HEALTH AFFAIRS

THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON WASHINGTON, DC 20301-1200

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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Fiscal Year 2008 Direct Care Inpatient Billing Rates

The attached document contains the updated Department of Defense inpatient rates for Fiscal Year (FY) 2008. These rates are effective October 1, 2007.

The TRICARE Management Activity (TMA) requests that this package be posted to the Comptroller's website, (www.defenselink.mil/comptroller/rates/fy2008.html) as Fiscal Year 2008 rates, Medical and Dental Services.

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

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Attachment: As stated

Fiscal Year 2008 Inpatient Billing Rates and Guidance

1.0. Fiscal Year (FY) 2008 Inpatient Charges Effective 1 October 2007.

Average FY08 Direct Care Inpatient Billing Rates 2

Adjusted Standard Amount (ASA)	Average International Military Education & Training (IMET ³)	Average Interagency (IAR ⁴)	Average Other (Full/Third Party)
Area Wage Index > 1.00	\$5,880.69	\$ 9,733.12	\$10,265.93
Area Wage Index ≤ 1.00	\$6,979.29	\$10,423.72	\$11,015.44
Overseas*	\$5,356.95	\$12,373.47	\$12,992.48

Overview

The FY08 inpatient rates are based on the direct care standardized cost per Relative Weighted Product (RWP). The RWP is a TRICARE 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 is 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 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 Military Treatment Facility (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 (IME) costs, if any, for the discharging hospital (see Appendix A). 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 (http://www.tricare.osd.mil). An example of how to use an MTF's applied ASA rate for a discharge in a specific DRG to arrive at the costs to be recovered through reimbursement is shown below in section 3.0.

^{*} For billing purposes, "Overseas" is defined as MTFs outside the Continental United States, Hawaii and Alaska are considered OCONUS.

1.1. Family Member Rate: \$15.15 per day

2.0. Reference Notes Regarding the FY 2008 Inpatient Billing Rate Package

- ¹ The inpatient full billing rate per hospital discharge is based on the cost per DRG. DRG weights reflect the intensity of hospital services provided to patients based on principal and secondary diagnoses, surgical procedures, and patient demographics. The ASA per RWP for use in the direct care system is comparable to calculations 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 is updated and published annually as an inpatient Adjusted Standardized Amount (ASA). Unlike CMS, the ASA includes the cost of inpatient professional services as well as institutional costs. The DRG rates apply to reimbursement from all sources, not just third party payers.
- ² 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 rate that represents professional services. Pursuant to the provisions of 10 U.S.C. 1095, the inpatient DRG hospital institutional and professional percentages are based on actual costs. When preparing bills for inpatient services, professional fees are 7% of the total ASA. The hospital institutional fees (93%) are based on the charges for support staff, facility costs, ancillary services, pharmacy, and supplies. In the absence of an ASA rate for the non-bedded facility, bills for professional services will use 7% of 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 MTF Uniform Business Office (UBO) must have documentation of care prior to producing the bill.
- ³ International Military Education & Training (IMET) rate used to bill the Department of State for individuals participating in the IMET program. Funded though the foreign aid appropriations process, IMET is overseen by the State Department and implemented by the Defense Department. Not all foreign national patients participate in the IMET program.

⁴ Interagency Rate (IAR) rate used to bill other federal agencies.

3.0 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 MTF's location and teaching status as well as specific inpatient medical services provided. Billing in this example will be at the third party collection (TPC) rate.
- b) Example case: Discharge in DRG 126 Acute and Subacute Endocarditis. The RWP for a non-outlier case is the CHAMPUS DRG weight of 2.2968.
- c) The FY08 MTF-applied ASA rate is \$10,447.37 (Reynolds Army Community Hospital's TPC rate as shown in Appendix A).
- d) The MTF amount to be recovered is the RWP factor (2.2968) in subparagraph b., above, multiplied by the applied ASA (\$10,447.37) in subparagraph c., above.
- e) Cost to be recovered is \$23,995.52.

