



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

HEALTH AFFAIRS

SEP 28 2010

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Fiscal Year 2011 Direct Care Inpatient Billing Rates

The attached document contains the updated Department of Defense Inpatient Billing Rates for Fiscal Year (FY) 2011. These rates are effective October 1, 2010. The TRICARE Management Activity (TMA) requests that this package be posted to the Comptroller's Web site, (www.defenselink.mil/comptroller/rates/fy2011.html) as FY 11 rates, Medical and Dental Services.

The rates are used when billing for medical services furnished to inpatients at Military Treatment Facilities. The Adjusted Standardization Amounts are based on an indexing methodology to changes in TRICARE institutional and professional service rates. The overall percent change from FY 10 to FY 11 is a 2.6 percent increase.

The point of contact for this issue is Ms. DeLisa Prater, TMA/Office of the Chief Financial Officer (Management Control & Financial Studies). She can be reached at (703) 681-6757, or at Delisa.Prater@tma.osd.mil.

A handwritten signature in black ink, appearing to read "G. Peach Taylor, Jr.", written in a cursive style.

George Peach Taylor, Jr., M.D.
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 2011
Direct Care Inpatient Adjusted Standardized Amounts
Rates and Guidance**

**1.0 Fiscal Year (FY) 2011 Direct Care Inpatient Adjusted Standard Amount (ASA)
Rates and Charges effective October 1, 2010**

Overview

The FY 2011 direct care inpatient ASA rates are computed based on the Military Health System direct care standardized cost to provide a single 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 are published annually as inpatient ASAs shown in Table 1. This approach maintains compatibility with both Medicare and TRICARE ASA policies. The ASA rates will be applied to the MS-RWP for each inpatient case, determined from the TRICARE MS-DRG weights, outlier thresholds, and payment rules to calculate the reimbursement charge. The Department of Defense (DoD) publishes these data annually for hospital reimbursement rates under TRICARE/Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) pursuant to 32 Code of Federal Regulations 199.14(a)(1). Due to data system limitations, for Military Treatment Facilities (MTFs), direct care adjustments are made for length of stay (LOS) outliers rather than high cost outliers.

Table 1 provides the average direct care inpatient ASA rates for third party billing, interagency billing and International Military Education and Training (IMET) billing for three core-based statistical areas (CBSA) (high area wage index, low area wage index, and overseas).

Table 1. Average FY 2011 Direct Care Inpatient ASA Rates

Wage Index	Average IMET Rate	Average Interagency Rate (IAR)	Average Full/Third Party Collection (TPC) Rate
Area Wage Index > 1.00	\$ 6,237.11	\$ 9,328.00	\$ 9,841.74
Area Wage Index ≤ 1.00	\$ 6,477.55	\$ 9,627.02	\$ 10,191.64
Overseas ^	\$ 6,297.81	\$ 13,336.34	\$ 14,002.88

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

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 1961. Funding is

appropriated from the International Affairs budget of the Department of State. Not all foreign national patients participate in the IMET program. The IAR ASA rates are used to bill other federal agencies. The full/TPC ASA rates are used to bill insurance carriers, pay patients, and other payers.

Each MTF providing inpatient care has its own applied ASA rates (shown in Appendix A). The MTF-specific ASA rates are the average ASA rates adjusted for indirect medical education costs, if any, for the discharging hospital. The product of the discharge specific MS-RWP and the MTF-applied ASA rate is the charge submitted on the claim and is the amount payers will use for reimbursement purposes. The individual ASAs are published on the TRICARE Management Activity Management Control & Financial Studies Web site for the Uniform Business Office (http://www.tricare.mil/ocfo/mcfs/ubo/mhs_rates.cfm). Examples of how to calculate the reimbursement charge are shown in Section 2.0.

The ASA per MS-RWP used in the direct care system is comparable to procedures used by the Centers for Medicare and Medicaid Services (CMS) and TRICARE. The expenses represented by the ASAs include all direct care expenses associated with direct inpatient care. The inpatient ASAs include the cost of both inpatient professional and institutional services. The ASA rates apply to reimbursement from TPC, IMET and IAR payers. Pursuant to the provisions of 10 United States Code (U.S.C.) 1095, the breakdown of total inpatient charges is 93 percent for institutional charges and 7 percent for professional charges. When preparing bills for inpatient services, professional fees are based on the privileged provider services. The hospital institutional fees are based on the costs 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 DoD beneficiary, can bill payers the percentage of the ASA/MS-RWP based charge that represents professional services. In the absence of a MTF-applied ASA rate for the facility, the ASA rate used will be based on the average for the type of CBSA in which the MTF is located—areas with wage rate indices greater than 1.0, less than or equal to 1.0, or overseas. The MTF Business Office must receive documentation of care provided in order to produce an appropriate bill.

1.1 Family Member Rate (FMR)

The FY 2011 FMR is \$16.85 per day. The FMR is established by authority of 10 U.S.C., Section 1078.

