METHODS AND STANDARDS OF ESTABLISHING PAYMENT RATES - OTHER MEDICAL CARE (Continued)

2. a. 2. Outpatient Hospital and Ambulatory Surgical Center Services (Continued)

The percentages listed above are considered the base rates for DVHA's OPPS. DVHA maintains a global policy of reimbursing the lesser of total claim billed charges and total estimated APC payments.

Effective with dates of service on or after July 1, 2016, the DVHA will no longer pay separately for outpatient hospital services billed using revenue codes 510-519 (clinic services).

Since DVHA uses peer groups that distinguish in-state critical access hospitals (CAHs) from other hospitals, DVHA will not pay any transitional outpatient payments (TOPs) made by Medicare to SCHs or to rural hospitals with 100 or fewer beds that are not SCHs as defined by Section 1886(d)(5)(D)(iii) of the Social Security Act.

DVHA endeavors to update the APC rates, the packaging methodology, and the outlier payment methodology annually based upon the Medicare OPPS Final Rule set each year. DVHA will also update the status indicators quarterly based upon the Medicare quarterly OPPS Addendum B updates.

B. Outlier Payments

~~The DVHA will follow~~ A~~a~~ modified Medicare OPPS pricing methodology is used ~~with respect~~ to identify~~ing~~ claims eligible as high-cost outliers and for the outlier payment calculation for these claims; the modification relates to apportionment of packaged charges to a specific APC; ~~for operational simplicity, DVHA uses~~ all packaged charges and costs on a claim are used to determine whether the two-tiered test used by Medicare is met. Outlier payments are applied if: the total cost is greater than the payment plus the fixed outlier threshold; and the total cost is greater than the payment multiplied by the fixed outlier percentage. The outlier payment formula is: [Total Cost – (APC Payment * Fixed Outlier Percentage)] *Outlier Payment Percentage.

1. The Fixed Outlier Threshold Value (In-State and Out-of-State Hospitals) $7,500.
2. Fixed Outlier Percentage (In-State and Out-of-State Hospitals) 175%.
3. Fixed Outlier Payment Percentage (In-State and Out-of-State Hospitals) 50%.

iii. Special Payment Provisions

A. Clinical Diagnostic Laboratory Services

When not packaged into another service payment in DVHA's OPPS, clinical diagnostic laboratory services performed for outpatients and nonhospital patients are reimbursed at the lesser of the submitted charges or the Medicare maximum allowable rate for the date of service.

B. Outpatient Hospital Services Paid at Cost

If the participating hospital is an in-state hospital or Dartmouth Hitchcock, the Cost to Charge Ratio is applied to determine the payment, which is derived from the hospital's most recent filed Medicare Cost Report. If the participating hospital is an out-of-state hospital or any in-state or out-of-state Ambulatory Surgical Center, the Cost to Charge Ratio is applied to determine the payment, which is the average in-state hospital Cost to Charge Ratio. The Cost to Charge Ratio is the total hospital cost to charge ratio, which includes inpatient and outpatient. The Cost to Charge Ratio is applied only to detailed lines on a claim in which: (1) the service is a covered service by DVHA and (2) it is not a packaged service in Medicare's OPPS and (3) it does not have a rate on the Medicare OPPS, the Medicare Lab Fee Schedule, or DVHA's professional fee schedule.

(Continued)

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