

Denial & RAC Appeals – Financial Impact & how to calculate

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Patient #1

- Patient discharged 3/31/2013
- Location: Charlotte, NC major teaching hospital
- DRG #340 Appendectomy w/o CC/MCC was denied
- CPT #44970 Laparoscopy, surgery, appendectomy
- Additional labs that would have been paid under fee schedule not included

Patient #1 (cont'd)

- Operating DRG Payment assumed originally paid on claim:

Labor related portion	\$3,316.23 (from FFY 2013 PPS regulations)
Wage index	.9011 (from FFY 2013 PPS regulations)
Labor related	\$2,988.25
Non-Labor related portion	<u>\$1,668.81</u> (from FFY 2013 PPS regulations)
Am't before DSH and IME	\$4,657.06
IME factor (.09)	\$419.14 (hospital-specific provided by MAC/FI)
DSH factor (.15)	<u>\$698.56</u> (hospital-specific provided by MAC/FI)
Operating DRG rate after adjusts	\$5,774.76
DRG weight (DRG #340)	<u>1.2024</u> (from FFY 2013 PPS regulations)
Operating DRG payment	<u>\$6,943.57</u>

Patient #1 (cont'd)

- Capital DRG Payment assumed originally paid on claim

National capital rate	\$425.49 (from FFY 2013 PPS regulations)
Geographic adjust factor (Charlotte)	<u>.9312</u> (from FFY 2013 PPS regulations)
Subtotal	\$396.22
Capital IME factor (.03)	\$11.89 (hospital-specific from MAC/FI)
Capital DSH factor (.07)	<u>\$27.74</u> (hospital-specific from MAC/FI)
Capital rate after adjusts	\$435.85
DRG weight (DRG #340)	<u>1.2024</u>
Capital DRG payment	<u>\$524.07</u>

Patient #1 (cont'd)

- APC Payment calculation for CPT code #44970

Payment rate per Addendum B	\$3,487.15 (per FFY2013 OP PPS regs)
Labor proportion	60%
Labor portion of rate	\$2,092.29
Wage index	<u>.9011</u>
Subtotal	\$1,885.36
Non-labor proportion	40%
Non-Labor proportion of rate	<u>\$1,394.86</u>
APC Payment	<u>\$3,280.22</u>

Patient #1 (cont'd)

Operating DRG Payment	\$6,943.57	
Capital DRG Payment	<u>524.07</u>	
Total Inpatient Payment		\$7,467.64
APC Payment		<u>\$3,280.22</u>
Difference		<u>\$4,187.42</u>

Patient #2

- Patient discharged 1/19/2013
- Location: Charlotte, NC major teaching hospital
- DRG #227 Cardiac defib implant w/out cardiac cath w AMI/HF/Shock as PD w/o MCC
- CPT #33249 Insertion or replacement of permanent pacing cardioverter-defibrillator system with transvenous lead(s), single or dual chamber
- Additional labs that would have been paid under fee schedule not included

Patient #2 (cont'd)

- Operating DRG Payment assumed originally paid on claim:

Labor related portion	\$3,316.23 (from FFY 2013 PPS regulations)
Wage index	.9011 (from FFY 2013 PPS regulations)
Labor related	\$2,988.25
Non-Labor related portion	<u>\$1,668.81</u> (from FFY 2013 PPS regulations)
Am't before DSH and IME	\$4,657.06
IME factor (.09)	\$419.14 (hospital-specific provided by MAC/FI)
DSH factor (.15)	<u>\$698.56</u> (hospital-specific provided by MAC/FI)
Operating DRG rate after adjusts	\$5,774.76
DRG weight (DRG #227) regulations)	<u>5.1886</u> (from FFY 2013 PPS regulations)
Operating DRG payment	<u>\$29,962.92</u>

Patient #2 (cont'd)

- Capital DRG Payment assumed originally paid on claim

National capital rate	\$425.49 (from FFY 2013 PPS regulations)
Geographic adjust factor (Charlotte)	<u>.9312</u> (from FFY 2013 PPS regulations)
Subtotal	\$396.22
Capital IME factor (.03)	\$11.89 (hospital-specific from MAC/FI)
Capital DSH factor (.07)	<u>\$27.74</u> (hospital-specific from MAC/FI)
Capital rate after adjusts	\$435.85
DRG weight (DRG #227)	<u>5.1886</u>
Capital DRG payment	<u>\$2,261.45</u>

Patient #2 (cont'd)

- APC Payment calculation for CPT code #33249

Payment rate per Addendum B	\$30,680.01 (per FFY2013 OP PPS regs)
Labor proportion	60%
Labor portion of rate	\$18,408.01
Wage index	<u>.9011</u>
Subtotal	\$16,587.46
Non-labor proportion	40%
Non-Labor proportion of rate	<u>\$12,272.00</u>
APC Payment	<u>\$28,859.46</u>

Patient #2 (cont'd)

Operating DRG Payment	\$29,962.92	
Capital DRG Payment	<u>\$2,261.45</u>	
Total Inpatient Payment		\$32,224.37
APC Payment		<u>\$28,859.46</u>
Difference		<u>\$3,364.91</u>

Use of this information

- Hospital obtains better feel for change in reimbursement due to RAC activity.
- Hospital will make more informed decisions on whether to appeal (cost to appeal vs. change in reimbursement)
- Hospital will be able to better support RAC reserve on financial statements

Anchor Provider Solutions, LLC

Provides the following services:

- Reimbursement services for almost all provider types
- Managed care modeling impacts
- Compliance reviews and analyses
- Litigation support & damage calculation
- Financial – impact of new regulations, adding, deleted new service/units, etc.
- Revenue cycle – charge capture, denial management, etc.
- ICD-10 assessment/preparation

Contact information

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Questions???