

# IHCP *bulletin*

INDIANA HEALTH COVERAGE PROGRAMS    BT201106    MARCH 15, 2011



## Updated cost-to-charge ratios for inpatient reimbursement

In accordance with *IC 12-15-13-6*, this bulletin notifies providers of new cost-to-charge ratios (CCRs) for reimbursement for Indiana Health Coverage Programs (IHCP) inpatient services. Provider CCRs are being updated to reflect more current information. The updated CCRs were calculated using state fiscal year (SFY) 2009 claims data and hospital cost reports for provider fiscal years ending in SFY 2009. The new cost-to-charge ratios are effective for admissions on or after May 1, 2011.

### Cost-to-charge ratios

As described in *405 IAC 1-10.5-3*, the cost-to-charge ratio is utilized in the Indiana Medicaid inpatient hospital Diagnosis-Related Group (DRG) reimbursement system and the burn Level-of-Care (LOC) reimbursement system to calculate cost outlier payments. Cost outlier cases are Medicaid stays that exceed a predetermined threshold. The threshold used to determine outlier payments under the DRG reimbursement system remains the greater of twice the DRG rate or thirty-four thousand four-hundred twenty-five dollars (\$34,425). The threshold used to determine outlier payments under the burn LOC reimbursement system remains twice the burn rate. For purposes of establishing outlier eligibility and payment amounts, the cost for each inpatient claim is estimated by applying the cost-to-charge ratio to submitted and approved charges. Outlier payment amounts are then calculated by multiplying the marginal cost factor by the difference between the prospective cost per stay for DRG cases, or the cost per day for burn LOC cases, and the outlier threshold amount. The marginal cost factor remains at 60 percent.

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Billing procedures for inpatient hospital services have not changed. Please refer to the *Indiana Health Coverage Programs Provider Manual* and IHCP provider bulletins for specific billing instructions.

**Provider communications**

Myers and Stauffer LC, the IHCP's rate-setting contractor, will notify acute care hospitals individually of their new cost-to-charge ratios that will be used to calculate outlier payments. Notification letters will be mailed to providers in March 2011. Out-of-state providers with low Medicaid volume will not receive a notification letter. Providers that do not receive a notification letter will receive the statewide median cost-to-charge ratio. The statewide median cost-to-charge ratio is 0.4486.

**QUESTIONS?**

If you have questions about this bulletin, please contact Customer Assistance at (317) 655-3240 in the Indianapolis local area or toll-free at 1-800-577-1278.

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