2.0 Examples Applying ASAs to Compute Inpatient Stay Charges

The cost to be recovered is the product of the MTF applied ASA rate and the MS-RWPs specific to the 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 greater than the short stay threshold, equal to or less than the long stay threshold. An outlier is any discharge with a LOS less than the short stay threshold or greater than the long stay threshold. Example charge computations are provided below for both inlier and outlier discharges. The full list of TRICARE MS-DRGs with MS-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	0.8404	4.3	3.6	1	16

Hospital	Wage Index	Area Wage Rate Index	IME Adjustment	Group ASA	MTF-Applied TPC ASA
Reynolds Army Community Hospital	Area Wage Index ≤ 1.0	0.8574	1.0	\$10,191.64	\$9,629.09

	Length of Stay	Days Above Threshold	Relative Weighted Product			TPC Amount
			Inlier	Outlier	Total	
#1	7 days	0	0.8404	0	0.8404	\$8,092.29
#2	21 days	5	0.8404	0.3852	1.2256	\$11,801.41

Example #1 provides an example of the charge for an inlier LOS discharge in MS-DRG 765. The MS-RWP for an inlier case is the CHAMPUS MS-DRG weight of 0.8404. The MS-DRG weight used in these examples is the FY 10 Version 27 TRICARE DRG weight. The charge is the product of the MS-RWPs and the MTF applied ASA rate.

- a) The FY 11 MTF-Applied TPC ASA rate is \$9,629.09 (Reynolds Army Community Hospital's TPC rate as shown in Appendix A).
- b) The MTF amount to be recovered is the MS-DRG weight (0.8404) multiplied by the MTF-Applied TPC ASA (\$9,629.09).
- c) The inlier cost to be recovered is \$8,092.29 as computed below.
 TPC Amount Billed: MTF-Applied TPC ASA rate multiplied by the MS-DRG weight.

$$= \$9,629.09 * 0.8404 = \$8,092.29$$

Example #2 provides the example of the charge for an 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 MTF applied ASA rate.

- 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 * (MS-DRG Weight/Geometric Mean LOS) * (Patient LOS - Long Stay Threshold)
 - = .33 * (0.8404/3.6) * (21-16)
 - = .33 * .23344 (carry out to five decimal places) * (21-16)
 - = 0.07704 (carry out to five decimal places) * 5
 - = 0.3852 (carry out to four decimal places)
- c) The total MS-RWP is the MS-DRG weight (0.8404) added to the LOS outlier MS-RWP value.

$$\text{Total MS-RWP: } 0.8404 + 0.3852 = 1.2256$$

- d) The MTF amount to be recovered is the MTF-Applied TPC ASA rate (\$9,629.09) multiplied by the total MS-RWP.

