THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

SEP 25 2015

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Fiscal Year 2016 Direct Care Inpatient Billing Rates

The attached document contains the Department of Defense Uniform Business Office (UBO) Fiscal Year (FY) 2016 Direct Care Inpatient Billing Rates. These rates are effective October 1, 2015. The Defense Health Agency (DHA) requests that this package be posted to the Comptroller's Website, (http://www.defenselink.mil/comptroller/rates/fy2016.html) as FY 2016 Direct Care Inpatient Billing Rates, Medical and Dental Services.

These rates are used when billing for medical services furnished to inpatients at military treatment facilities. The Adjusted Standardized Amounts (ASAs) are based on an indexing methodology that aligns with changes in TRICARE institutional and professional services reimbursement rates. The overall change in direct care ASAs from FY 2015 to FY 2016 is a 3.524 percent increase that reflects the average TRICARE increase in reimbursement over a ten-year (FY 2006- FY 2015) indexing period.

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Attachment:
As stated

Fiscal Year 2016
Direct Care Inpatient Adjusted Standardized Amounts
Rates and Guidance

1.0 Fiscal Year 2016 Direct Care Inpatient Adjusted Standard Amount Rates and Charges effective 1 October 2015.

Overview

The fiscal year (FY) 2016 direct care inpatient Adjusted Standardized Amounts (ASA) rates are computed based on the Military Health System direct care standardized cost to provide a single Medicare Severity Relative Weighted Product (MS-RWP). The MS-RWP is a Medicare Severity Diagnosis Related Group (MS-DRG) based measure of the relative costliness of a given discharge. The average standardized cost per MS-RWP for hospitals in locations with area wage rates greater than 1.0, less than or equal to 1.0, and overseas are published annually as inpatient ASAs shown in Table 1. This approach maintains compatibility with both Medicare and TRICARE ASA policies. The ASA rates will be applied to the MS-RWP for each inpatient case, determined from the TRICARE MS-DRG weights, outlier thresholds, and payment rules to calculate the reimbursement charge. The Department of Defense (DoD) publishes these data annually for hospital reimbursement rates under TRICARE/Civilian Health and Medical Program of the Uniformed Services pursuant to 32 Code of Federal Regulations 199.14(a)(1). Due to data system limitations, for Military Treatment Facilities (MTFs), direct care adjustments are made for length of stay (LOS) outliers rather than high cost outliers.

Table 1 provides the average direct care inpatient ASA rates for third party billing, interagency billing and International Military Education and Training (IMET) billing for three core-based statistical areas (CBSA) (high area wage index, low area wage index, and overseas).

Table 1. Average FY 2016 Direct Care Inpatient ASA Rates

Wage Index	Average IMET Rate	Average Interagency Rate (IAR)	Average Full/TPC Rate
Area Wage Index > 1.00	$7,069.37	$11,233.70	$11,852.39
Area Wage Index ≤1.00	$7,914.14	$11,593.80	$12,273.77
Overseas ^	$7,530.25	$16,060.94	$16,863.64

^ Hawaii and Alaska are not considered overseas for billing purposes.

The IMET program is a key funding component of U.S. security assistance that provides training on a grant basis to students from allied and friendly nations. Authority for the IMET program is found pursuant to Chapter 5, part II, Foreign Assistance Act 1961. Funding is appropriated from the International Affairs budget of the Department of State. Not all foreign national patients participate in the IMET program. The IAR ASA rates are used to bill other federal agencies. The full/Third Party Collection (TPC) ASA rates are used to bill insurance carriers, pay patients, and other payers.

Each MTF providing inpatient care has its own applied ASA rates (shown in Appendix A). The MTF-specific ASA rates are the average ASA rates adjusted for indirect medical education costs, if any, for the discharging hospital. The product of the discharge specific MS-RWP and the MTF-applied ASA rate is the charge submitted on the claim and is the amount payers will use for reimbursement purposes. The individual ASAs are published on the Defense Health Agency Uniform Business Office Website (http://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office). Examples of how to calculate the reimbursement charge are shown in Section 2.0.

