Prospective payment examples

Ventilator patients in long-term acute care (LTAC) hospital

Reimbursement code	Procedure	Relative weight	Average length of stay	Threshold: short stay outlier	LTAC cases	Unadjusted LTCH-PPS payment
MS-LTC-DRG 003	Extracorporeal membrane oxygenation or tracheostomy with mechanical ventilation for 96+ hours, or principal diagnosis except face, mouth, and neck with major operating room procedure	4.1903	62.7	52.3	333	$171,985.46
MS-LTC-DRG 004	Tracheostomy with mechanical ventilation for 96+ hours, or principal diagnosis except face, mouth, and neck without major operating room procedure	2.8875	43.1	35.9	1,909	$118,513.71
MS-LTC-DRG 207	Respiratory system diagnosis with ventilator support for 96+ hours	1.9279	31.8	26.5	15,769	$79,128.17
MS-LTC-DRG 208	Respiratory system diagnosis with ventilator support of < 96 hours	1.0728	21.2	17.7	2,222	$44,031.69
MS-LTC-DRG 870	Septicemia or severe sepsis with mechanical ventilation for 96+ hours	2.0664	29.7	24.8	1,727	$84,812.72
MS-LTC-DRG 927	Extensive burns or full thickness burns with mechanical ventilation for 96+ hours with skin graft	0.7881	22.9	19.1	0	$32,346.55
MS-LTC-DRG 933	Extensive burns or full thickness burns with mechanical ventilation for 96+ hours without skin graft	1.1540	27.1	22.6	4	$47,364.44

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Definitions

MS-LTC-DRG: Medicare severity (MS) long-term care (LTC) diagnosis-related group (DRG). The patient classification system groupings used to identify patients by diagnosis and certain clinical characteristics of the condition a patient is being treated for.

Relative weight: the measure used to account for the variation in cost per patient discharge for each MS-LTC-DRG. The relative weights reflect the differences in resource utilization for each diagnosis grouping. The relative weights used for each MS-LTC-DRG are updated annually by CMS using the most recently available claims data to identify changes in treatment patterns, technology and other factors that impact resource utilization and cost.

Average length of stay: the average amount of time a patient assigned to a particular MS-LTC-DRG will stay in the long-term care hospital. Payment rates are adjusted when patients have stays that are shorter than the average length of stay for the MS-LTC-DRG that the patient is assigned to.

Short stay outlier: a case with a length of stay that is less than or equal to five-sixths of the average length of stay for a particular MS-LTC-DRG. CMS makes an adjustment to the payment for cases with a length of stay less than the short stay outlier threshold so that the payment is comparable to the rates that would be paid for the patient if treated in an acute care hospital under the inpatient prospective payment system instead of the long-term care hospital prospective payment system.

Unadjusted long-term care hospital-prospective payment system (LTCH-PPS): the payment amount that a long-term care hospital would receive for a patient assigned to a particular MS-LTC-DRG, based on a predetermined, per discharge amount *(the standard federal rate)* that is adjusted by the relative weight for the MS-LTC-DRG that the patient is assigned to. The unadjusted LTCH-PPS payment amount was calculated by multiplying the unadjusted FY 2015 standard federal rate *($41,043.71)* by the FY 2015 relative weight for each MS-LTC-DRG. Adjustments to the LTCH-PPS payment amount are made to take into account differences in area wages where the long-term care hospital is located, as well as case-specific adjustments for short stay cases, interrupted stay cases, cases discharged and readmitted to colocated providers, and high-cost outlier cases.

Source: Figures were extrapolated from the FY 2015 MS-LTC-DRG File *(Table 11),* available at:
http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS/LTCHPPS-Regulations-and-Notices-Items/LTCH-PPS-CMS-1607-F.html?DLPage=1&DLSort=3&DLSortDir=descending
The unadjusted FY 2015 standard federal rate is $41,043.71 *(see 79 Fed. Reg. 50,402. Aug. 22, 2014).*

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