

SFY 2016-17 Diagnosis Related Group Outlier Recalculation Policy

The Department of Health Care Services (DHCS) has established an outlier recalculation policy for hospitals reimbursed under All Patient Refined Diagnosis Related Group (APR-DRG) for claims between July 1, 2016 and June 30, 2017, as follows:

- This policy affects only APR-DRG outlier payments.
- The policy applies to hospitals receiving APR-DRG Outlier payments of at least \$500,000 and above, in aggregate annually. The \$500,000 will be prorated based on the hospital's fiscal year end (FYE) cost report submission. For example, hospitals with a FYE of December 31, 2016 will be included in the outlier recalculation if they receive APR-DRG outlier payments of at least \$250,000, based on 6 months prorating.

DHCS will begin cost report audits in the manner and form prescribed in Welfare and Institutions Code §14170 (a) (1), and determine the audited Cost-to-Charge (CCR) ratios. Additional hospitals may be included in the Outlier Recalculation policy upon DHCS audit of cost reports due to issues such as incorrect reporting.

For those hospitals identified by the process described above, outlier recalculation will be conducted, in accordance with the California's Medicaid State Plan Title XIX of the Social Security Act, California State Plan, Attachment 4.19-A, paragraph E.2, page 17.54 under Pre- and Post-Payment review:

- When there is a material change between the reported CCR and the final audited CCR, outlier payments may be subject to recalculation based upon the audited CCR. A material change is defined as a change that would result in outlier payment adjustments exceeding \$10,000.00 in a hospital's fiscal year.
 - The outlier reconciliation may occur through the recoupment of funds or through an additional payment made to the hospital.

For further information or questions regarding SFY 2016-17 DRG Outlier Recalculation Policy, contact DHCS at drg@dhcs.ca.gov.

This provider bulletin is published under the authority specified in paragraph (2) of subdivision (f) of section 14105.28 of the Welfare and Institutions Code, which provides in part:

“Notwithstanding the rulemaking provisions of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, or any other provision of law, the department may implement and administer this section by means of provider bulletins, all-county letters, manuals, or other similar instructions, without taking regulatory action.”

This provider bulletin governs should there be a conflict between this provider bulletin and any previous Department published provider bulletins, all-county letters, manuals, or other similar instructions relating to Welfare and Institutions Code section 14105.28.