

METHOD FOR REIMBURSING INPATIENT HOSPITAL SERVICES

1. Hospitals paid using Prospective Payment System (PPS).
 - a. In-state hospital service reimbursement paid to all hospitals and distinct part units, except those hospitals and distinct part units specifically identified in Section 2, will be made on the basis of a Prospective Payment System (PPS). The system generally follows the Medicare PPS in terms of the application of the system. PPS uses diagnostic related groups (DRG) to pay for services upon discharge. Medical education costs are excluded from the PPS.
 - b. The base year used for the calculation of the base rate is the years ending December 31, 2019 and December 31, 2020. The base year used for the calculation of the capital rate is the year ending June 30, 2007. The base rate established for hospitals paid by PPS is effective July 1, 2022. The capital rate established for hospitals paid by PPS is effective July 1, 2009. The base rate and capital rate shall be increased by two percent effective July 1, 2024.
 - c. Vacated.
 - d. Effective July 1, 2022 the DRG classification and grouper system is the All Patient Refined Diagnosis Related Grouper version 39.
 - e. Vacated
 - f. Vacated.
 - g. A capital payment will be included in the PPS payment for all discharges. Capital payments may not be paid to a transferring hospital.
 - h. Outlier Payments.
 - (1) A cost outlier payment is made when costs exceed a threshold of two times the DRG rate or \$60,000, whichever is greater. Costs above the threshold will be paid at 60 percent of billed charges.
 - (2) For DRG's 580-640 relating to neonates the cost outlier thresholds are the greater of 1.5 times the DRG rate or \$57,000. Costs above the threshold will be paid at 80 percent of billed charges.
 - i. Effective for discharges on or after October 1, 2024, long-acting reversible contraceptive (LARC) devices are excluded from the DRG reimbursement. LARCs will be reimbursed as outlined in Attachment 4.19-B #34.11 Prescribed Drugs, Physician Administered Drugs.