Figure 1. Third Party Billing Examples

DRG	DRG Description	DRG*	Arithmetic	Geometric	Short Stay	Long Stay
Number		Weight	Mean LOS	Mean LOS	Threshold	Threshold
126	Acute & Subacute Endocarditis	2.2968	7.9	5.9	1	29

Hospital	Location	Area Wage Rate Index	IME Adjustment	Group ASA	MTF-Applied ASA
Reynolds Army Community Hospital	Low Wage Index Area	0.8045	1.0	\$11,015.44	\$10,447.37

		Days	Relati	ve Weighted			
Patient	Length of Stay	Above Threshold	Inlier**	Outlier***	Total	TPC Amount****	
#1	7 days	0	2.2968	0	2.2968	\$23,995.52	
#2	21 days	0	2.2968	0	2.2968	\$23,995.52	
#3	35 days	6	2.2968	0.7708	3.0676	\$32,048.35	

- * DRG Weight (FY07 Version 24 TRICARE weight used for this example; FY08 Version 25 weights not yet available.)
- ** Inlier = hospitalization stay is within established threshold.
- *** Outlier = hospitalization stay exceeds Long Stay threshold. The hospitalization stay in the example for patient # 3 in Figure 1 (35 days) exceeds the Long Stay threshold (29 days) established for DRG 126; therefore an "Outlier" calculation is performed and added to the total RWP; that new RWP is then multiplied by the MTF Applied ASA amount. The outlier calculation for patient #3 is shown below.

Per diem weight = DRG weight/Geometric mean length of stay (LOS)

Number of Outlier days = Patient LOS - Long Stay Threshold

Outlier calculation = (33 percent of per diem weight) x (number of outlier days);

= .33 (DRG Weight/Geometric Mean LOS) x (Patient LOS - Long Stay Threshold):

- $= .33 \times (2.2968/5.9) (35-29);$
- = $.33 \times .38929$ (carry to five decimal places) x (35-29);
- = .12847 (carry to five decimal places) x 6;
- = .7708 (carry to four decimal places) Total RWP = 3.0676 (2.2968 + 0.7708);

**** TPC Amount = MTF-Applied ASA x Total RWP (\$10,447.37 x 3.0676) = \$32,048.35

APPENDIX A: FY 2008 Adjusted Standardized Amounts (ASA) by Military Treatment Facility

