

APR-DRG Calculator Instructions

Medi-Cal DRG Project

W409

SFY 2014-15

For DRG claims with admission
dates on or after 7/1/14

August 29, 2014



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Document Version: 1.0 (August 2014).

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1 Overview

The purpose of this document is to provide pertinent details to users about the design, content and functionality of the DRG pricing calculator. The DRG pricing calculator is an interactive spreadsheet.

This calculator is intended for use for claims with dates of admission on or after July 1, 2014, until the next policy change.

The instructions shown in this document are intended to guide users through the steps necessary to effectively utilize the DRG pricing calculator. A variety of DRG payment types and DRG calculator utilization techniques are illustrated in the sections that follow.

1.1 Structure of the DRG Calculator

The DRG Calculator is comprised of five tabs. The five tabs are as follows:

- 1-Cover: This tab contains an introduction to the DRG Calculator.
- 2-Calculator: This tab contains the interactive portion of the DRG Calculator. Calls shaded in purple are user input fields.
- 3-DRG Table: This tab contains the DRG values. This table interacts with the calculator tab. It supplies the DRG-specific values that are critical in the execution of the pricing functions of the calculator.
- 4-Hospital characteristics: This tab provides a list of California hospitals with characteristics defined by DHCS, including their status as Remote Rural, Designated NICU, Designated Public and Non-Designated Public Hospitals. Also listed are each hospital's wage index, cost-to-charge ratio, sub-acute pediatric and adult rates, statewide base rate, and if there is a transition base rate.
- 5-DRG Base Rate: This tab contains the wage areas and wage area index values from the Medicare hospital impact file that adjust each hospital's base rate. The tab also shows how the adjusted base rate is calculated.

2 DRG Calculator Instructions

The examples and instructions throughout this document were developed to provide users with the information necessary to operate the DRG calculator. Cells shaded with the purple background indicate user input fields. Based on the user-entered data, the spreadsheet automatically calculates the payment amount for a particular stay. The calculator does not predict the DRG. The user must have the DRG information prior to using the tool.

Payment policy parameter values are shown in the lavender background. The final payment amount is shown in the last active cell in the document which is shaded in black. Please keep in mind that the DRG calculator is intended to be helpful to users, but it cannot capture the full complexity of the Medicaid claims processing system. In the event of a discrepancy, the claims processing system should be considered correct.

The following pricing scenarios are depicted in this document:

- Straight DRG
- Straight DRG with Age Adjustor (Pediatrics)
- Acute Care Transfer
- Lesser of Paid or Billed Adjustment
- High-Side Outlier Adjustment
- High-Side Outlier Adjustment (Two-Tier)
- Low-Side Outlier Adjustment
- Interim Claim
- Designated NICU Adjustment

For simplicity, each example builds on the previous example where possible. However, changes were made among certain examples to facilitate execution of the desired scenario.

The examples below were created using the statewide base rate of \$6,289 adjusted by a wage area value of 1.4887, for an adjusted base rate of \$8,428. This wage area adjustment factor is for Sacramento-Arden-Arcade-Roseville CA. Hospitals can find their base rate in the hospital characteristics file or transition base rate file at www.dhcs.ca.gov/provgovpart/Pages/DRG-pricing-sfy201415.aspx.

2.1 Straight DRG

This is the simplest case and applies to the majority of inpatient stays. Follow these steps and use the provided values unless otherwise directed for the subsequent scenarios. Values and parameters are examples only. The table below has been altered to assist with clarity. A full view of the calculator follows.

- *Input* Total charges (cell C14): **\$50,000.00**
- *Input* Hospital-specific cost-to-charge ratio (cell C15): **35.00%**
- *Input* Length of stay (cell C16): **2**
- *Input* Patient discharge status = transfer? (cell C17): **No**
- *Input* Patient age (cell C18): **25**
- *Input* Other health coverage (cell C19): **\$0.00**
- *Input* Patient share of cost (cell C20): **\$0.00**
- *Input* Is discharge status equal to 30? (cell C21): **No**
- *Input* Designated NICU facility (cell C22): **No**
- *Input* APR-DRG (cell C23): **139-3**
- *Input* DRG base rate (cell 33): **\$8,428**
- *Output* **Payment amount (cell C72): \$7,917.26**

Table 2.1.1 Input for Straight DRG		
A	B	C
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER	
14	Total charges	\$50,000.00
15	Hospital-specific cost-to-charge ratio	35.00%
16	Length of stay	2
17	Patient discharge status = transfer?	No
18	Patient age (in years)	25
19	Other health coverage	\$0.00
20	Patient share of cost	\$0.00
21	Is discharge status equal to 30?	No
22	Designated NICU facility	No
23	APR-DRG	139-3
33	DRG base rate	\$8,428
24	Payment amount	\$7,917.26

2.1.1 Straight DRG Example

A	B	C	D
2	Medi-Cal DRG Pricing Calculator Effective Dates of Admission on or after July 1, 2014		
11	<i>Indicates information to be input by the user.</i>	<i>Indicates payment policy parameters set by Medi-Cal</i>	
12	Information	Data	COMMENTS OR FORMULA
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER		
14	Total charges	\$50,000.00	UB-04 Form Locator 47
15	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
16	Length of stay	2	See instruction 4; used for transfer pricing adjustment
17	Patient discharge status = transfer?	No	See instruction 5; used for transfer pricing adjustment
18	Patient age (in years)	25	Used for age adjustor
19	Other health coverage	\$0.00	UB-04 Form Locator 54 for payments by third parties
20	Patient share of cost	\$0.00	Includes spend-down or copayment
21	Is discharge status equal to 30?	No	Indicates an interim claim
22	Designated NICU facility	No	Policy adjustor for designated NICU facilities
23	APR-DRG	139-3	From separate APR-DRG grouping software
24	APR-DRG INFORMATION		
25	APR-DRG description	OTHER PNEUMONIA	Look up from DRG table (Tab 3, Column B)
26	Casemix relative weight--unadjusted	0.9394	Look up from DRG table (Tab 3, Column D)
27	NICU service adjustor - hospital with designated NICU	1.0000	Look up from DRG table (Tab 3, Column I)
28	NICU service adjustor - all other hospitals	1.0000	Look up from DRG table (Tab 3, Column E)
29	Pediatric age adjustor	1.2500	Look up from DRG table (Tab 3, Column G)
30	Payment relative weight	0.9394	IF C18<21, then if (C22="Yes"), then (C26*C27*C29), else (C26*C28*C29), else if (C22="Yes"), then (C26*C27), else (C26*C28)
31	Average length of stay for this APR-DRG	5.6	Look up from DRG table (Tab 3, Column C)
32	PAYMENT POLICY PARAMETERS SET BY MEDI-CAL		
33	DRG base rate	\$8,428	Specific to each hospital. (Tab 4, Row 14)
34	Cost outlier threshold 1	\$42,040	Threshold qualifying high and low-cost outlier adjustments
35	Cost outlier threshold 2	\$131,375	Threshold qualifying high-cost outlier adjustments
36	Marginal cost percentage_1	60%	Used for high and low-cost outlier adjustments
37	Marginal cost percentage_2	80%	Used for high-cost outlier adjustments
38	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
39	Interim claim threshold	29	Threshold qualifying interim claims
40	Interim per diem amount	\$600	Used for pricing interim claims
41	IS THIS AN INTERIM CLAIM?		
42	Is discharge status equal to 30?	No	Look up C21
43	Is length of stay > interim claim threshold?	N/A	IF C42="Yes", then if (C16 > C39), "Yes", else "No", else "N/A"
44	Skip to C72 for final interim claim payment amount	\$0.00	IF C43="Yes", (C40*C16) rounded to 2 places, else 0
45	WHAT IS THE DRG BASE PAYMENT?		
46	DRG base payment for this claim	\$7,917.26	C33*C30*C38
47	IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
48	Is a transfer adjustment potentially applicable?	No	Look up C17
49	Calculated transfer payment adjustment	N/A	IF C48="Yes", then (C46/C31)*(C16+1) rounded to 2 places, else "NA"
50	Is transfer payment adjustment < allowed amount so far	N/A	IF C49="N/A" then "N/A", else if (C49<C46), then "Yes" else "No"
51	Allowed amount after transfer adjustment	\$7,917.26	IF C50="Yes", then C49, else C46
52	IS A COST OUTLIER ADJUSTMENT MADE?		
53	Estimated cost of this case	\$17,500.00	C14*C15
54	Is estimated cost > allowed amount	Loss	IF C53 > C51 then "Loss" else "Gain"
55	High-Side Outlier Payment When Payment Is Much Lower than Cost		
56	Estimated loss on this case	\$9,582.74	IF C54 = "Loss", then (C53-C51), else "N/A"
57	Is loss > outlier threshold lower limit	No	IF C54 = "Loss", then if (C56 > C34), then "Yes", else "No", else "N/A"
58	DRG cost outlier payment increase 1	\$0.00	IF C57 = "Yes", then if (C56<C34), then ((C56-C34)*C36), else ((C35-C34)*C36), else 0
59	DRG cost outlier payment increase 2	\$0.00	IF C57="Yes", then if (C56>C35), then (C56-C35)*C37, rounded to 2 places else 0, else 0
60	Low Side Outlier Payment When Payment Is Much Greater than Cost		
61	Estimated gain on this case	N/A	IF C54="Gain", then (C51-C53), else "N/A"
62	Is gain > outlier threshold	N/A	IF C54="Gain", then if (C61>C34), then "Yes", else "No", else "N/A"
63	DRG cost outlier payment decrease	\$0.00	IF C54="Gain", then (if (C62="Yes"), then (C61-C34)*C36 rounded to 2
64	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
65	DRG payment so far	\$7,917.26	IF C54="Loss", then (C51+C58+C59), else (C51-C63)
66	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
67	Add-on amount	\$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
68	Allowed amount	\$7,917.26	Allowed amount = C65+C67
69	Other health coverage	\$0.00	C19
70	Patient share of cost	\$0.00	C20
71	"Lesser of" calculation	\$7,917.26	Existing policy requires that payment amount cannot exceed total charges. IF C68>C14, then C14, else C68
72	Payment amount	\$7,917.26	If interim claim (C42="yes"), then interim claim (C44) amount is the payment amount. Otherwise, subtract other health coverage (C69) and patient share of cost (C70) from "Lesser of" (C71) to obtain payment amount.

