



THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

OCT 9 2006

HEALTH AFFAIRS

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Fiscal Year 2007 Direct Inpatient Billing Rates

The attached document contains the updated Department of Defense inpatient reimbursement rates for Fiscal Year 2007. These reimbursement rates will be effective October 1, 2006.

The TRICARE Management Activity (TMA) requests this information to be posted on the Comptroller Web site (www.dod.mil/comptroller/rates/index.html) as Fiscal Year 2007 rates, Medical and Dental Services.

The rates are used when billing for medical services provided to inpatients at DoD military treatment facilities.

My point of contact for this issue is Lt Col Jeanne Yoder, TMA/OCFO (MC&FS). She can be reached by telephone at (703) 681-3492, extension 4068, or by e-mail at jeanne.yoder@tma.osd.mil.

A handwritten signature in black ink that reads "William Winkenwerder, Jr." with a stylized flourish at the end.

William Winkenwerder, Jr., MD

Attachment:
As stated

**Fiscal Year 2007 Inpatient Billing
Rates and Guidance**

1.0. Fiscal Year (FY) 2007 Inpatient Charges Effective 1 October 2006. ^{1/2}

Average FY07 Direct Care Inpatient Reimbursement Rates

<u>Adjusted Standard Amount</u>	<u>Average IMET</u>	<u>Average Interagency</u>	<u>Average Other (Full/Third Party)</u>
Area Wage Index > 1.00	\$5,251.61	\$8,618.08	\$9,081.76
Area Wage Index ≤ 1.00	\$5,780.09	\$8,763.82	\$9,265.67
Overseas*	\$4,943.88	\$11,676.98	\$12,295.16

Overview

The FY07 inpatient rates are based on the direct care standardized cost per Relative Weighted Product (RWP). The RWP is a Diagnosis Related Group (DRG) based measure of the relative costliness of a given discharge. The average standardized cost per RWP for hospitals in locations with area wage rates greater than 1.0, less than or equal to 1.0, and overseas will be published annually as an inpatient Adjusted Standardized Amount (ASA). This approach maintains compatibility with both Medicare and TRICARE ASA policies. The ASA will be applied to the RWP for each inpatient case, determined from the TRICARE DRG weights, outlier thresholds, and payment rules published annually for hospital reimbursement rates under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) pursuant to 32 CFR 199.14(a)(1). Note that due to data system limitations, for military hospitals adjustments are made for length of stay (LOS) outliers rather than high cost outliers. Each MTF providing inpatient care has its own applied ASA rate. The MTF-specific ASA rate is the published ASA rate adjusted for area wage differences and indirect medical education (IDME) costs, if any, for the discharging hospital (see Appendix B). The MTF-specific ASA-based amount submitted on the claim is the amount payers will use for reimbursement purposes. The individual ASAs are published on the TRICARE Management Activity (TMA) Resource Management website for the Uniform Business Office (www.tricare.osd.mil). An example of how to use a military hospital's applied ASA rate for a discharge in a specific DRG to arrive at the costs to be recovered through reimbursement is shown below

* For billing purposes, "overseas" is defined as defined as MTFs outside Continental United States; Hawaii and Alaska are considered CONUS.

1.1. Family Member Rate: \$14.80

Example of Adjusted Standardized Amounts for Inpatient Stays

Figure 1 shows examples for a non-teaching hospital (Reynolds Army Community Hospital, Fort Sill, Oklahoma) in an Area Wage Index ≤ 1.00 location.

a. The cost to be recovered is the appropriate ASA rate adjusted to the military treatment facility’s location and teaching status as well as specific inpatient medical services provided. Billing in this example will be at the third party rate.

b. Example case: Discharge in DRG 020 – Nervous System Infection Except Viral Meningitis. The RWP for a non-outlier case is the CHAMPUS DRG weight of 2.2876.

c. The FY07 MTF-Applied ASA rate is \$8,747.39 (Reynolds Army Community Hospital’s third party rate as shown in Appendix B).

d. The MTF amount to be recovered is the RWP factor (2.2876) in subparagraph b., above, multiplied by the applied ASA (\$8,747.39) in subparagraph c., above.

e. Cost to be recovered is \$20,010.53.

Figure 1. Third Party Billing Examples

DRG Number	DRG Description	DRG* Weight	Arithmetic Mean LOS	Geometric Mean LOS	Short Stay Thres hold	Long Stay Threshold
020	Nervous System Infection Except Viral Meningitis	2.2876	7.3	5.2	1	29

Hospital	Location	Area Wage Rate Index	IME Adjustment	Group ASA	MTF-Applied ASA
Reynolds Army Community Hospital	Low Wage Index Area	0.8116	1.0	\$9,265.67	\$8,747.39

Patient	Length of Stay	Days Above Threshold	Relative Weighted Product			TPC Amount***
			Inlier*	Outlier**	Total	
#1	7 days	0	2.2876	0	2.2876	\$20,010.53
#2	21 days	0	2.2876	0	2.2876	\$20,010.53
#3	35 days	6	2.2876	0.8710	3.1586	\$27,629.51

* DRG Weight (FY06 Version 23 TRICARE weight used for this example; FY07 Version 24 weights not yet available.)