DMIS ID	MTF Name	Service	Full Cost Rate	Interagency Rate	IMET Rate	TPC Rate
0005	Bassett ACH - Ft. Wainwright	Α	\$10,842.46	\$10,279.72	\$6,210.94	\$10,842.46
0006	3rd Med Grp - Elmendorf AFB	F	\$10,314.96	\$9,779.61	\$5,908.78	\$10,314.96
0014	60th Med Grp - Travis AFB	F	\$15,060.95	\$14,279.28	\$8,627.45	\$15,060.95
0024	NH Camp Pendleton	N	\$11,990.56	\$11,368.24	\$6,868.62	\$11,990.56
0028	NH Lemoore	N	\$10,261.63	\$9,729.04	\$5,878.23	\$10,261.63
0029	NMC San Diego	N	\$14,777.66	\$14,010.69	\$8,465.17	\$14,777.66
0030	NH Twentynine Palms	N	\$10,350.11	\$9,812.93	\$5,928.91	\$10,350.11
0032	Evans ACH - Ft. Carson	Α	\$10,729.94	\$10,153.56	\$6,798.40	\$10,729.94
0033	10th Med Grp - USAF Academy	F	\$10,981.88	\$10,391.96	\$6,958.03	\$10,981.88
0037	Walter Reed AMC - Washington DC	Α	\$15,817.98	\$14,997.02	\$9,061.10	\$15,817.98
0038	NH Pensacola	N	\$12,980.55	\$12,283.27	\$8,224.36	\$12,980.55
0039	NH Jacksonville	N	\$13,418.08	\$12,697.30	\$8,501.59	\$13,418.08
0042	96th Med Grp - Eglin AFB	F	\$13,077.56	\$12,375.06	\$8,285.83	\$13,077.56
0047	Eisenhower AMC - Ft. Gordon	Α	\$13,672.15	\$12,937.72	\$8,662.56	\$13,672.15
0048	Martin ACH - Ft. Benning	Α	\$12,129.89	\$11,478.30	\$7,685.39	\$12,129.89
0049	Winn ACH - Ft. Stewart	Α	\$10,541.48	\$9,975.22	\$6,678.99	\$10,541.48
0052	Tripler AMC - Ft. Shafter	Α	\$15,093.94	\$14,310.55	\$8,646.35	\$15,093.94
0053	366th Med Grp - Mountain Home AFB	F	\$10,951.44	\$10,363.16	\$6,938.74	\$10,951.44
0056	NH Great Lakes	N	\$10,289.56	\$9,755.53	\$5,894.23	\$10,289.56
0057	Irwin ACH - Ft. Riley	Α	\$10,290.30	\$9,737.53	\$6,519.84	\$10,290.30
0060	Blanchfield ACH - Ft. Campbell	Α	\$10,051.88	\$9,511.92	\$6,368.79	\$10,051.88
0061	Ireland ACH - Ft. Knox	Α	\$10,645.61	\$10,073.76	\$6,744.97	\$10,645.61
0064	Bayne-Jones ACH - Ft. Polk	Α	\$10,251.45	\$9,700.77	\$6,495.23	\$10,251.45
0066	89th Med Grp - Andrews AFB	F	\$14,536.00	\$13,781.57	\$8,326.74	\$14,536.00
0067	NNMC Bethesda	N	\$13,896.49	\$13,175.25	\$7,960.40	\$13,896.49
0073	80th Med Grp - Keesler AFB	F	\$10,947.16	\$10,359.11	\$6,936.03	\$10,947.16
0075	Wood ACH - Ft. Leonard Wood	Α	\$10,364.28	\$9,807.54	\$6,566.72	\$10,364.28
0079	99th Med Grp - Nellis AFB	F	\$10,282.26	\$9,748.60	\$5,890.04	\$10,282.26
0086	Keller ACH - West Point	Α	\$11,004.81	\$10,433.65	\$6,303.95	\$11,004.81
0089	Womack AMC - Ft. Bragg	Α	\$12,589.55	\$11,913.28	\$7,976.63	\$12,589.55
0091	NH Camp LeJeune	N	\$11,420.13	\$10,806.67	\$7,235.70	\$11,420.13
0092	NH Cherry Point	N	\$10,799.86	\$10,219.72	\$6,842.70	\$10,799.86
0095	74th Med Grp - Wright-Patterson AFB	F	\$16,296.98	\$15,421.55	\$10,325.63	\$16,296.98
0098	Reynolds ACH - Ft. Sill	Α	\$10,447.37	\$9,886.17	\$6,619.37	\$10,447.37
0104	NH Beaufort	N	\$10,775.30	\$10,196.48	\$6,827.14	\$10,775.30
0105	Moncrief ACH - Ft. Jackson	Α	\$10,682.37	\$10,108.54	\$6,768.26	\$10,682.37
0108	Wm Beaumont AMC - Ft. Bliss	Α	\$13,136.98	\$12,431.30	\$8,323.48	\$13,136.98
0109	Brooke AMC - Ft. Sam Houston	Α	\$14,903.45	\$14,102.88	\$9,442.70	\$14,903.45
0110	Darnall AMC - Ft. Hood	Α	\$11,380.85	\$10,769.50	\$7,210.81	\$11,380.85
0117	59th Med Wing - Lackland AFB	F	\$16,862.40	\$15,956.59	\$10,683.87	\$16,862.40
0120	1st Med Grp - Langley AFB	F	\$10,931.76	\$10,344.54	\$6,926.27	\$10,931.76
0121	McDonald ACH - Ft. Eustis	Α	\$10,425.18	\$9,865.17	\$6,605.31	\$10,425.18
0123	Dewitt ACH - Ft. Belvoir	Α	\$12,980.29	\$12,306.60	\$7,435.57	\$12,980.29

0124	NMC Portsmouth	N	\$13,753.79	\$13,014.98	\$8,714.29	\$13,753.79
0125	Madigan AMC - Ft. Lewis	Α	\$15,400.24	\$14,600.95	\$8,821.80	\$15,400.24
0126	NH Bremerton	N	\$12,029.11	\$11,404.79	\$6,890.70	\$12,029.11
0127	NH Oak Harbor	N	\$10,493.82	\$9,949.19	\$6,011.24	\$10,493.82
0131	Weed ACH - Ft. Irwin	Α	\$10,565.88	\$10,017.51	\$6,052.51	\$10,565.88
0606	95th CSH - Heidelberg	Α	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0607	Landstuhl Regional Medical Center	Α	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0609	67th CSH - Wurzburg	Α	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0612	121st General Hosp - Seoul	Α	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0615	NH Guantanamo Bay	N	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0617	NH Naples	N	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0618	NH Rota	N	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0620	NH Guam	N	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0621	NH Okinawa	N	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0622	NH Yokosuka	N	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0624	NH Sigonella	N	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0633	48th Med Grp - RAF Lakenheath	F	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0638	51st Med Grp - Osan AB	F	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0639	35th Med Grp – Misawa AB	F	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0640	374th Med Grp - Yokota AB	F	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0805	52nd Med Grp - Spangdahlem	F	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48
0808	31st Med Grp - Aviano	F	\$12,992.48	\$12,373.47	\$5,356.95	\$12,992.48

Acronyms used above:

A - Army

AB - Air Base

ACH - Army Community Hospital

AFB - Air Force Base

AMC - Army Medical Center

CSH - Combat Support Hospital

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