The ASA per MS-RWP used in the direct care system is comparable to procedures used by the Centers for Medicare and Medicaid Services (CMS) and TRICARE. The expenses represented by the ASAs include all direct care expenses associated with direct inpatient care. The inpatient ASAs includes the cost of both inpatient professional and institutional services. The ASA rates apply to reimbursement from TPC, IMET and IAR payers. Pursuant to the provisions of 10 United States Code (U.S.C.) 1095, the breakdown of total inpatient charges is 93 percent for institutional charges and 7 percent for professional charges. When preparing bills for inpatient services, professional fees are based on the privileged provider services. The hospital institutional fees are based on the costs for support staff, facility costs, ancillary services, pharmacy, and supplies.

MTFs without inpatient services, whose providers perform inpatient care in a civilian facility for a DoD beneficiary, can bill payers the percentage of the ASA/MS-RWP based charge that represents professional services. In the absence of a MTF-applied ASA rate for the facility, the ASA rate used will be based on the average for the type of CBSA in which the MTF is located - areas with wage rate indices greater than 1.0, less than or equal to 1.0, or overseas. The MTF Uniform Business Office must receive documentation of care provided in order to produce an appropriate bill.

1.1 Family Member Rate (FMR)

The FY 2016 FMR is $18.00 per day. The FMR is established by authority of 10 U.S.C., Section 1078.

2.0 Examples Applying ASAs to Compute Inpatient Stay Charges

The cost to be recovered is the product of the MTF applied ASA rate and the MS-RWPs specific to the inpatient medical services provided. This includes the costs of both inpatient institutional and professional services. Billing in the examples below is at the full/TPC rate.

For each MS-DRG, TRICARE establishes short stay and long stay thresholds. An inlier is any discharge with a LOS greater than the short stay threshold, equal to or less than the long stay threshold. An outlier is any discharge with a LOS less than or equal to the short stay threshold or greater than the long stay threshold. Example charge computations are

provided below for inlier, outlier, and transfer discharges. The full list of TRICARE MS-DRGs with MS-DRG case weights, long stay thresholds, short stay thresholds and other information is provided at (http://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office).

Table 2 provides the information used in the billing examples for a non-teaching hospital (DMIS ID 0098—Army Community Hospital Reynolds - Sill) in an Area Wage Index ≤ 1.00 location for a discharge in MS-DRG 765—Cesarean section with complications and comorbidities/major complications and comorbidities (CC/MCC). For this example, FY 2015 TRICARE weights are used since the FY 2016 weights are not yet available.

Table 2. Third Party Billing Examples

MS-DRG Number	MS-DRG Description	MS-DRG Weight	Arithmetic Mean LOS	Geometric Mean LOS	Short Stay Threshold	Long Stay Threshold
765	Cesarean section with CC/MCC	0.8634	4.1	3.5	1	14

Hospital	Wage Index	Area Wage Rate Index	IME Adjustment	Group ASA	MTF-Applied TPC ASA
ACH Reynolds – Sill	Area Wage Index ≤1.0	0.7593	1.0	$12,273.77	$11,367.68

	Length of Stay (LOS)	Days Above Threshold	Relative Weighted Product			TPC Amount
			Inlier	Outlier/Transfer	Total	
#1	7 days	0	0.8634	0	0.8634	$9,814.85
#2	21 days	7	0.8634	0.5699	1.4333	$16,293.30
#3	1 day	0	0.8634	0.4212	0.4212	$4,788.07
#4	2 days	0	0.8634	0.7401	0.7401	$8,413.22

Example #1 provides an example of the charge for an inlier LOS discharge in MS-DRG 765. The MS-RWP for an inlier case is the TRICARE MS-DRG weight of 0.8634. The MS-DRG weight used in these examples is the FY 2015 Version 32 TRICARE DRG weight. The charge is the product of the MS-RWPs and the MTF applied ASA rate.

