

Medicare Hospital Version

Assumptions

- A hospital provided an outpatient surgical service to a Medicare beneficiary.
- The surgical service was separately payable under OPPS.
- No other separately payable services were furnished on the date of the procedure.
- The wage index adjusted allowable for the procedure is \$4000.
- The case required extensive use of packaged items and services (all covered by Medicare).
- Total charges were \$38,000, including the surgical charges and all packaged charges.
- The hospital's outpatient cost-to-charge ratio is 35%.

Facts:

Total Covered Charges:	\$38,000
Wage Index Adjusted Payment Rate:	\$4,000
Cost-to-Charge Ratio:	35.00%
Outlier Multiplier Threshold	1.75
Fixed Dollar Threshold	\$8,625
Outlier Payment Percentage	50%

Step One: Calculate Qualifying Thresholds

Qualifying Outlier Cost Threshold	\$4,000	x	1.75	=	\$7,000
Qualifying Fixed Dollar Threshold	\$4,000	+	\$8,625	=	\$12,625
			Costs must exceed higher of the two	=	\$12,625

Step Two: Calculate Costs

Covered Charges X CCR	\$38,000	x	35.00%	=	\$13,300
-----------------------	----------	---	--------	---	----------

Step Three: Calculate Outlier Payment

Outlier Payment Threshold	\$4,000	x	1.75	=	\$7,000
(Cost - Outlier Payment Threshold) X Outlier Payment Percentage					
\$13,300 - \$7,000 = \$6,300		x	50%	=	\$3,150