TPC Amount Billed: MTF-Applied TPC ASA rate * Total MS-RWP

= \$9,629.09 * 1.2256

= \$11,801.41

APPENDIX A: FY 2011 MTF Applied Adjusted Standardized Amount Rates

DMISID	MTF NAME	SERV	FULL COST RATE	INTER AGENCY RATE	IMET RATE	TPC RATE
0005	BASSETT ACH-FT. WAINWRIGHT	A	\$10,561.42	\$10,010.11	\$6,693.20	\$10,561.42
0006	3rd MED GRP-ELMENDORF	F	\$9,901.87	\$9,384.99	\$6,275.22	\$9,901.87
0014	60th MED GRP-TRAVIS	F	\$12,136.24	\$11,502.73	\$7,691.23	\$12,136.24
0024	NH CAMP PENDLETON	N	\$11,504.57	\$10,904.03	\$7,290.92	\$11,504.57
0028	NH LEMOORE	N	\$9,841.74	\$9,328.00	\$6,237.11	\$9,841.74
0029	NMC SAN DIEGO	N	\$15,180.94	\$14,388.49	\$9,620.78	\$15,180.94
0030	NH TWENTYNINE PALMS	N	\$10,014.56	\$9,491.80	\$6,346.64	\$10,014.56
0032	EVANS ACH-FT. CARSON	A	\$10,033.87	\$9,477.99	\$6,377.28	\$10,033.87
0037	WALTER REED AMC-WASHINGTON DC	A	\$17,002.07	\$16,114.56	\$10,774.91	\$17,002.07
0038	NH PENSACOLA	N	\$11,920.42	\$11,260.03	\$7,576.32	\$11,920.42
0039	NH JACKSONVILLE	N	\$13,183.97	\$12,453.58	\$8,379.40	\$13,183.97
0042	96th MED GRP-EGLIN	F	\$12,337.42	\$11,653.93	\$7,841.36	\$12,337.42
0047	EISENHOWER AMC-FT. GORDON	A	\$12,760.83	\$12,053.88	\$8,110.47	\$12,760.83
0048	MARTIN ACH-FT. BENNING	A	\$11,322.57	\$10,695.30	\$7,196.34	\$11,322.57
0049	WINN ACH-FT. STEWART	A	\$9,416.12	\$8,894.47	\$5,984.65	\$9,416.12
0052	TRIPLER AMC-FT SHAFTER	A	\$14,777.57	\$14,006.18	\$9,365.15	\$14,777.57
0053	366th MED GRP-MOUNTAIN HOME	F	\$10,090.64	\$9,531.62	\$6,413.36	\$10,090.64
0057	IRWIN ACH-FT. RILEY	A	\$9,391.48	\$8,871.19	\$5,968.99	\$9,391.48
0060	BLANCHFIELD ACH-FT. CAMPBELL	A	\$9,185.94	\$8,677.04	\$5,838.35	\$9,185.94
0061	IRELAND ACH-FT. KNOX	A	\$9,596.17	\$9,064.54	\$6,099.09	\$9,596.17
0064	BAYNE-JONES ACH-FT. POLK	A	\$9,523.59	\$8,995.98	\$6,052.96	\$9,523.59
0066	779th MED GRP-ANDREWS	F	\$9,891.26	\$9,374.94	\$6,268.49	\$9,891.26
0067	NNMC BETHESDA	N	\$13,080.74	\$12,397.93	\$8,289.80	\$13,080.74
0073	81st MED GRP-KEESLER	F	\$11,525.75	\$10,887.22	\$7,325.48	\$11,525.75
0075	L. WOOD ACH-FT. LEONARD WOOD	A	\$9,617.07	\$9,084.28	\$6,112.37	\$9,617.07
0079	99th MED GRP-O'CALLAGHAN HOSP	F	\$9,848.28	\$9,334.20	\$6,241.26	\$9,848.28
0086	KELLER ACH-WEST POINT	A	\$10,817.58	\$10,252.90	\$6,855.54	\$10,817.58
0089	WOMACK AMC-FT. BRAGG	A	\$11,192.55	\$10,572.48	\$7,113.71	\$11,192.55
0091	NH CAMP LEJEUNE	N	\$10,346.52	\$9,773.32	\$6,575.99	\$10,346.52
0095	88th MED GRP-WRIGHT-PATTERSON	F	\$14,514.10	\$13,710.02	\$9,224.80	\$14,514.10
0098	REYNOLDS ACH-FT. SILL	A	\$9,629.09	\$9,095.64	\$6,120.01	\$9,629.09
0104	NH BEAUFORT	N	\$9,936.13	\$9,385.67	\$6,315.16	\$9,936.13
0105	MONCRIEF ACH-FT. JACKSON	A	\$9,766.87	\$9,225.79	\$6,207.58	\$9,766.87
0108	WILLIAM BEAUMONT AMC-FT. BLISS	A	\$12,316.16	\$11,633.84	\$7,827.84	\$12,316.16
0109	BROOKE AMC-FT. SAM HOUSTON	A	\$14,631.29	\$13,820.72	\$9,299.28	\$14,631.29
0110	DARNALL AMC-FT. HOOD	A	\$10,667.44	\$10,076.46	\$6,779.96	\$10,667.44
0117	59th MED WING-LACKLAND	F	\$16,530.06	\$15,614.29	\$10,506.09	\$16,530.06
0120	1st MED GRP-LANGLEY	F	\$10,131.17	\$9,569.90	\$6,439.12	\$10,131.17
0123	DEWITT ACH-FT. BELVOIR	A	\$12,061.80	\$11,432.17	\$7,644.05	\$12,061.80
0124	NMC PORTSMOUTH	N	\$13,257.88	\$12,523.39	\$8,426.38	\$13,257.88
0125	MADIGAN AMC-FT. LEWIS	A	\$14,890.73	\$14,113.43	\$9,436.86	\$14,890.73
0126	NH BREMERTON	N	\$11,690.56	\$11,080.31	\$7,408.78	\$11,690.56
0127	NH OAK HARBOR	N	\$9,866.49	\$9,351.46	\$6,252.80	\$9,866.49
0131	WEED ACH-FT. IRWIN	A	\$10,001.03	\$9,478.98	\$6,338.06	\$10,001.03

DMISID	MTF NAME	SERV	FULL COST RATE	INTER AGENCY RATE	IMET RATE	TPC RATE
0607	LANDSTUHL REGIONAL MEDCEN	A	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0611	VICENZA MEDICAL SERVICES CNTR	A	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0612	BRIAN ALLGOOD ACH-SEOUL	A	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0615	NH GUANTANAMO BAY	N	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0617	NH NAPLES	N	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0618	NH ROTA	N	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0620	NH GUAM-AGANA	N	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0621	NH OKINAWA	N	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0622	NH YOKOSUKA	N	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0624	NH SIGONELLA	N	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0633	48th MED GRP-LAKENHEATH	F	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0638	51st MED GRP-OSAN AB	F	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0639	35th MED GRP-MISAWA	F	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0640	374th MED GRP-YOKOTA AB	F	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88
0808	31st MED GRP-AVIANO	F	\$14,002.88	\$13,336.34	\$6,297.81	\$14,002.88

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