

From: Amber Ott [mailto:aott@calhospital.org]

Sent: Tuesday, January 29, 2013 5:03 PM

Subject: RE: Clinical Lab Updates on DHCS Webpage - Requesting Names of Attendees

Hi John,

Thank you for taking the time to talk to me yesterday regarding the clinical lab updates and data collection. Per our conversation, I wanted to comment on how hospitals bill and get paid for clinical lab services. The HIPAA standard code set for billing inpatient claims is ICD-9, and therefore CPT data would not be present on an inpatient claim. Hospitals are unable to provide inpatient data by CPT code.

As for the outpatient claims, hospitals bill all the services and supplies for an outpatient visit on one bill and are paid in accordance with the contractual agreement in place with the health plan or per the applicable county, state or federal fee schedule. While many of the government payers utilize fee schedules to make payments based on individual CPT codes, this is not true for the commercial health plans. Some of the common methods used to calculate payment for hospital outpatient claims are case rates and percentage of charges with a maximum threshold. For example, under case rate reimbursement, a hospital may receive a predetermined payment for all outpatient surgeries regardless of what procedures are performed. Meaning they may receive \$5,000 for all outpatient surgeries regardless of whether any clinical lab services are performed. In this case it's impossible to determine how much was paid for the lab services, because they receive the same payment with or without lab services. For claims paid at a percent of charges with a maximum threshold, the hospital may be paid 75% of all the charges on an outpatient claim, but never more than \$8,000 for any given claim. Meaning even if the billed charges are \$50,000 they will only be paid \$8,000, regardless of whether clinical lab procedures were performed or not. As you can see, the payments made to hospital outpatient units are not typically tied to specific procedures.

The third type of claim we discussed was hospital outreach lab claims. Based on a discussion I had with one of our large hospital systems, these claims are billed and paid in the same manner as the hospital outpatient claims. However, typically the only charges on the bill are for the clinical lab services, so it may be easier to determine the payment amount associated with the clinical lab CPT codes. I will continue to evaluate the feasibility of collecting accurate data for these types of claims and will update the Department if I hear anything different from other hospital outreach labs.