self-insured employer payment methods

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 methods

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:

- Outpatient Prospective Payment System (OPPS) using an Ambulatory Payment Classification (APC) system.



Link: For a description of L&I's OPPS system, see [WAC 296-23A](#) (Section 4), [WAC 296-23A-0220](#), and [WAC 296-23A-0700](#) through [WAC 296-23A-0780](#).

- An amount established through L&I's Professional Services Fee Schedule for items not covered by the APC system
- POAC for hospital outpatient services not paid by either the APC system or with an amount from the Professional Services Fee Schedule



Note: The following tables explain how the above payment methods are applied.



Note: When ER visits develop into inpatient stays, hospitals should bill all charges on an inpatient bill. Use the inpatient admit date as the first covered date.

How the above payment methods are applied:

If the hospital type or location is...	Then the payment method for hospital outpatient services is:
Hospital not in Washington State	Paid by an out of state POAC factor. Effective July 1, 2014 the rate is 59.3% for hospitals within the United States and 100% for out of country hospitals.
Washington excluded hospital: <ul style="list-style-type: none"> • Children’s hospitals, • Military hospitals (see “Note 1” below table), • Veterans Administration, • State psychiatric facilities. 	Paid 100% of allowed charges
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 (see “Note 2” below table) 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 (see “Note 1” below table).



Note 1: Military hospitals may bill HCPCS code **T1015** for all outpatient clinic services.



Note 2: Hospitals will be sent their individual POAC and APC rates each year.



Note 3: Out of country hospitals will be paid at a POAC rate of 100%.

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:	If the answer is...	Then the payment method is:
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 (see "Note 1" below table)
4. Is the service packaged?	No	Go to question 5
	Yes	Don't pay, but total the Costs for possible outlier consideration (see "Note 2" below table). 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 consideration (see "Note 2" below table). Go to question 7.

Question:	If the answer is...	Then the payment method is:
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? (See "Note 1" below table)	No	No outlier payment
	Yes	Pay outlier amount (see "Note 3" below table)



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



Note 2: Only services packaged or paid by APC are used to determine outlier payments.



Note 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.



Links: Additional information on the formulas used to establish individual hospital rates can be found in [WAC 296-23A-0720](http://wac.wa.gov/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 current federal register for a complete description of the policy.



Links: Related topics

If you're looking for more information about...	Then go here:
Administrative rules for hospital payment policies	Washington Administrative Code (WAC) 296-20: http://apps.leg.wa.gov/WAC/default.aspx?cite=296-20 WAC 296-21: http://apps.leg.wa.gov/WAC/default.aspx?cite=296-21 WAC 296-23: http://apps.leg.wa.gov/WAC/default.aspx?cite=296-23 WAC 296-23A: http://apps.leg.wa.gov/WAC/default.aspx?cite=296-23A WAC 296-30-090: http://apps.leg.wa.gov/WAC/default.aspx?cite=296-30-090
Administrative rules for the State Fund provider network and "Who may treat"	WAC 296-20-01010: http://apps.leg.wa.gov/WAC/default.aspx?cite=296-20-01010 WAC 296-20-015: http://apps.leg.wa.gov/wac/default.aspx?cite=296-20-015
Becoming an L&I provider	L&I's website: www.Lni.wa.gov/ClaimsIns/Providers/Becoming/
Billing instructions and forms	Chapter 2: Information for All Providers
Fee schedules for all healthcare facility services (including hospitals)	L&I's website: http://feeschedules.Lni.wa.gov

► **Need more help?** Call L&I's Provider Hotline at **1-800-848-0811**.