2.2 Straight DRG with Age Adjustor (Pediatrics)

In this case, DRGs are paid at a higher rate for beneficiaries below a certain age, usually 21. The allowed amount is higher than in the previous scenario, keeping all other values the same.

- *Input* Patient age (cell C18): 5
- The age adjustor (cell C29) results in an increased payment relative weight (cell C30), from 0.9394 in the adult example to 1.1743 in the pediatric example.
- *Output* **Payment amount (cell C72): \$9,896.58.**

A	B	C
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER	
14	Total charges	\$50,000.00
15	Hospital-specific cost-to-charge ratio	35.00%
16	Length of stay	2
17	Patient discharge status = transfer?	No
18	Patient age (in years)	5
19	Other health coverage	\$0.00
20	Patient share of cost	\$0.00
21	Is discharge status equal to 30?	No
22	Designated NICU facility	No
23	APR-DRG	139-3
33	DRG base rate	\$8,428
24	Payment amount	\$9,896.58

2.2.1 Straight DRG with Age Adjustor Example

A	B	C	D
2	Medi-Cal DRG Pricing Calculator Effective Dates of Admission on or after July 1, 2014		
11	<i>Indicates information to be input by the user.</i>		<i>Indicates payment policy parameters set by Medi-Cal</i>
12	Information	Data	COMMENTS OR FORMULA
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER		
14	Total charges	\$50,000.00	UB-04 Form Locator 47
15	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
16	Length of stay	2	See instruction 4; used for transfer pricing adjustment
17	Patient discharge status = transfer?	No	See instruction 5; used for transfer pricing adjustment
18	Patient age (in years)	5	Used for age adjustor
19	Other health coverage	\$0.00	UB-04 Form Locator 54 for payments by third parties
20	Patient share of cost	\$0.00	Includes spend-down or copayment
21	Is discharge status equal to 30?	No	Indicates an interim claim
22	Designated NICU facility	No	Policy adjustor for designated NICU facilities
23	APR-DRG	139-3	From separate APR-DRG grouping software
24	APR-DRG INFORMATION		
25	APR-DRG description	OTHER PNEUMONIA	Look up from DRG table (Tab 3, Column B)
26	Casemix relative weight--unadjusted	0.9394	Look up from DRG table (Tab 3, Column D)
27	NICU service adjustor - hospital with designated NICU	1.0000	Look up from DRG table (Tab 3, Column I)
28	NICU service adjustor - all other hospitals	1.0000	Look up from DRG table (Tab 3, Column E)
29	Pediatric age adjustor	1.2500	Look up from DRG table (Tab 3, Column G)
30	Payment relative weight	1.1743	IF C18<21, then if (C22="Yes"), then (C26*C27*C29), else (C26*C28*C29), else if (C22="Yes"), then (C26*C27), else (C26*C28)
31	Average length of stay for this APR-DRG	5.6	Look up from DRG table (Tab 3, Column C)
32	PAYMENT POLICY PARAMETERS SET BY MEDI-CAL		
33	DRG base rate	\$8,428	Specific to each hospital. (Tab 4, Row 14)
34	Cost outlier threshold 1	\$42,040	Threshold qualifying high and low-cost outlier adjustments
35	Cost outlier threshold 2	\$131,375	Threshold qualifying high-cost outlier adjustments
36	Marginal cost percentage_1	60%	Used for high and low-cost outlier adjustments
37	Marginal cost percentage_2	80%	Used for high-cost outlier adjustments
38	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
39	Interim claim threshold	29	Threshold qualifying interim claims
40	Interim per diem amount	\$600	Used for pricing interim claims
41	IS THIS AN INTERIM CLAIM?		
42	Is discharge status equal to 30?	No	Look up C21
43	Is length of stay > interim claim threshold?	N/A	IF C42="Yes", then if (C16 > C39), "Yes", else "No", else "N/A"
44	Skip to C72 for final interim claim payment amount	\$0.00	IF C43="Yes", (C40*C16) rounded to 2 places, else 0
45	WHAT IS THE DRG BASE PAYMENT?		
46	DRG base payment for this claim	\$9,896.58	C33*C30*C38
47	IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
48	Is a transfer adjustment potentially applicable?	No	Look up C17
49	Calculated transfer payment adjustment	N/A	IF C48="Yes", then (C46/C31)*(C16+1) rounded to 2 places, else "NA"
50	Is transfer payment adjustment < allowed amount so far	N/A	IF C49 = "N/A" then "N/A", else if (C49<C46), then "Yes" else "No"
51	Allowed amount after transfer adjustment	\$9,896.58	IF C50= "Yes", then C49, else C46
52	IS A COST OUTLIER ADJUSTMENT MADE?		
53	Estimated cost of this case	\$17,500.00	C14*C15
54	Is estimated cost > allowed amount	Loss	IF C53 > C51 then "Loss" else "Gain"
55	High-Side Outlier Payment When Payment Is Much Lower than Cost		
56	Estimated loss on this case	\$7,603.42	IF C54 = "Loss", then (C53-C51), else "N/A"
57	Is loss > outlier threshold lower limit	No	IF C54 = "Loss", then if (C56 > C34), then "Yes", else "No", else "N/A"
58	DRG cost outlier payment increase 1	\$0.00	IF C57 = "Yes", then if (C56<C34), then ((C56-C34)*C36), else ((C35-C34)*C36), else 0
59	DRG cost outlier payment increase 2	\$0.00	IF C57="Yes", then if (C56>C35), then (C56-C35)*C37, rounded to 2 places else 0, else 0
60	Low Side Outlier Payment When Payment Is Much Greater than Cost		
61	Estimated gain on this case	N/A	IF C54="Gain", then (C51-C53), else "N/A"
62	Is gain > outlier threshold	N/A	IF C54="Gain", then if (C61>C34), then "Yes", else "No", else "N/A"
63	DRG cost outlier payment decrease	\$0.00	IF C54="Gain", then (if (C62="Yes"), then (C61-C34)*C36 rounded to 2
64	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
65	DRG payment so far	\$9,896.58	IF C54="Loss", then (C51+C58+C59), else (C51-C63)
66	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
67	Add-on amount	\$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
68	Allowed amount	\$9,896.58	Allowed amount = C65+C67
69	Other health coverage	\$0.00	C19
70	Patient share of cost	\$0.00	C20
71	"Lesser of" calculation	\$9,896.58	Existing policy requires that payment amount cannot exceed total charges. IF C68>C14, then C14, else C68
72	Payment amount	\$9,896.58	If interim claim (C42="yes"), then interim claim (C44) amount is the payment amount. Otherwise, subtract other health coverage (C69) and patient share of cost (C70) from "Lesser of" (C71) to obtain payment amount.

