

Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care

2.4600 DRG Daily Rates

The agency computed DRG daily rates for all DRG classifications. These rates will be used for computing reimbursement in cases involving day outliers, transfers, and eligibility changes (see subsections 2.5300, 2.5400, and 2.5600).

2.4700 Hospital Specific Medicaid Cost to Charge Ratios

The agency established a cost to charge ratio of Medicaid utilization of inpatient services for each hospital. This ratio shows a comparison of Medicaid reimbursable costs of general hospital inpatient services with the corresponding covered charges.

Cost to charge ratios (CCR's) were calculated using the cost reports submitted by hospitals and charge data from the claims database used to compute the DRG weights and hospital group rates.

These ratios will be used in the DRG reimbursement system to estimate costs of claims for determining whether the claims meet the cost outlier criteria (subsection 2.5110), and also to compute payment for cost outliers (subsection 2.5310). Please note these ratios should not be confused with the cost to charge ratios of various ancillary service departments computed in hospital cost reports. The cost to charge ratio for out-of-state hospitals is a statewide average ratio.

2.5000 Determination of Payment Under the DRG Reimbursement System

This section provides policies and methodologies for the determination of payment in various situations under the DRG reimbursement system.

Pursuant to Senate Substitute for House Bill 2912, as passed by the 2004 Kansas Legislature, the state of Kansas plans to spend approximately \$100 million from the Health Care Access Improvement Fund in state fiscal year 2005 to improve health care delivery and related health activities.

The specific payment changes approved by the Health Care Access Improvement Panel, created pursuant to the legislation, are as follows:

- 1) Inpatient Hospital payment rates that were in effect on June 30, 2004 would be increased by 34.4% for all Kansas licensed hospitals except state owned or operated hospitals. Effective March 1, 2006, inpatient hospital payment rates effective February 28, 2006 will be decreased by 6.4%;

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Outpatient Services

Outpatient services for non-critical access hospitals are reimbursed on the basis of reasonable fees as related to customary charges.

Pursuant to Senate Substitute for House Bill 2912, as passed by the 2004 Kansas Legislature, the state of Kansas plans to spend approximately \$100 million from the Health Care Access Improvement Fund in state fiscal year 2005 to improve health care delivery and related health activities.

The specific payment changes established by the Health Care Access Improvement Panel, created pursuant to the legislation, are as follows:

- 1) Effective March 1, 2006, outpatient hospital payment rates will be 93.6% of rates in effect February 28, 2006.