a) The FY 2016 MTF-Applied TPC ASA rate is $11,367.68 (Army Community Hospital Reynolds – Sill's TPC rate as shown in Appendix A).

b) The MTF amount to be recovered is the MS-DRG weight (0.8634) multiplied by the MTF-Applied TPC ASA ($11,367.68).

c) The inlier cost to be recovered is $9,814.85 as computed below.
   TPC Amount Billed: MTF-Applied TPC ASA rate multiplied by the MS-DRG weight
   = $11,367.68* 0.8634= $9,814.85

Example #2 provides the example of the charge for a long stay LOS outlier discharge in MS-DRG 765. The total MS-RWP for a long stay LOS outlier case is a combination of the CHAMPUS MS-DRG weight plus additional MS-RWP credit for each day that the LOS exceeds the Long Stay Threshold. The charge is determined by multiplying the total MS-RWPs by the MTF-applied ASA rate.

a) For the long stay LOS outlier MS-RWP value calculation, 33 percent of the per diem weight is multiplied by the number of outlier days. The number of outlier days is computed as the actual LOS minus the Long Stay Threshold. For long stay outliers, per diem weight is determined by dividing by the MS-DRG weight by the Geometric Mean LOS.

b) Long stay LOS Outlier MS-RWP value calculation

   = .33 * (MS-DRG Weight/Geometric Mean LOS) * (Patient LOS - Long Stay Threshold)
   = .33 * (0.8634/3.5) * (21-14)
   = .33 * .24669 (carry out to five decimal places) * (21-14)
   = 0.08141 (carry out to five decimal places) * 7
   = 0.5699 (carry out to four decimal places)

c) The total MS-RWP is the MS-DRG weight (0.8634) added to the LOS outlier MS-RWP value.
   Total MS-RWP = 0.8634+ 0.5699 = 1.4333

d) The MTF amount to be recovered is the MTF-Applied TPC ASA rate ($11,367.68) multiplied by the total MS-RWP.

TPC Amount Billed: MTF-Applied TPC ASA rate * Total MS-RWP
= $11,367.68* 1.4333
= $16,293.30

Example #3 provides the example of the charge for a short stay LOS outlier discharge in MS-DRG 765. The MS-RWP for a short stay LOS outlier case is the smaller of (1) twice a per diem MS-RWP allowance, or (2) the MS-DRG weight. The charge is determined by multiplying the total MS-RWPs by the MTF-applied ASA rate.

a) For the short stay LOS outlier MS-RWP value calculation, determine the minimum of two times the per diem weight multiplied by the LOS. For short stay outliers, per diem weight is determined by dividing by the MS-DRG weight by the arithmetic mean LOS.

b) Short stay LOS Outlier MS-RWP value calculation

= minimum (2* (MS-DRG Weight/Arithmetic Mean LOS) * Patient LOS), MS-DRG Weight
= minimum (2*(0.8634/4.1) * 1), 0.8634
= minimum (2* .21059 (carry out to five decimal places) * 1), 0.8634
= minimum (0.4212 (carry out to four decimal places)), 0.8634
= 0.4212

c) The MTF amount to be recovered is the MTF-applied TPC ASA rate ($11,367.68) multiplied by the short stay LOS Outlier MS-RWP.

TPC Amount Billed: MTF-applied TPC ASA rate * Short Stay LOS Outlier MS-RWP
=$11,367.68* 0.4212
=$4,788.07

Example #4 provides the example of the charge for a transfer discharge in MS-DRG 765. The MS-RWP for a transfer case is the lesser of (1) twice a per diem MS-RWP allowance plus the (LOS -1) multiplied by the per diem, or (2) the MS-DRG weight. The charge is determined by multiplying the total MS-RWPs by the MTF-applied ASA rate.

a) For the transfer MS-RWP value calculation, determine the minimum of two times the per diem weight plus the LOS minus one multiplied by the per diem weight. For transfers, per diem weight is determined by dividing by the MS-DRG weight by the geometric mean LOS.