2.3 Acute Care Transfer

When a patient is transferred to another acute care setting (discharge status 02, 05, 63, 65 or 66), payment to the transferring hospital may, or may not, be reduced. For these stays, the transferring hospital will be paid the lesser of:

- The DRG base payment
- A per diem amount times the actual length of stay (LOS) plus one day (to recognize up-front costs of admission). The per diem amount will be the DRG base payment divided by the DRG-specific national average LOS.

The DRG base payment is reduced if the actual LOS at the transferring hospital is less than the average LOS minus one day. The transfer payment adjustment applies only to the transferring hospital. The receiving hospital will be paid a full DRG payment unless they also transfer the patient.

- *Input* Patient discharge status = transfer? (cell C17): **Yes**
- *Input* Patient age (cell C18): **25**
- The average LOS for this APR-DRG is 5.6 days (cell C31), but the patient was transferred after 2 days.
- By entering “Yes” for discharge status 02, 05, 63, 65 or 66 (cell 17), cells C48-51 are updated automatically with the transfer payment adjustment calculation.
- *Output* **Payment amount (cell C72): \$4,211.31.**

Table 2.3.1 Input for Acute Care Transfer		
A	B	C
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER	
14	Total charges	\$50,000.00
15	Hospital-specific cost-to-charge ratio	35.00%
16	Length of stay	2
17	Patient discharge status = transfer?	Yes
18	Patient age (in years)	25
19	Other health coverage	\$0.00
20	Patient share of cost	\$0.00
21	Is discharge status equal to 30?	No
22	Designated NICU facility	No
23	APR-DRG	139-3
33	DRG base rate	\$8,428
24	Payment amount	\$4,211.31

2.3.1 Acute Care Transfer Example

A	B	C	D
2	Medi-Cal DRG Pricing Calculator Effective Dates of Admission on or after July 1, 2014		
11	<i>Indicates information to be input by the user.</i>		<i>Indicates payment policy parameters set by Medi-Cal</i>
12	Information	Data	COMMENTS OR FORMULA
13	INFORMATION FROM THE HOSPITAL– TO BE INPUT BY THE USER		
14	Total charges	\$50,000.00	UB-04 Form Locator 47
15	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
16	Length of stay	2	See instruction 4; used for transfer pricing adjustment
17	Patient discharge status = transfer?	Yes	See instruction 5; used for transfer pricing adjustment
18	Patient age (in years)	25	Used for age adjustor
19	Other health coverage	\$0.00	UB-04 Form Locator 54 for payments by third parties
20	Patient share of cost	\$0.00	Includes spend-down or copayment
21	Is discharge status equal to 30?	No	Indicates an interim claim
22	Designated NICU facility	No	Policy adjustor for designated NICU facilities
23	APR-DRG	139-3	From separate APR-DRG grouping software
24	APR-DRG INFORMATION		
25	APR-DRG description	OTHER PNEUMONIA	Look up from DRG table (Tab 3, Column B)
26	Casemix relative weight--unadjusted	0.9394	Look up from DRG table (Tab 3, Column D)
27	NICU service adjustor - hospital with designated NICU	1.0000	Look up from DRG table (Tab 3, Column I)
28	NICU service adjustor - all other hospitals	1.0000	Look up from DRG table (Tab 3, Column E)
29	Pediatric age adjustor	1.2500	Look up from DRG table (Tab 3, Column G)
30	Payment relative weight	0.9394	IF C18<21, then if (C22="Yes"), then (C26*C27*C29), else (C26*C28*C29), else if (C22="Yes"), then (C26*C27), else (C26*C28)
31	Average length of stay for this APR-DRG	5.6	Look up from DRG table (Tab 3, Column C)
32	PAYMENT POLICY PARAMETERS SET BY MEDI-CAL		
33	DRG base rate	\$8,428	Specific to each hospital. (Tab 4, Row 14)
34	Cost outlier threshold 1	\$42,040	Threshold qualifying high and low-cost outlier adjustments
35	Cost outlier threshold 2	\$131,375	Threshold qualifying high-cost outlier adjustments
36	Marginal cost percentage_1	60%	Used for high and low-cost outlier adjustments
37	Marginal cost percentage_2	80%	Used for high-cost outlier adjustments
38	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
39	Interim claim threshold	29	Threshold qualifying interim claims
40	Interim per diem amount	\$600	Used for pricing interim claims
41	IS THIS AN INTERIM CLAIM?		
42	Is discharge status equal to 30?	No	Look up C21
43	Is length of stay > interim claim threshold?	N/A	IF C42="Yes", then if (C16 > C39), "Yes", else "No", else "N/A"
44	Skip to C72 for final interim claim payment amount	\$0.00	IF C43="Yes", (C40*C16) rounded to 2 places, else 0
45	WHAT IS THE DRG BASE PAYMENT?		
46	DRG base payment for this claim	\$7,917.26	C33*C30*C38
47	IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
48	Is a transfer adjustment potentially applicable?	Yes	Look up C17
49	Calculated transfer payment adjustment	\$4,211.31	IF C48="Yes", then (C46/C31)*(C16+1) rounded to 2 places, else "NA"
50	Is transfer payment adjustment < allowed amount so far	Yes	IF C49="N/A" then "N/A", else if (C49<C46), then "Yes" else "No"
51	Allowed amount after transfer adjustment	\$4,211.31	IF C50="Yes", then C49, else C46
52	IS A COST OUTLIER ADJUSTMENT MADE?		
53	Estimated cost of this case	\$17,500.00	C14*C15
54	Is estimated cost > allowed amount	Loss	IF C53 > C51 then "Loss" else "Gain"
55	High-Side Outlier Payment When Payment Is Much Lower than Cost		
56	Estimated loss on this case	\$13,288.69	IF C54 = "Loss", then (C53-C51), else "N/A"
57	Is loss > outlier threshold lower limit	No	IF C54 = "Loss", then if (C56 > C34), then "Yes", else "No", else "N/A"
58	DRG cost outlier payment increase 1	\$0.00	IF C57 = "Yes", then if (C56<C34), then ((C56-C34)*C36), else ((C35-C34)*C36), else 0
59	DRG cost outlier payment increase 2	\$0.00	IF C57="Yes", then if (C56>C35), then (C56-C35)*C37, rounded to 2 places else 0, else 0
60	Low Side Outlier Payment When Payment Is Much Greater than Cost		
61	Estimated gain on this case	N/A	IF C54="Gain", then (C51-C53), else"N/A"
62	Is gain > outlier threshold	N/A	IF C54="Gain", then if (C61>C34), then "Yes", else "No", else "N/A"
63	DRG cost outlier payment decrease	\$0.00	IF C54="Gain", then (if (C62="Yes"), then (C61-C34)*C36 rounded to 2
64	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
65	DRG payment so far	\$4,211.31	IF C54="Loss", then (C51+C58+C59), else (C51-C63)
66	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
67	Add-on amount	\$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
68	Allowed amount	\$4,211.31	Allowed amount = C65+C67
69	Other health coverage	\$0.00	C19
70	Patient share of cost	\$0.00	C20
71	"Lesser of" calculation	\$4,211.31	Existing policy requires that payment amount cannot exceed total charges. IF C68>C14, then C14, else C68
72	Payment amount	\$4,211.31	If interim claim (C42="yes"), then interim claim (C44) amount is the payment amount. Otherwise, subtract other health coverage (C69) and patient share of cost (C70) from "Lesser of" (C71) to obtain payment amount.

2.4 Lesser of Paid or Billed Adjustment

This situation applies when the total allowed amount exceeds total charges. Payment cannot exceed charges. If the allowed amount exceeds charges, as in this situation, payment will be reduced to equal total charges. This example also demonstrates a cutback for patient share of cost and other health coverage.