** Outlier calculation = 33 percent of per diem weight × number of outlier days
= 0.33 (DRG Weight/Geometric Mean LOS) × (Patient LOS - Long Stay Threshold)
= 0.33 (2.2876/5.2) × (35-29)
= 0.33 (0.43992) × 6 (round to five decimal places)
= 0.14517 × 6 (round to five decimal places)
= 0.8710 (round to four decimal places)

*** MTF-Applied ASA × Total RWP

2.0. Reference Notes Regarding the CY 2006/FY 2007 Medical and Dental Reimbursement Rate Package

¹ The inpatient full reimbursement rate per hospital discharge is based on the cost per DRG, weighted to reflect the intensity of the principal and secondary diagnoses, surgical procedures, and patient demographics. The ASA per RWP for use in the direct care system is comparable to procedures used by the Centers for Medicare and Medicaid Services (CMS) and CHAMPUS. The expenses represented by the ASAs include all direct care expenses associated with direct inpatient care. The average cost per RWP for hospitals with area wage rates greater than 1.0, less than or equal to 1.0, and overseas facilities will be updated and published annually as an inpatient Adjusted Standardized Amount (ASA) and will include the cost of inpatient professional services as well as institutional costs. The DRG rates will apply to reimbursement from all sources, not just third party payers.

MTFs without inpatient services whose providers are performing inpatient care in a civilian facility for a DoD beneficiary can bill payers the percentage of the charge that represents professional services. The ASA rate used in these cases, based on the absence of an ASA rate for the facility, will be based on the average ASA rate for the type of metropolitan statistical area 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 UBO must receive documentation of care provided in order to produce an appropriate bill.

² Percentages can be applied when preparing bills for inpatient services. Pursuant to the provisions of 10 U.S.C. 1095, the inpatient DRG percentages are 93% hospital and 7% professional charges. When preparing bills for inpatient services, professional fees (7%) are based on the privileged provider services. The hospital fees (93%) are based on the charges for support staff, facility costs, ancillary services, pharmacy, and supplies.

APPENDIX A: FY 2007 Adjusted Standardized Amounts (ASA) by Military Treatment Facility

