
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT
HOSPITAL SERVICES (CONTINUED)

III. Payment for Inpatient Hospital Services

A. Payment Formulas

1. Non-Outlier DRG Payment Per Case = (Base Rate Assigned to Hospital x DRG
Relative Weight)

2. Outlier DRG Payment Per Case = (Cost of Case – Outlier Threshold) x Outlier
Payment Percentage

where

Cost of Case = Allowable Charges x Hospital-specific Cost to Charge Ratio and
Outlier Threshold = (Base Rate x DRG Relative Weight) + Fixed Outlier Value

3. Psychiatric DRG Payment Per Case = (Base Per Diem Rate Assigned to Hospital x
DRG Relative Weight x Factor Representing Length of Stay)

where

Factor Representing Length of Stay = The factors assigned by the Medicare Inpatient
Psychiatric Facilities Prospective Payment System effective October 3, 2008

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