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METHODS AND STANDARDS OF ESTABLISHING PAYMENT RATES - OTHER  
MEDICAL CARE (Continued)

2. a. Outpatient Hospital Services

1. For all Vermont hospitals and the following New Hampshire hospitals (Dartmouth-Hitchcock, Cheshire, Valley Regional, Alice Peck Day, Cottage, Upper Connecticut Valley, Weeks Memorial, and Littleton Regional), payment is made on an interim basis at a hospital specific interim percentage of charge subject to year-end audit and cost-adjustment in accordance with the Title XVIII principles of Reasonable Cost Reimbursement (42 CFR Part 413). For dates of service beginning October 1, 2005, the final settlement will be made at 82.5% of cost. For dates of service beginning July 1, 2006, and ending April 30, 2008 that percent of cost will be made at 81.0%. Interim payment rates will be reduced accordingly. The following exceptions also apply:
  - i. Services normally furnished in a physician's office are paid using the physician fee schedule. No payment is made for the hospital "facility fee" or overhead, and hospital costs attributable to these services are not allowed for outpatient hospital cost settlement.
  - ii. Psychiatric partial hospitalization services are paid at per diem rates with no year-end cost settlement.
  - iii. Laboratory services are paid at the lesser of the actual charge, the RVU (the RVU price is the price on file based on a relative value scale for lab services) price or the Medicare maximum allowable amount with no year-end cost settlement.
  - iv. Radiology services as defined in 42 CFR §413.122 are paid at the lesser of actual charge, the Medicaid price on file or the Medicare maximum allowable amount with no year-end cost settlement.
  - v. Observation care services are paid at the lesser of the hospital's percentage of the charge for not more than 24 hours of outpatient care with a year-end cost settlement or the hospital's per diem rate for a medical/surgical day without a year-end cost settlement.
  - vi. Methadone treatment services are paid at the lesser of the hospital's charge or the Medicaid rate on file with no year-end cost settlement.

All other hospitals will be reimbursed at the mean percentage of the interim rates for Vermont and the New Hampshire hospitals listed above for services rendered with no year-end cost settlement.

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METHODS AND STANDARDS OF ESTABLISHING PAYMENT RATES - OTHER MEDICAL CARE  
(Continued)

2. a. Outpatient Hospital Services (Continued)

2. Effective with dates of service on or after May 1, 2008, the Department of Vermont Health Access (DVHA) will reimburse qualified providers for outpatient hospital services under a prospective fee schedule as set forth in this plan. The majority of services will be paid using the Medicare Outpatient Prospective Payment System (OPPS) Ambulatory Payment Classification (APC) fee schedule.

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i. Participating Hospitals

All in-state and out-of-state hospitals will be included in this payment methodology, regardless of any designation provided by Medicare.

ii. Discussion of Pricing Methodology

A. APC Rates

The DVHA will follow the Medicare OPPS pricing methodology with respect to how each CPT/HCPCS will be treated in the Medicare OPPS, with the exception that the DVHA will not utilize Medicare OPPS composite pricing logic. The DVHA will use the status indicator that the Medicare OPPS assigns to each CPT/HCPCS to set pricing methodology. Additionally, the DVHA will follow Medicare's methodology with respect to packaging items into the payment with the primary service.

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Effective with dates of service on or after January 1, 2011, two rates will be in place for each APC. The standard rates will be set at 83.8% of the Medicare OPPS median APC rate without local wage adjustments. The enhanced rates will be set at 96.3% of the Medicare OPPS median APC rate without local wage adjustments.

The enhanced rates will be paid to in-state hospitals for a limited time period. The Vermont Legislature appropriated an additional \$2.8 million in funds for outpatient services delivered within the state. The enhanced rate will be in place for eligible hospitals until such time that the payments using the enhanced rates are \$2.8 million above what the payments would have been using the standard rates. Once the \$2.8 million is spent, then the rates paid to the in-state hospitals will revert back to the standard rates.

Hospitals in the state of Vermont classified by Medicare as a sole community hospital (SCH), Medicare-dependent small rural hospital (MDH), or a critical access hospital (CAH) will receive 107.1% of the rate in place (either the standard or enhanced rate). Dartmouth-Hitchcock Medical Center will also receive 107.1% of the rate in place.

The DVHA will update the APC rates, the status indicators, the packaging methodology, and the outlier payment methodology annually based upon the Medicare OPPS Final Rule set each year.

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B. Outlier Payments

The DVHA will follow the Medicare OPPS pricing methodology with respect to identifying claims eligible as high-cost outliers and for the outlier payment calculation for these claims.

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