DMISID	MTF NAME	SERV	FULL COST RATE	INTERAGENCY RATE	IMET RATE	TPC RATE
0005	Bassett ACH - Ft. Wainwright	A	\$9,529.82	\$9,043.27	\$5,510.71	\$9,529.82
0006	3rd Med Grp - Elmendorf AFB	F	\$9,140.57	\$8,673.88	\$5,285.62	\$9,140.57
0014	60th Med Grp - Travis AFB	F	\$14,081.78	\$13,362.81	\$8,142.91	\$14,081.78
0024	NH Camp Pendleton	N	\$10,778.44	\$10,228.14	\$6,232.73	\$10,778.44
0028	NH Lemoore	N	\$9,083.46	\$8,619.69	\$5,252.59	\$9,083.46
0029	NMC San Diego	N	\$13,249.37	\$12,572.91	\$7,661.57	\$13,249.37
0030	NH Twentynine Palms	N	\$9,170.63	\$8,702.41	\$5,303.00	\$9,170.63
0032	Evans ACH - Ft. Carson	A	\$9,117.77	\$8,623.93	\$5,687.83	\$9,117.77
0033	10th Med Grp - USAF Academy	F	\$9,246.92	\$8,746.08	\$5,768.39	\$9,246.92
0037	Walter Reed AMC - Washington DC	A	\$14,558.61	\$13,815.31	\$8,418.65	\$14,558.61
0038	NH Pensacola	N	\$10,642.03	\$10,065.63	\$6,638.69	\$10,642.03
0039	NH Jacksonville	N	\$11,486.36	\$10,864.23	\$7,165.39	\$11,486.36
0042	96th Med Grp - Eglin AFB	F	\$10,851.92	\$10,264.15	\$6,769.62	\$10,851.92
0047	Eisenhower AMC - Ft. Gordon	A	\$11,285.35	\$10,674.11	\$7,040.00	\$11,285.35
0048	Martin ACH - Ft. Benning	A	\$9,851.43	\$9,317.86	\$6,145.50	\$9,851.43
0049	Winn ACH - Ft. Stewart	A	\$8,952.59	\$8,467.70	\$5,584.79	\$8,952.59
0052	Tripler AMC - Ft. Shafter	A	\$12,644.56	\$11,998.98	\$7,311.83	\$12,644.56
0053	366th Med Grp - Mountain Home AFB	F	\$9,224.81	\$8,725.18	\$5,754.60	\$9,224.81
0056	NH Great Lakes	N	\$9,129.08	\$8,662.98	\$5,278.97	\$9,129.08
0057	Irwin ACH - Ft. Riley	A	\$8,724.26	\$8,251.74	\$5,442.35	\$8,724.26
0060	Blanchfield ACH - Ft. Campbell	A	\$8,591.19	\$8,125.88	\$5,359.34	\$8,591.19
0061	Ireland ACH - Ft. Knox	A	\$9,000.33	\$8,512.85	\$5,614.57	\$9,000.33
0064	Bayne-Jones ACH - Ft. Polk	A	\$8,743.30	\$8,269.74	\$5,454.22	\$8,743.30
0066	89th Med Grp - Andrews AFB	F	\$12,728.67	\$12,078.79	\$7,360.47	\$12,728.67
0067	NNMC Bethesda	N	\$12,727.04	\$12,077.25	\$7,359.53	\$12,727.04
0073	81st Med Grp - Keesler AFB*	F	\$9,212.95	\$8,713.96	\$5,747.20	\$9,212.95
0075	Wood ACH - Ft. Leonard Wood	A	\$8,770.68	\$8,295.64	\$5,471.31	\$8,770.68
0079	99th Med Grp - Nellis AFB	F	\$9,107.52	\$8,642.52	\$5,266.51	\$9,107.52
0086	Keller ACH - West Point	A	\$9,726.40	\$9,229.81	\$5,624.38	\$9,726.40
0089	Womack AMC - Ft. Bragg	A	\$10,228.67	\$9,674.67	\$6,380.83	\$10,228.67
0091	NH Camp LeJeune	N	\$9,894.78	\$9,358.85	\$6,172.54	\$9,894.78
0092	NH Cherry Point	N	\$9,089.01	\$8,596.72	\$5,669.88	\$9,089.01
0095	74th Med Grp - Wright-Patterson AFB	F	\$14,554.11	\$13,765.83	\$9,079.11	\$14,554.11
0098	Reynolds ACH - Ft. Sill	A	\$8,747.39	\$8,273.61	\$5,456.78	\$8,747.39
0104	NH Beaufort	N	\$9,102.05	\$8,609.06	\$5,678.02	\$9,102.05
0105	Moncrief ACH - Ft. Jackson	A	\$8,885.04	\$8,403.80	\$5,542.64	\$8,885.04
0108	Wm Beaumont AMC - Ft. Bliss	A	\$10,911.32	\$10,320.34	\$6,806.68	\$10,911.32
0109	Brooke AMC - Ft. Sam Houston	A	\$12,801.23	\$12,107.88	\$7,985.63	\$12,801.23
0110	Idarnall ACH - Ft. Hood	A	\$9,796.00	\$9,265.42	\$6,110.92	\$9,796.00
0117	59th Med Wing - Lackland AFB	F	\$14,200.27	\$13,431.15	\$8,858.38	\$14,200.27
0120	1st Med Grp - Langley AFB	F	\$9,192.99	\$8,695.07	\$5,734.75	\$9,192.99

DMISID	MTF NAME	SERV	FULL COST RATE	INTERAGENCY RATE	IMET RATE	TPC RATE
0123	Dewitt ACH - Ft. Belvoir	A	\$11,348.46	\$10,769.05	\$6,562.35	\$11,348.46
0124	NMC Portsmouth	N	\$11,774.07	\$11,136.36	\$7,344.88	\$11,774.07
0125	Madigan AMC - Ft. Lewis	A	\$13,414.97	\$12,730.05	\$7,757.33	\$13,414.97
0126	NH Bremerton	N	\$10,902.80	\$10,346.15	\$6,304.64	\$10,902.80
0127	NH Oak Harbor	N	\$9,264.55	\$8,791.54	\$5,357.31	\$9,264.55
0131	Weed ACH - Ft. Irwin	A	\$9,182.74	\$8,713.91	\$5,310.00	\$9,182.74
0606	95th CSH - Heidelberg	A	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0607	Landstuhl Rgn MC	A	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0609	67th CSH - Wurzburg	A	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0612	121st Gen Hosp - Seoul	A	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0615	NH Guantanamo Bay	N	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0617	NH Naples	N	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0618	NH Rota	N	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0620	NH Guam	N	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0621	NH Okinawa	N	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0622	NH Yokosuka	N	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0624	NH Sigonella	N	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0633	48th Med Grp - RAF Lakenheath	F	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0638	51st Med Grp - Osan AB	F	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0639	35th Med Grp - Misawa	F	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0640	374th Med Grp - Yokota AB	F	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0805	52nd Med Grp - Spangdahlem	F	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16
0808	31st Med Grp - Aviano	F	\$12,259.16	\$11,676.98	\$4,943.88	\$12,259.16

* ASA for Keesler AFB does not include GME costs for FY07