Dr. Susan, need help with the following assignment.

Mrs. Smith is a 70-year-old and hospitalized for a **Kidney Transplant** procedure**.**  General Hospital is a large urban hospital in San Francisco that incurred $150,000 in Medicare approved charges in treating Mrs. Smith. *Please use the information provided in this module as well as the****Hospital Payments Example****, which can be found in* **the background introduction section**, *to answer the following questions*. include all formulas and calculations in your paper.

|  |  |  |
| --- | --- | --- |
| DRG | Description | Case Weight |
| 115 | Permanent Cardiac Pacemaker | 3.5513 |
| **302** | **Kidney Transplant** | **4.1370** |
| 441 | Hand Procedure/Surgery | 0.8785 |

**Please answer the following questions for Kidney Transplant ONLY:**

1. **What is the operating payment to be paid to the hospital?**
2. **What is the capital payment to be paid to the hospital?**
3. **Will the hospital be eligible for the Medicare outlier payment?**
4. **What is the total payment to the hospital?**

Background intoduction:

1. Many private and public payers reimburse hospital inpatient services based on a predetermined, fixed amount for a particular service. The payment amount is derived based on the classification system of that service (for example, diagnosis-related groups). Meicare as the largest public payer for health care in the United States reimbuses hospital inpatient services through this type of prospective payment system. Diagnostic Related Groups (DRG) are about 500 distinct categories or groupings to classify hospital inpatient cases that are expected to have similar hospital resource use. DRGs are assigned by a "grouper" program based on diagnoses, procedures, age, sex, discharge status, and comorbidities. DRGs serve as the foundation for Medicare's prospective payment system. Many private payers emulate Medicare's reimbursement system to develop their own DRG-based prospective payment system for inpaitent services. In this module, we are going to explore how Medicare calculate inpatient payment rate. Below are examples of Diagnostic-Related Groups:

|  |  |  |  |
| --- | --- | --- | --- |
| DRG | Description | Case Weight | Outlier |
| 001 | Craniotomy Age>17 Years, Except for Trauma | 3.0932 | 32 |
| 037 | Orbital procedures | 0.8821 | 26 |
| 072 | Nasal Trauma | 0.6419 | 26 |
| 115 | Permanent Cardiac Pacemaker | 3.5513 | 33 |
| 191 | Pancreas, Liver, Shunt Procedure | 3.6598 | 36 |
| **302** | **Kidney Transplant** | **4.1370** | **35** |
| 418 | Post-operative infections | 0.9777 | 29 |
| 441 | Hand Procedure/Surgery | 0.8785 | 25 |
| 488 | HIV Extensive O.R. Procedure | 4.2177 | 37 |

1. PROSPECTIVE PAYMENT:  The Prospective category involves three elements:
2. OPERATING PAYMENT:  The operating payment is a major part of Medicare's prospective payment; however, if the patient's condition requires additional services or longer stay in the hospital, Medicare makes what are called outlier payments.  These payments may be more than the operating and capital payments.  The elements of the operating payment are as follow: DRG Relative Weight x ((Labor Related Large Urban Standardized Amount x Core-Based Statistical Area (CBSA) wage index) + (Nonlabor Related National Large Urban Standardized Amount x Cost of Living Adjustment)) x (1+ Indirect Medical Education + Disproportionate Share Hospital)
3. CAPITAL PAYMENT:  Beginning in 1992, Medicare began paying hospitals for their capital costs associated with care and treatment of a patient, on a prospective basis.  The elements of the Capital Payment are as follow: DRG relative Rate x Federal Capital Rate x Large Urban Add-On x Geographic Cost Adjustment Factor x Cost of Living Adjustment) x (1+ Indirect Medical Education + Disproportionate Share Hospital)
4. OUTLIER PAYMENT:  Outlier payments are additional payments made for patients who use an extraordinary or unusually large amount of resources.  The background page has a link to the Medicare site containing information on the process and formula for calculating total payments including outliers.

**Required Readings**

1. Medicare Payment Advisory Commission. (2010). Medicare Payment Basics: Hospital Acute Inpatient Services Payment System. Available at <http://www.medpac.gov/documents/MedPAC_Payment_Basics_10_hospital.pdf> (Retrieved 08/21/2012)
2. Medicare Payment Advisory Commission. (2010). Medicare Payment Basics: Outpatient Hospital Services Payment System. Available at <http://www.medpac.gov/documents/MedPAC_Payment_Basics_10_OPD.pdf> (Retrieved 08/21/2012)
3. Centers for Medicare and Medicaid. (2010). Hospital Outpatient Prospective Payment System. The Medicare Learning Network Payment Systems Fact Sheet Series. Available at <http://www.cms.gov/MLNProducts/downloads/HospitalOutpaysysfctsht.pdf> (Retrieved 08/21/2012)
4. Centers for Medicare and Medicaid. (2009). Acute Care Hospital Inpatient Prospective Payment System. The Medicare Learning Network Payment Systems Fact Sheet Series. Available at <http://www.cms.gov/MLNProducts/downloads/AcutePaymtSysfctsht.pdf> (Retrieved 08/21/2012)