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

III. Payments Inpatient Hospital Services (Continued)

B. Discussion of Payment Components

1. Base Rates

The in-state Base Rate effective October 1, 2012 is based on claims with dates of discharge from October 1, 2008 to September 30, 2011 from all in-state hospitals plus Dartmouth-Hitchcock Medical Center. The cost values were assigned to each hospital claim on a claim-by-claim basis using data from each hospital's Medicare Cost Report (MCR). The cost report used to assign the cost for each claim was based on the discharge date of the claim. Claims with dates of discharge from October 1, 2008 to September 30, 2009 were assigned costs using the hospital's 2009 fiscal year end MCR. Claims with dates of discharge from October 1, 2009 to September 30, 2011 were assigned costs using the hospital's 2010 fiscal year end MCR.

Allowed charges on each detail line of the inpatient claim were multiplied by a hospital-specific cost to charge ratio (CCR). The CCR assigned to each detail line is based on the revenue code billed for the detail line. The mapping of revenue codes to CCRs followed the principles that were described in the Medicare Inpatient Prospective Payment System (IPPS) Final Rule for 2007 published in the Federal Register on August 18, 2006, with the following exceptions. The Medicare IPPS group for Routine Days was split into two groups—Adults & Peds and Nursery. The Medicare IPPS group for Intensive Days was split into three groups—ICU, Surgical ICU and NICU. The Medicare IPPS group for Other Services was split into four groups—Emergency Room, Clinic, Observation and Other Services.

The cost value of the claim is adjusted for inflation using Global Insight's Health Care Cost Review New CMS Hospital Prospective Reimbursement Market Basket moving average factors. Claim costs are inflated to the mid-point of the rate year.

The in-state base rate was derived by first computing the average inflated cost per case across all claims in the base period. This value is \$8,682. Because of funding limits imposed by the Vermont Legislature, the in-state Base Rate effective ~~October~~November 1, 201~~2~~3 for non-psychiatric DRGs is ~~\$7,249~~\$7,249,~~611.45~~611.45.

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