- *Input* Total charges (cell C14): **\$2,000.00**
- *Input* Patient discharge status = transfer? (cell E17): **“No”**
- *Input* Other health coverage (cell C19): **\$200.00**
- *Input* Patient share of cost (cell C20): **\$5.00**
- The “Lesser of” calculation in cell C71 may be equal total charges but never exceed them.
- Even though the allowed amount in this example is \$7,917.26 (cell C65), only \$2,000.00 is eligible for payment due to the “Lesser of” calculation.
- If the patient has other health coverage or has paid a share of the cost out of pocket, those amounts are subtracted from the “Lesser of” amount (cell C71) to determine payment.
- *Output* **Payment amount (cell C72): \$1,795.00**

A	B	C
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER	
14	Total charges	\$2,000.00
15	Hospital-specific cost-to-charge ratio	35.00%
16	Length of stay	2
17	Patient discharge status = transfer?	No
18	Patient age (in years)	25
19	Other health coverage	\$200.00
20	Patient share of cost	\$5.00
21	Is discharge status equal to 30?	No
22	Designated NICU facility	No
23	APR-DRG	139-3
33	DRG base rate	\$8,428
24	Payment amount	\$1,795.00

2.4.1 Lesser of Paid or Billed Adjustment Example

A	B	C	D
2	Medi-Cal DRG Pricing Calculator Effective Dates of Admission on or after July 1, 2014		
11	<i>Indicates information to be input by the user.</i>	<i>Indicates payment policy parameters set by Medi-Cal</i>	
12	Information	Data	COMMENTS OR FORMULA
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER		
14	Total charges	\$2,000.00	UB-04 Form Locator 47
15	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
16	Length of stay	2	See instruction 4; used for transfer pricing adjustment
17	Patient discharge status = transfer?	No	See instruction 5; used for transfer pricing adjustment
18	Patient age (in years)	25	Used for age adjustor
19	Other health coverage	\$200.00	UB-04 Form Locator 54 for payments by third parties
20	Patient share of cost	\$5.00	Includes spend-down or copayment
21	Is discharge status equal to 30?	No	Indicates an interim claim
22	Designated NICU facility	No	Policy adjustor for designated NICU facilities
23	APR-DRG	139-3	From separate APR-DRG grouping software
24	APR-DRG INFORMATION		
25	APR-DRG description	OTHER PNEUMONIA	Look up from DRG table (Tab 3, Column B)
26	Casemix relative weight--unadjusted	0.9394	Look up from DRG table (Tab 3, Column D)
27	NICU service adjustor - hospital with designated NICU	1.0000	Look up from DRG table (Tab 3, Column I)
28	NICU service adjustor - all other hospitals	1.0000	Look up from DRG table (Tab 3, Column E)
29	Pediatric age adjustor	1.2500	Look up from DRG table (Tab 3, Column G)
30	Payment relative weight	0.9394	IF C18<21, then if (C22="Yes"), then (C26*C27*C29), else (C26*C28*C29), else if (C22="Yes"), then (C26*C27), else (C26*C28)
31	Average length of stay for this APR-DRG	5.6	Look up from DRG table (Tab 3, Column C)
32	PAYMENT POLICY PARAMETERS SET BY MEDI-CAL		
33	DRG base rate	\$8,428	Specific to each hospital. (Tab 4, Row 14)
34	Cost outlier threshold 1	\$42,040	Threshold qualifying high and low-cost outlier adjustments
35	Cost outlier threshold 2	\$131,375	Threshold qualifying high-cost outlier adjustments
36	Marginal cost percentage_1	60%	Used for high and low-cost outlier adjustments
37	Marginal cost percentage_2	80%	Used for high-cost outlier adjustments
38	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
39	Interim claim threshold	29	Threshold qualifying interim claims
40	Interim per diem amount	\$600	Used for pricing interim claims
41	IS THIS AN INTERIM CLAIM?		
42	Is discharge status equal to 30?	No	Look up C21
43	Is length of stay > interim claim threshold?	N/A	IF C42="Yes", then if (C16 > C39), "Yes", else "No", else "N/A"
44	Skip to C72 for final interim claim payment amount	\$0.00	IF C43="Yes", (C40*C16) rounded to 2 places, else 0
45	WHAT IS THE DRG BASE PAYMENT?		
46	DRG base payment for this claim	\$7,917.26	C33*C30*C38
47	IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
48	Is a transfer adjustment potentially applicable?	No	Look up C17
49	Calculated transfer payment adjustment	N/A	IF C48="Yes", then (C46/C31)*(C16+1) rounded to 2 places, else "NA"
50	Is transfer payment adjustment < allowed amount so far	N/A	IF C49="N/A" then "N/A", else if (C49<C46), then "Yes" else "No"
51	Allowed amount after transfer adjustment	\$7,917.26	IF C50="Yes", then C49, else C46
52	IS A COST OUTLIER ADJUSTMENT MADE?		
53	Estimated cost of this case	\$700.00	C14*C15
54	Is estimated cost > allowed amount	Gain	IF C53 > C51 then "Loss" else "Gain"
55	High-Side Outlier Payment When Payment Is Much Lower than Cost		
56	Estimated loss on this case	N/A	IF C54 = "Loss", then (C53-C51), else "N/A"
57	Is loss > outlier threshold lower limit	N/A	IF C54 = "Loss", then if (C56 > C34), then "Yes", else "No", else "N/A"
58	DRG cost outlier payment increase 1	\$0.00	IF C57 = "Yes", then if (C56<C34), then ((C56-C34)*C36), else ((C35-C34)*C36), else 0
59	DRG cost outlier payment increase 2	\$0.00	IF C57="Yes", then if (C56>C35), then (C56-C35)*C37, rounded to 2 places else 0, else 0
60	Low Side Outlier Payment When Payment Is Much Greater than Cost		
61	Estimated gain on this case	\$7,217.26	IF C54="Gain", then (C51-C53), else"N/A"
62	Is gain > outlier threshold	No	IF C54="Gain", then if (C61>C34), then "Yes", else "No", else "N/A"
63	DRG cost outlier payment decrease	\$0.00	IF C54="Gain", then (if (C62="Yes"), then (C61-C34)*C36 rounded to 2
64	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
65	DRG payment so far	\$7,917.26	IF C54="Loss", then (C51+C58+C59), else (C51-C63)
66	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
67	Add-on amount	\$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
68	Allowed amount	\$7,917.26	Allowed amount = C65+C67
69	Other health coverage	\$200.00	C19
70	Patient share of cost	\$5.00	C20
71	"Lesser of" calculation	\$2,000.00	Existing policy requires that payment amount cannot exceed total charges. IF C68>C14, then C14, else C68
72	Payment amount	\$1,795.00	If interim claim (C42="yes"), then interim claim (C44) amount is the payment amount. Otherwise, subtract other health coverage (C69) and patient share of cost (C70) from "Lesser of" (C71) to obtain payment amount.

2.5 High-Side Outlier Adjustment

This adjustment applies to stays that are exceptionally expensive for a hospital. Each stay is evaluated for whether it qualifies as a cost outlier stay. If so, the cost outlier payment is calculated. For high-side outliers, this increases payment.

- *Input* Total charges (cell C14): **\$150,000.00**
- *Input* Other health coverage (cell C19): **\$0.00**
- *Input* Patient share of cost (cell C20): **\$0.00**
- Because the estimated loss of this case (cell C56: \$44,582.74) exceeds cost outlier threshold 1 (cell C34: \$42,040), a cost adjustment is applicable.
- The amount of threshold 1 is subtracted from the estimated loss, and then multiplied by marginal cost percentage 1 (cell C36: 60%). That amount is added to the previously allowed amount (cell C51).
- See cells E56-59 for the high-side outlier adjustment calculation.
- DRG cost outlier payment increase 1 (cell E58): \$1,525.64
- *Output* **Payment amount (cell C72): \$9,442.91**

A	B	C
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER	
14	Total charges	\$150,000.00
15	Hospital-specific cost-to-charge ratio	35.00%
16	Length of stay	2
17	Patient discharge status = transfer?	No
18	Patient age (in years)	25
19	Other health coverage	\$0.00
20	Patient share of cost	\$0.00
21	Is discharge status equal to 30?	No
22	Designated NICU facility	No
23	APR-DRG	139-3
33	DRG base rate	\$8,428
24	Payment amount	\$9,442.91