b) Transfer MS-RWP value calculation

Per Diem Weight = MS-DRG Weight/Geometric Mean LOS

= 0.8634/3.5
= .24669 (carry out to five decimal places)

= minimum (2* Per Diem + (Patient LOS – 1) * Per Diem), MS-DRG Weight
= minimum (2*.24669 + (2-1) * .24669), 0.8634
= minimum (2*.24669 + 1*.24669), 0.8634
= minimum (.49338 + .24669 (carry out to five decimal places)), 0.8634
= minimum (0.7401 (carry out to four decimal places)), 0.8634
= 0.7401

c) The MTF amount to be recovered is the MTF-applied TPC ASA rate ($11,367.68) multiplied by the transfer MS-RWP.

TPC Amount Billed: MTF-applied TPC ASA rate * Transfer MS-RWP
=$11,367.68* 0.7401
=$8,413.22

APPENDIX A: FY 2016 Adjusted Standardized Amounts by Military Treatment Facility Effective 1 October 2015

DMISID	MTF NAME	SERV	FULL COST RATE	INTER AGENCY RATE	IMET RATE	TPC RATE
0005	ACH BASSETT-WAINWRIGHT	A	$12,539.30	$11,884.75	$7,479.07	$12,539.30
0006	673rd MED GRP-ELMENDORF	F	$11,899.49	$11,278.34	$7,097.46	$11,899.49
0014	60th MED GRP-TRAVIS	F	$14,898.00	$14,120.32	$8,885.92	$14,898.00
0024	NH CAMP PENDLETON	N	$15,035.91	$14,251.04	$8,968.18	$15,035.91
0028	NH LEMOORE	N	$11,852.39	$11,233.70	$7,069.37	$11,852.39
0029	NMC SAN DIEGO	N	$19,814.10	$18,779.80	$11,818.13	$19,814.10
0030	NH TWENTYNINE PALMS	N	$12,057.60	$11,428.19	$7,191.76	$12,057.60
0032	ACH EVANS-CARSON	A	$12,062.59	$11,394.32	$7,777.97	$12,062.59
0038	NH PENSACOLA	N	$17,616.49	$16,640.54	$11,359.13	$17,616.49
0039	NH JACKSONVILLE	N	$17,762.85	$16,778.79	$11,453.50	$17,762.85
0042	96th MED GRP-EGLIN	F	$14,964.32	$14,135.30	$9,649.01	$14,964.32
0047	AMC EISENHOWER-FT. GORDON	A	$16,117.76	$15,224.84	$10,392.75	$16,117.76
0048	ACH MARTIN-BENNING	A	$14,438.75	$13,638.84	$9,310.12	$14,438.75
0049	ACH WINN-STEWART	A	$11,336.98	$10,708.91	$7,310.09	$11,336.98
0052	AMC TRIPLER-SHAFTER	A	$18,101.18	$17,156.30	$10,796.46	$18,101.18
0053	366th MED GRP-MOUNTAIN HOME	F	$12,207.94	$11,531.62	$7,871.69	$12,207.94
0057	ACH IRWIN-RILEY	A	$11,449.25	$10,814.96	$7,382.49	$11,449.25
0060	ACH BLANCHFIELD-CAMPBELL	A	$11,021.59	$10,410.99	$7,106.73	$11,021.59
0061	ACH IRELAND- KNOX	A	$11,074.32	$10,460.80	$7,140.73	$11,074.32
0064	ACH BAYNE-JONES-POLK	A	$11,195.03	$10,574.83	$7,218.57	$11,195.03
0067	WALTER REED NATL MIL MED CNTR-WRNMMC	NCR	$20,280.40	$19,221.76	$12,096.26	$20,280.40
0073	81st MED GRP-KEESLER	F	$15,045.97	$14,212.42	$9,701.66	$15,045.97
0075	ACH LEONARD WOOD	A	$11,514.83	$10,876.91	$7,424.77	$11,514.83
0079	99th MED GRP-O'CALLAGHAN HOSP	F	$14,318.01	$13,570.61	$8,539.99	$14,318.01
0086	ACH KELLER-WEST POINT	A	$13,678.92	$12,964.88	$8,158.80	$13,678.92
0089	AMC WOMACK-BRAGG	A	$13,997.70	$13,222.23	$9,025.73	$13,997.70
0091	NH CAMP LEJEUNE	N	$12,493.89	$11,801.73	$8,056.07	$12,493.89
0095	88th MED GRP-WRIGHT-PATTERSON	F	$16,283.70	$15,381.58	$10,499.74	$16,283.70
0098	ACH REYNOLDS-SILL	A	$11,367.68	$10,737.91	$7,329.89	$11,367.68
0104	NH BEAUFORT	N	$12,126.44	$11,454.64	$7,819.14	$12,126.44
0105	ACH MONCRIEF-JACKSON	A	$11,732.13	$11,082.17	$7,564.89	$11,732.13
0108	AMC WILLIAM BEAUMONT-BLISS	A	$13,886.19	$13,116.90	$8,953.83	$13,886.19

DMISID	MTF NAME	SERV	FULL COST RATE	INTER AGENCY RATE	IMET RATE	TPC RATE
0109	AMC BROOKE -SAMMC-SAM HOUSTON	A	$18,434.40	$17,413.13	$11,886.52	$18,434.40
0110	AMC DARNALL-HOOD	A	$13,352.82	$12,613.07	$8,609.91	$13,352.82
0120	633rd MED GRP LANGLEY-EUSTIS	F	$12,195.79	$11,520.14	$7,863.86	$12,195.79
0123	FT. BELVOIR COMMUNITY HOSP-FBCH	NCR	$13,509.99	$12,804.77	$8,058.04	$13,509.99
0124	NMC PORTSMOUTH	N	$16,106.49	$15,214.19	$10,385.48	$16,106.49
0125	AMC MADIGAN-LEWIS	A	$18,014.73	$17,074.36	$10,744.90	$18,014.73
0126	NH BREMERTON	N	$16,663.55	$15,793.71	$9,938.99	$16,663.55
0127	NH OAK HARBOR	N	$12,428.14	$11,779.39	$7,412.77	$12,428.14
0131	ACH WEED-IRWIN	A	$11,979.72	$11,354.38	$7,145.31	$11,979.72
0607	LANDSTUHL REGIONAL MEDCEN	A	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0612	ACH BRIAN ALLGOOD-SEOUL	A	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0615	NH GUANTANAMO BAY	N	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0617	NH NAPLES	N	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0618	NH ROTA	N	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0620	NH GUAM-AGANA	N	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0621	NH OKINAWA	N	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0622	NH YOKOSUKA	N	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0624	NH SIGONELLA	N	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0633	48th MED GRP-LAKENHEATH	F	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0638	51st MED GRP-OSAN AB	F	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0639	35th MED GRP-MISAWA	F	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0640	374th MED GRP-YOKOTA AB	F	$16,863.64	$16,060.93	$7,530.24	$16,863.64
0808	31st MED GRP-AVIANO	F	$16,863.64	$16,060.93	$7,530.24	$16,863.64

Acronyms used above:
A - Army
AB - Air Base
ACH - Army Community Hospital
AMC - Army Medical Center
BAMC – Brooke Army Medical Center
DMIS ID - Defense Medical Information System (DMIS) Identifier (ID)
F - Air Force
FSH – Fort Sam Houston
FT - Fort
GRP - Group
HOSP – Hospital
IMET – International Military Education Training
JBSA – Joint Base San Antonio
MED - Medical
MTF – Military Treatment Facility
N – Navy
NCR – National Capitol Region
NH - Naval Hospital
NMC - Naval Medical Center
TPC – Third Party Collection
SAMMC – San Antonio Military Medical Center
SERV - Service