2.5.1 High-Side Outlier Adjustment Example

A	B	C	D
2	Medi-Cal DRG Pricing Calculator Effective Dates of Admission on or after July 1, 2014		
11	<i>Indicates information to be input by the user.</i>	<i>Indicates payment policy parameters set by Medi-Cal</i>	
12	Information	Data	COMMENTS OR FORMULA
13	INFORMATION FROM THE HOSPITAL- TO BE INPUT BY THE USER		
14	Total charges	\$150,000.00	UB-04 Form Locator 47
15	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
16	Length of stay	2	See instruction 4; used for transfer pricing adjustment
17	Patient discharge status = transfer?	No	See instruction 5; used for transfer pricing adjustment
18	Patient age (in years)	25	Used for age adjustor
19	Other health coverage	\$0.00	UB-04 Form Locator 54 for payments by third parties
20	Patient share of cost	\$0.00	Includes spend-down or copayment
21	Is discharge status equal to 30?	No	Indicates an interim claim
22	Designated NICU facility	No	Policy adjustor for designated NICU facilities
23	APR-DRG	139-3	From separate APR-DRG grouping software
24	APR-DRG INFORMATION		
25	APR-DRG description	OTHER PNEUMONIA	Look up from DRG table (Tab 3, Column B)
26	Casemix relative weight--unadjusted	0.9394	Look up from DRG table (Tab 3, Column D)
27	NICU service adjustor - hospital with designated NICU	1.0000	Look up from DRG table (Tab 3, Column I)
28	NICU service adjustor - all other hospitals	1.0000	Look up from DRG table (Tab 3, Column E)
29	Pediatric age adjustor	1.2500	Look up from DRG table (Tab 3, Column G)
30	Payment relative weight	0.9394	IF C18<21, then if (C22="Yes"), then (C26*C27*C29), else (C26*C28*C29), else if (C22="Yes"), then (C26*C27), else (C26*C28)
31	Average length of stay for this APR-DRG	5.6	Look up from DRG table (Tab 3, Column C)
32	PAYMENT POLICY PARAMETERS SET BY MEDI-CAL		
33	DRG base rate	\$8,428	Specific to each hospital. (Tab 4, Row 14)
34	Cost outlier threshold 1	\$42,040	Threshold qualifying high and low-cost outlier adjustments
35	Cost outlier threshold 2	\$131,375	Threshold qualifying high-cost outlier adjustments
36	Marginal cost percentage_1	60%	Used for high and low-cost outlier adjustments
37	Marginal cost percentage_2	80%	Used for high-cost outlier adjustments
38	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
39	Interim claim threshold	29	Threshold qualifying interim claims
40	Interim per diem amount	\$600	Used for pricing interim claims
41	IS THIS AN INTERIM CLAIM?		
42	Is discharge status equal to 30?	No	Look up C21
43	Is length of stay > interim claim threshold?	N/A	IF C42="Yes", then if (C16 > C39), "Yes", else "No", else "N/A"
44	Skip to C72 for final interim claim payment amount	\$0.00	IF C43="Yes", (C40*C16) rounded to 2 places, else 0
45	WHAT IS THE DRG BASE PAYMENT?		
46	DRG base payment for this claim	\$7,917.26	C33*C30*C38
47	IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
48	Is a transfer adjustment potentially applicable?	No	Look up C17
49	Calculated transfer payment adjustment	N/A	IF C48="Yes", then (C46/C31)*(C16+1) rounded to 2 places, else "NA"
50	Is transfer payment adjustment < allowed amount so far	N/A	IF C49="N/A" then "N/A", else if (C49<C46), then "Yes" else "No"
51	Allowed amount after transfer adjustment	\$7,917.26	IF C50="Yes", then C49, else C46
52	IS A COST OUTLIER ADJUSTMENT MADE?		
53	Estimated cost of this case	\$52,500.00	C14*C15
54	Is estimated cost > allowed amount	Loss	IF C53 > C51 then "Loss" else "Gain"
55	High-Side Outlier Payment When Payment Is Much Lower than Cost		
56	Estimated loss on this case	\$44,582.74	IF C54 = "Loss", then (C53-C51), else "N/A"
57	Is loss > outlier threshold lower limit	Yes	IF C54 = "Loss", then if (C56 > C34), then "Yes", else "No", else "N/A"
58	DRG cost outlier payment increase 1	\$1,525.64	IF C57 = "Yes", then if (C56<C34), then ((C56-C34)*C36), else ((C35-C34)*C36), else 0
59	DRG cost outlier payment increase 2	\$0.00	IF C57="Yes", then if (C56>C35), then (C56-C35)*C37, rounded to 2 places else 0, else 0
60	Low Side Outlier Payment When Payment Is Much Greater than Cost		
61	Estimated gain on this case	N/A	IF C54="Gain", then (C51-C53), else"N/A"
62	Is gain > outlier threshold	N/A	IF C54="Gain", then if (C61>C34), then "Yes", else "No", else "N/A"
63	DRG cost outlier payment decrease	\$0.00	IF C54="Gain", then (if (C62="Yes")), then (C61-C34)*C36 rounded to 2
64	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
65	DRG payment so far	\$9,442.91	IF C54="Loss", then (C51+C58+C59), else (C51-C63)
66	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
67	Add-on amount	\$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
68	Allowed amount	\$9,442.91	Allowed amount = C65+C67
69	Other health coverage	\$0.00	C19
70	Patient share of cost	\$0.00	C20
71	"Lesser of" calculation	\$9,442.91	Existing policy requires that payment amount cannot exceed total charges. IF C68>C14, then C14, else C68
72	Payment amount	\$9,442.91	If interim claim (C42="yes"), then interim claim (C44) amount is the payment amount. Otherwise, subtract other health coverage (C69) and patient share of cost (C70) from "Lesser of" (C71) to obtain payment amount.

2.6 High-Side Outlier Adjustment (Two-Tier)

This adjustment applies to stays that reach a second threshold for hospital expense. This two-tiered calculation uses two cost outlier thresholds and two corresponding marginal cost percentages. The use of two cost outlier thresholds is unusual among DRG payers and is specifically intended to buffer hospitals against extreme losses on outlier cases.

- *Input* Total charges (cell C14): **\$800,000.00**
- Follow steps for high-side outlier adjustment (Section 2.5).
- Cost outlier threshold 2 (cell C35: \$131,375) is subtracted from the estimated loss (cell C56: \$272,082.74).
- That amount is then multiplied by marginal cost percentage 2 (cell C37: 80%).
- See cells C56-59 for the two-tier high-side outlier adjustment calculation.
- DRG cost outlier payment increase 1 (cell C58): \$53,601.00
- DRG cost outlier payment increase 2 (cell C59): \$112,566.19
- Both amounts (DRG cost outlier payment increases 1 and 2) are added to the allowed payment amount.
- *Output* **Payment amount (cell C72): \$174,084.45**

A	B	C
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER	
14	Total charges	\$800,000.00
15	Hospital-specific cost-to-charge ratio	35.00%
16	Length of stay	2
17	Patient discharge status = transfer?	No
18	Patient age (in years)	25
19	Other health coverage	\$0.00
20	Patient share of cost	\$0.00
21	Is discharge status equal to 30?	No
22	Designated NICU facility	No
23	APR-DRG	139-3
33	DRG base rate	\$8,428
24	Payment amount	\$174,084.45

2.6.1 High-Side Outlier Adjustment (Two-Tier) Example

A	B	C	D
2	Medi-Cal DRG Pricing Calculator Effective Dates of Admission on or after July 1, 2014		
11	<i>Indicates information to be input by the user.</i>	<i>Indicates payment policy parameters set by Medi-Cal</i>	
12	Information	Data	COMMENTS OR FORMULA
13	INFORMATION FROM THE HOSPITAL– TO BE INPUT BY THE USER		
14	Total charges	\$800,000.00	UB-04 Form Locator 47
15	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
16	Length of stay	2	See instruction 4; used for transfer pricing adjustment
17	Patient discharge status = transfer?	No	See instruction 5; used for transfer pricing adjustment
18	Patient age (in years)	25	Used for age adjustor
19	Other health coverage	\$0.00	UB-04 Form Locator 54 for payments by third parties
20	Patient share of cost	\$0.00	Includes spend-down or copayment
21	Is discharge status equal to 30?	No	Indicates an interim claim
22	Designated NICU facility	No	Policy adjustor for designated NICU facilities
23	APR-DRG	139-3	From separate APR-DRG grouping software
24	APR-DRG INFORMATION		
25	APR-DRG description	OTHER PNEUMONIA	Look up from DRG table (Tab 3, Column B)
26	Casemix relative weight--unadjusted	0.9394	Look up from DRG table (Tab 3, Column D)
27	NICU service adjustor - hospital with designated NICU	1.0000	Look up from DRG table (Tab 3, Column I)
28	NICU service adjustor - all other hospitals	1.0000	Look up from DRG table (Tab 3, Column E)
29	Pediatric age adjustor	1.2500	Look up from DRG table (Tab 3, Column G)
30	Payment relative weight	0.9394	IF C18<21, then if (C22="Yes"), then (C26*C27*C29), else (C26*C28*C29), else if (C22="Yes"), then (C26*C27), else (C26*C28)
31	Average length of stay for this APR-DRG	5.6	Look up from DRG table (Tab 3, Column C)
32	PAYMENT POLICY PARAMETERS SET BY MEDI-CAL		
33	DRG base rate	\$8,428	Specific to each hospital. (Tab 4, Row 14)
34	Cost outlier threshold 1	\$42,040	Threshold qualifying high and low-cost outlier adjustments
35	Cost outlier threshold 2	\$131,375	Threshold qualifying high-cost outlier adjustments
36	Marginal cost percentage_1	60%	Used for high and low-cost outlier adjustments
37	Marginal cost percentage_2	80%	Used for high-cost outlier adjustments
38	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
39	Interim claim threshold	29	Threshold qualifying interim claims
40	Interim per diem amount	\$600	Used for pricing interim claims
41	IS THIS AN INTERIM CLAIM?		
42	Is discharge status equal to 30?	No	Look up C21
43	Is length of stay > interim claim threshold?	N/A	IF C42="Yes", then if (C16 > C39), "Yes", else "No", else "N/A"
44	Skip to C72 for final interim claim payment amount	\$0.00	IF C43="Yes", (C40*C16) rounded to 2 places, else 0
45	WHAT IS THE DRG BASE PAYMENT?		
46	DRG base payment for this claim	\$7,917.26	C33*C30*C38
47	IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
48	Is a transfer adjustment potentially applicable?	No	Look up C17
49	Calculated transfer payment adjustment	N/A	IF C48="Yes", then (C46/C31)*(C16+1) rounded to 2 places, else "NA"
50	Is transfer payment adjustment < allowed amount so far	N/A	IF C49="N/A" then "N/A", else if (C49<C46), then "Yes" else "No"
51	Allowed amount after transfer adjustment	\$7,917.26	IF C50="Yes", then C49, else C46
52	IS A COST OUTLIER ADJUSTMENT MADE?		
53	Estimated cost of this case	\$280,000.00	C14*C15
54	Is estimated cost > allowed amount	Loss	IF C53 > C51 then "Loss" else "Gain"
55	High-Side Outlier Payment When Payment Is Much Lower than Cost		
56	Estimated loss on this case	\$272,082.74	IF C54 = "Loss", then (C53-C51), else "N/A"
57	Is loss > outlier threshold lower limit	Yes	IF C54 = "Loss", then if (C56 > C34), then "Yes", else "No", else "N/A"
58	DRG cost outlier payment increase 1	\$53,601.00	IF C57 = "Yes", then if (C56<C34), then ((C56-C34)*C36), else ((C35-C34)*C36), else 0
59	DRG cost outlier payment increase 2	\$112,566.19	IF C57="Yes", then if (C56>C35), then (C56-C35)*C37, rounded to 2 places else 0, else 0
60	Low Side Outlier Payment When Payment Is Much Greater than Cost		
61	Estimated gain on this case	N/A	IF C54="Gain", then (C51-C53), else"N/A"
62	Is gain > outlier threshold	N/A	IF C54="Gain", then if (C61>C34), then "Yes", else "No", else "N/A"
63	DRG cost outlier payment decrease	\$0.00	IF C54="Gain", then (if (C62="Yes"), then (C61-C34)*C36 rounded to 2
64	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
65	DRG payment so far	\$174,084.45	IF C54="Loss", then (C51+C58+C59), else (C51-C63)
66	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
67	Add-on amount	\$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
68	Allowed amount	\$174,084.45	Allowed amount = C65+C67
69	Other health coverage	\$0.00	C19
70	Patient share of cost	\$0.00	C20
71	"Lesser of" calculation	\$174,084.45	Existing policy requires that payment amount cannot exceed total charges. IF C68>C14, then C14, else C68
72	Payment amount	\$174,084.45	If interim claim (C42="yes"), then interim claim (C44) amount is the payment amount. Otherwise, subtract other health coverage (C69) and patient share of cost (C70) from "Lesser of" (C71) to obtain payment amount.

2.7 Low-Side Outlier Adjustment

Just as outlier payments are intended to increase payment when a stay is extraordinarily and unpredictably expensive, the low-side outlier adjustment decreases funding when a stay is extraordinarily and unpredictably inexpensive. This adjustment applies when payment would be much greater than cost and the hospital stands to make a large gain. It reduces the payment amount allowed to providers.

- *Input* Total charges (cell C14): **\$125,000.00**
- *Input* APR-DRG (cell C23): **001-4**
- Estimated gain (cell C61: \$105,868.91) exceeds cost outlier threshold 1.
- The outlier threshold is subtracted from the estimated gain (cell C61) and multiplied by marginal cost percentage 1 (cell C36).
- Cells C61-63 contain the low-side outlier adjustment calculation.
- Allowed amount before outlier adjustment (cell C51): \$149,618.91
- DRG cost outlier payment decrease (cell C63): \$38,297.35
- *Output* **Payment amount (cell C72): \$111,321.56**

A	B	C
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER	
14	Total charges	\$125,000.00
15	Hospital-specific cost-to-charge ratio	35.00%
16	Length of stay	2
17	Patient discharge status = transfer?	No
18	Patient age (in years)	25
19	Other health coverage	\$0.00
20	Patient share of cost	\$0.00
21	Is discharge status equal to 30?	No
22	Designated NICU facility	No
23	APR-DRG	001-4
33	DRG base rate	\$8,428
24	Payment amount	\$111,321.56

2.7.1 Low-Side Outlier Adjustment Example

A	B	C	D
2	Medi-Cal DRG Pricing Calculator Effective Dates of Admission on or after July 1, 2014		
11	<i>Indicates information to be input by the user.</i>	<i>Indicates payment policy parameters set by Medi-Cal</i>	
12	Information	Data	COMMENTS OR FORMULA
13	INFORMATION FROM THE HOSPITAL- TO BE INPUT BY THE USER		
14	Total charges	\$125,000.00	UB-04 Form Locator 47
15	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
16	Length of stay	2	See instruction 4; used for transfer pricing adjustment
17	Patient discharge status = transfer?	No	See instruction 5; used for transfer pricing adjustment
18	Patient age (in years)	25	Used for age adjustor
19	Other health coverage	\$0.00	UB-04 Form Locator 54 for payments by third parties
20	Patient share of cost	\$0.00	Includes spend-down or copayment
21	Is discharge status equal to 30?	No	Indicates an interim claim
22	Designated NICU facility	No	Policy adjustor for designated NICU facilities
23	APR-DRG	001-4	From separate APR-DRG grouping software
24	APR-DRG INFORMATION		
25	APR-DRG description	LIVER TRANSPLANT &/OR INTESTINAL TRANSPLANT	Look up from DRG table (Tab 3, Column B)
26	Casemix relative weight--unadjusted	17.7526	Look up from DRG table (Tab 3, Column D)
27	NICU service adjustor - hospital with designated NICU	1.0000	Look up from DRG table (Tab 3, Column I)
28	NICU service adjustor - all other hospitals	1.0000	Look up from DRG table (Tab 3, Column E)
29	Pediatric age adjustor	1.2500	Look up from DRG table (Tab 3, Column G)
30	Payment relative weight	17.7526	IF C18<21, then if (C22="Yes"), then (C26*C27*C29), else (C26*C28*C29), else if (C22="Yes"), then (C26*C27), else (C26*C28)
31	Average length of stay for this APR-DRG	31.6	Look up from DRG table (Tab 3, Column C)
32	PAYMENT POLICY PARAMETERS SET BY MEDI-CAL		
33	DRG base rate	\$8,428	Specific to each hospital. (Tab 4, Row 14)
34	Cost outlier threshold 1	\$42,040	Threshold qualifying high and low-cost outlier adjustments
35	Cost outlier threshold 2	\$131,375	Threshold qualifying high-cost outlier adjustments
36	Marginal cost percentage_1	60%	Used for high and low-cost outlier adjustments
37	Marginal cost percentage_2	80%	Used for high-cost outlier adjustments
38	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
39	Interim claim threshold	29	Threshold qualifying interim claims
40	Interim per diem amount	\$600	Used for pricing interim claims
41	IS THIS AN INTERIM CLAIM?		
42	Is discharge status equal to 30?	No	Look up C21
43	Is length of stay > interim claim threshold?	N/A	IF C42="Yes", then if (C16 > C39), "Yes", else "No", else "N/A"
44	Skip to C72 for final interim claim payment amount	\$0.00	IF C43="Yes", (C40*C16) rounded to 2 places, else 0
45	WHAT IS THE DRG BASE PAYMENT?		
46	DRG base payment for this claim	\$149,618.91	C33*C30*C38
47	IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
48	Is a transfer adjustment potentially applicable?	No	Look up C17
49	Calculated transfer payment adjustment	N/A	IF C48="Yes", then (C46/C31)*(C16+1) rounded to 2 places, else "NA"
50	Is transfer payment adjustment < allowed amount so far	N/A	IF C49="N/A" then "N/A", else if (C49<C46), then "Yes" else "No"
51	Allowed amount after transfer adjustment	\$149,618.91	IF C50="Yes", then C49, else C46
52	IS A COST OUTLIER ADJUSTMENT MADE?		
53	Estimated cost of this case	\$43,750.00	C14*C15
54	Is estimated cost > allowed amount	Gain	IF C53 > C51 then "Loss" else "Gain"
55	High-Side Outlier Payment When Payment Is Much Lower than Cost		
56	Estimated loss on this case	N/A	IF C54 = "Loss", then (C53-C51), else "N/A"
57	Is loss > outlier threshold lower limit	N/A	IF C54 = "Loss", then if (C56 > C34), then "Yes", else "No", else "N/A"
58	DRG cost outlier payment increase 1	\$0.00	IF C57 = "Yes", then if (C56<C34), then ((C56-C34)*C36), else ((C35-C34)*C36), else 0
59	DRG cost outlier payment increase 2	\$0.00	IF C57="Yes", then if (C56>C35), then (C56-C35)*C37, rounded to 2 places else 0, else 0
60	Low Side Outlier Payment When Payment Is Much Greater than Cost		
61	Estimated gain on this case	\$105,868.91	IF C54="Gain", then (C51-C53), else"N/A"
62	Is gain > outlier threshold	Yes	IF C54="Gain", then if (C61>C34), then "Yes", else "No", else "N/A"
63	DRG cost outlier payment decrease	\$38,297.35	IF C54="Gain", then (if (C62="Yes")), then (C61-C34)*C36 rounded to 2
64	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
65	DRG payment so far	\$111,321.56	IF C54="Loss", then (C51+C58+C59), else (C51-C63)
66	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
67	Add-on amount	\$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
68	Allowed amount	\$111,321.56	Allowed amount = C65+C67
69	Other health coverage	\$0.00	C19
70	Patient share of cost	\$0.00	C20
71	"Lesser of" calculation	\$111,321.56	Existing policy requires that payment amount cannot exceed total charges. IF C68>C14, then C14, else C68
72	Payment amount	\$111,321.56	If interim claim (C42="yes"), then interim claim (C44) amount is the payment amount. Otherwise, subtract other health coverage (C69) and patient share of cost (C70) from "Lesser of" (C71) to obtain payment amount.

2.8 Interim Claim

When the beneficiary is still a patient and the actual length of stay is greater than 29 days, a hospital may choose to submit an interim claim. Submission of interim claims is always voluntary, never mandatory. In these situations, hospitals will be paid a per diem amount (cell C40: \$600). Payment of interim claims requires an approved admission TAR/SAR. Final payment is calculated using the DRG method and then reduced by the previously submitted interim claim amounts.

- *Input* Total charges (cell C14): **\$75,000.00**
- *Input* Length of Stay (cell C16): **31**
- *Input* Is discharge status equal to 30? (cell C21): **“Yes”**
- *Input* APR-DRG (cell C23): **089-4**
- The interim per diem amount (cell C40: \$600) is multiplied by the actual length of stay (cell C16).
- That amount is the allowed payment to the provider.
- Upon discharge, the hospital submits a final claim for the complete stay and payment is made based on the DRG.

Interim claim amounts are then adjusted on the remittance advice that follows.

- *Output* **Payment amount (cell C72): \$18,600.00**

A	B	C
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER	
14	Total charges	\$75,000.00
15	Hospital-specific cost-to-charge ratio	35.00%
16	Length of stay	31
17	Patient discharge status = transfer?	No
18	Patient age (in years)	25
19	Other health coverage	\$0.00
20	Patient share of cost	\$0.00
21	Is discharge status equal to 30?	Yes
22	Designated NICU facility	No
23	APR-DRG	089-4
33	DRG base rate	\$8,428
24	Payment amount	\$18,600.00

2.8.1 Interim Claim Example

A	B	C	D
2	Medi-Cal DRG Pricing Calculator Effective Dates of Admission on or after July 1, 2014		
11	<i>Indicates information to be input by the user.</i>		<i>Indicates payment policy parameters set by Medi-Cal</i>
12	Information	Data	COMMENTS OR FORMULA
13	INFORMATION FROM THE HOSPITAL- TO BE INPUT BY THE USER		
14	Total charges	\$75,000.00	UB-04 Form Locator 47
15	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
16	Length of stay	31	See instruction 4; used for transfer pricing adjustment
17	Patient discharge status = transfer?	No	See instruction 5; used for transfer pricing adjustment
18	Patient age (in years)	25	Used for age adjustor
19	Other health coverage	\$0.00	UB-04 Form Locator 54 for payments by third parties
20	Patient share of cost	\$0.00	Includes spend-down or copayment
21	Is discharge status equal to 30?	Yes	Indicates an interim claim
22	Designated NICU facility	No	Policy adjustor for designated NICU facilities
23	APR-DRG	089-4	From separate APR-DRG grouping software
24	APR-DRG INFORMATION		
25	APR-DRG description	MAJOR CRANIAL/FACIAL BONE PROCEDURES	Look up from DRG table (Tab 3, Column B)
26	Casemix relative weight--unadjusted	6.7356	Look up from DRG table (Tab 3, Column D)
27	NICU service adjustor - hospital with designated NICU	1.0000	Look up from DRG table (Tab 3, Column I)
28	NICU service adjustor - all other hospitals	1.0000	Look up from DRG table (Tab 3, Column E)
29	Pediatric age adjustor	1.2500	Look up from DRG table (Tab 3, Column G)
30	Payment relative weight	6.7356	IF C18<21, then if (C22="Yes"), then (C26*C27*C29), else (C26*C28*C29), else if (C22="Yes"), then (C26*C27), else (C26*C28)
31	Average length of stay for this APR-DRG	16.3	Look up from DRG table (Tab 3, Column C)
32	PAYMENT POLICY PARAMETERS SET BY MEDI-CAL		
33	DRG base rate	\$8,428	Specific to each hospital. (Tab 4, Row 14)
34	Cost outlier threshold 1	\$42,040	Threshold qualifying high and low-cost outlier adjustments
35	Cost outlier threshold 2	\$131,375	Threshold qualifying high-cost outlier adjustments
36	Marginal cost percentage_1	60%	Used for high and low-cost outlier adjustments
37	Marginal cost percentage_2	80%	Used for high-cost outlier adjustments
38	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
39	Interim claim threshold	29	Threshold qualifying interim claims
40	Interim per diem amount	\$600	Used for pricing interim claims
41	IS THIS AN INTERIM CLAIM?		
42	Is discharge status equal to 30?	Yes	Look up C21
43	Is length of stay > interim claim threshold?	Yes	IF C42="Yes", then if (C16 > C39), "Yes", else "No", else "N/A"
44	Skip to C72 for final interim claim payment amount	\$18,600.00	IF C43="Yes", (C40*C16) rounded to 2 places, else 0
45	WHAT IS THE DRG BASE PAYMENT?		
46	DRG base payment for this claim	\$56,767.64	C33*C30*C38
47	IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
48	Is a transfer adjustment potentially applicable?	No	Look up C17
49	Calculated transfer payment adjustment	N/A	IF C48="Yes", then (C46/C31)*(C16+1) rounded to 2 places, else "NA"
50	Is transfer payment adjustment < allowed amount so far	N/A	IF C49="N/A" then "N/A", else if (C49<C46), then "Yes" else "No"
51	Allowed amount after transfer adjustment	\$56,767.64	IF C50="Yes", then C49, else C46
52	IS A COST OUTLIER ADJUSTMENT MADE?		
53	Estimated cost of this case	\$26,250.00	C14*C15
54	Is estimated cost > allowed amount	Gain	IF C53 > C51 then "Loss" else "Gain"
55	High-Side Outlier Payment When Payment Is Much Lower than Cost		
56	Estimated loss on this case	N/A	IF C54 = "Loss", then (C53-C51), else "N/A"
57	Is loss > outlier threshold lower limit	N/A	IF C54 = "Loss", then if (C56 > C34), then "Yes", else "No", else "N/A"
58	DRG cost outlier payment increase 1	\$0.00	IF C57 = "Yes", then if (C56<C34), then ((C56-C34)*C36), else ((C35-C34)*C36), else 0
59	DRG cost outlier payment increase 2	\$0.00	IF C57="Yes", then if (C56>C35), then (C56-C35)*C37, rounded to 2 places else 0, else 0
60	Low Side Outlier Payment When Payment Is Much Greater than Cost		
61	Estimated gain on this case	\$30,517.64	IF C54="Gain", then (C51-C53), else"N/A"
62	Is gain > outlier threshold	No	IF C54="Gain", then if (C61>C34), then "Yes", else "No", else "N/A"
63	DRG cost outlier payment decrease	\$0.00	IF C54="Gain", then (if (C62="Yes")), then (C61-C34)*C36 rounded to 2
64	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
65	DRG payment so far	\$56,767.64	IF C54="Loss", then (C51+C58+C59), else (C51-C63)
66	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
67	Add-on amount	\$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
68	Allowed amount	\$56,767.64	Allowed amount = C65+C67
69	Other health coverage	\$0.00	C19
70	Patient share of cost	\$0.00	C20
71	"Lesser of" calculation	\$56,767.64	Existing policy requires that payment amount cannot exceed total charges. IF C68>C14, then C14, else C68
72	Payment amount	\$18,600.00	If interim claim (C42="yes"), then interim claim (C44) amount is the payment amount. Otherwise, subtract other health coverage (C69) and patient share of cost (C70) from "Lesser of" (C71) to obtain payment amount.

2.9 Designated NICU Adjustment

This calculation is designed for hospitals with designated neonatal intensive care units. The Department of Health Care Services has defined a designated NICU as a NICU certified by the California Children's Services program for neonatal surgery. Hospitals with this designation will receive a higher policy adjustor on stays for sick babies. The policy adjustor increases the payment relative weight applied to the DRG base rate, thereby increasing the allowed payment amount.

- *Input* Total charges (cell C14): **\$50,000.00**
- *Input* Length of stay (cell C16): **2**
- *Input* Patient age (cell C18): **0**
- *Input* Is discharge status equal to 30? (cell C21): **"No"**
- *Input* Designated NICU Facility (cell C22): **"Yes"**
- *Input* APR-DRG (cell C23): **639-3**
- Service adjustor - hospital with designated NICU (cell C27: 1.75) is included in the payment relative weight calculation (cell C30).
- See cell C46 for calculation of the DRG base payment.
- *Output* **Payment amount (cell C72): \$21,576.31**

A	B	C
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER	
14	Total charges	\$50,000.00
15	Hospital-specific cost-to-charge ratio	35.00%
16	Length of stay	2
17	Patient discharge status = transfer?	No
18	Patient age (in years)	0
19	Other health coverage	\$0.00
20	Patient share of cost	\$0.00
21	Is discharge status equal to 30?	No
22	Designated NICU facility	Yes
23	APR-DRG	639-3
33	DRG base rate	\$8,428
24	Payment amount	\$21,576.31

2.9.1 Designated NICU Adjustment

A	B	C	D
2	Medi-Cal DRG Pricing Calculator Effective Dates of Admission on or after July 1, 2014		
11	<i>Indicates information to be input by the user.</i>	<i>Indicates payment policy parameters set by Medi-Cal</i>	
12	Information	Data	COMMENTS OR FORMULA
13	INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER		
14	Total charges	\$50,000.00	UB-04 Form Locator 47
15	Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
16	Length of stay	2	See instruction 4; used for transfer pricing adjustment
17	Patient discharge status = transfer?	No	See instruction 5; used for transfer pricing adjustment
18	Patient age (in years)	0	Used for age adjustor
19	Other health coverage	\$0.00	UB-04 Form Locator 54 for payments by third parties
20	Patient share of cost	\$0.00	Includes spend-down or copayment
21	Is discharge status equal to 30?	No	Indicates an interim claim
22	Designated NICU facility	Yes	Policy adjustor for designated NICU facilities
23	APR-DRG	639-3	From separate APR-DRG grouping software
24	APR-DRG INFORMATION		
		NEONATE	
		BIRTHWT >2499G	
25	APR-DRG description	W OTHER SIGNIFICANT CONDITION	Look up from DRG table (Tab 3, Column B)
26	Casemix relative weight--unadjusted	1.4629	Look up from DRG table (Tab 3, Column D)
27	NICU service adjustor - hospital with designated NICU	1.7500	Look up from DRG table (Tab 3, Column I)
28	NICU service adjustor - all other hospitals	1.2500	Look up from DRG table (Tab 3, Column E)
29	Pediatric age adjustor	1.0000	Look up from DRG table (Tab 3, Column G)
30	Payment relative weight	2.5601	IF C18<21, then if (C22="Yes"), then (C26*C27*C29), else (C26*C28*C29), else if (C22="Yes"), then (C26*C27), else (C26*C28)
31	Average length of stay for this APR-DRG	10.0	Look up from DRG table (Tab 3, Column C)
32	PAYMENT POLICY PARAMETERS SET BY MEDI-CAL		
33	DRG base rate	\$8,428	Specific to each hospital. (Tab 4, Row 14)
34	Cost outlier threshold 1	\$42,040	Threshold qualifying high and low-cost outlier adjustments
35	Cost outlier threshold 2	\$131,375	Threshold qualifying high-cost outlier adjustments
36	Marginal cost percentage_1	60%	Used for high and low-cost outlier adjustments
37	Marginal cost percentage_2	80%	Used for high-cost outlier adjustments
38	Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00.
39	Interim claim threshold	29	Threshold qualifying interim claims
40	Interim per diem amount	\$600	Used for pricing interim claims
41	IS THIS AN INTERIM CLAIM?		
42	Is discharge status equal to 30?	No	Look up C21
43	Is length of stay > interim claim threshold?	N/A	IF C42="Yes", then if (C16 > C39), "Yes", else "No", else "N/A"
44	Skip to C72 for final interim claim payment amount	\$0.00	IF C43="Yes", (C40*C16) rounded to 2 places, else 0
45	WHAT IS THE DRG BASE PAYMENT?		
46	DRG base payment for this claim	\$21,576.31	C33*C30*C38
47	IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
48	Is a transfer adjustment potentially applicable?	No	Look up C17
49	Calculated transfer payment adjustment	N/A	IF C48="Yes", then (C46/C31)*(C16+1) rounded to 2 places, else "NA"
50	Is transfer payment adjustment < allowed amount so far	N/A	IF C49="N/A" then , "N/A", else if (C49<C46), then "Yes" else "No"
51	Allowed amount after transfer adjustment	\$21,576.31	IF C50= "Yes", then C49, else C46
52	IS A COST OUTLIER ADJUSTMENT MADE?		
53	Estimated cost of this case	\$17,500.00	C14*C15
54	Is estimated cost > allowed amount	Gain	IF C53 > C51 then "Loss" else "Gain"
55	High-Side Outlier Payment When Payment Is Much Lower than Cost		
56	Estimated loss on this case	N/A	IF C54 = "Loss", then (C53-C51), else "N/A"
57	Is loss > outlier threshold lower limit	N/A	IF C54 = "Loss", then if (C56 > C34), then "Yes", else "No", else "N/A"
58	DRG cost outlier payment increase 1	\$0.00	IF C57 = "Yes", then if (C56<C34), then ((C56-C34)*C36), else ((C35-C34)*C36), else 0
59	DRG cost outlier payment increase 2	\$0.00	IF C57="Yes", then if (C56>C35), then (C56-C35)*C37, rounded to 2 places else 0, else 0
60	Low Side Outlier Payment When Payment Is Much Greater than Cost		
61	Estimated gain on this case	\$4,076.31	IF C54="Gain", then (C51-C53), else"N/A"
62	Is gain > outlier threshold	No	IF C54="Gain", then if (C61>C34), then "Yes", else "No", else "N/A"
63	DRG cost outlier payment decrease	\$0.00	IF C54="Gain", then (if (C62="Yes"), then (C61-C34)*C36 rounded to 2
64	ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
65	DRG payment so far	\$21,576.31	IF C54="Loss", then (C51+C58+C59), else (C51-C63)
66	CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
67	Add-on amount	\$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
68	Allowed amount	\$21,576.31	Allowed amount = C65+C67
69	Other health coverage	\$0.00	C19
70	Patient share of cost	\$0.00	C20
71	"Lesser of" calculation	\$21,576.31	Existing policy requires that payment amount cannot exceed total charges. IF C68>C14, then C14, else C68
72	Payment amount	\$21,576.31	If interim claim (C42="yes"), then interim claim (C44) amount is the payment amount. Otherwise, subtract other health coverage (C69) and patient share of cost (C70) from "Lesser of" (C71) to obtain payment amount.

2.9 Conclusion

This concludes the specific examples for training on use of the DRG calculator. Please feel free to apply to other examples. If you have questions, please contact DHCS at DRG@dhcs.ca.gov.