

to: **Maureen King** date: **October 31, 2003**  
from: **Sandi Hunt/Pete Davidson** subject: **Non-contracted DRG  
Hospital Outpatient  
Reimbursement**

As requested, we have developed outpatient hospital discount factors to be used in the determination of reimbursement amounts for DRG hospitals that do not have contracts with FCHPs. HB 3624 describes the reimbursement methodology for outpatient hospital services as follows:

“A hospital that does not have a contract with a fully capitated health plan to provide inpatient or outpatient hospital services under ORS 414.705 to 414.750 must accept payment for . . . outpatient hospital services, based on the capitation rates developed for the budget period, at the level of charges multiplied by the statewide average cost-to-charge ratio, the geographic factor, the payment discount factor and an adjustment factor of 0.925.”

The outpatient hospital charge discount factors we developed for each DRG hospital employed the methodology described above. More specifically, the hospital-specific charge discount factors were developed using the following formula:

Hospital-specific Charge Discount Factor =  
Outpatient Hospital Cost-to-Charge Ratio (0.613) x  
DRG Hospital Funding Factor (0.72) x  
Non-contracted Hospital Discount Factor (0.925) x  
Hospital-specific Geographic Factor

The cost-to-charge ratio and DRG hospital funding factors are the same as were used in the calculation of the FY 2004 capitation rates, and the Non-contracted Hospital Discount Factor was specified in the law. The Hospital-specific Geographic Factors are based on the HCFA (CMS) FY 2004 geographic adjustments for outpatient hospital services. They were normalized to reflect the distribution of outpatient visits by region in a manner consistent with the development of the geographic factors used to adjust the capitation rates.

Reimbursement for outpatient hospital services provided to dual eligibles in non-contracted DRG hospitals will need to be determined by FCHPs on a case-by-case basis. Once Medicare's payment has been determined, the FCHP liability can be calculated by subtracting the Medicare payment from the gross liability calculated as described above.

The attached exhibit shows the calculation of the outpatient hospital charge discount factors.

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Please call Pete Davidson at 415/498-5636 or Sandi Hunt at 415/498-5365 if you have any questions regarding this memo.

**Oregon Health Plan  
Non-Contracted DRG Hospital Charge Discount Factors  
FY 2004**

Hospital Name	Provider Number	CMS Region	OP Hosp Cost-to- Charge Ratio	DRG Hospital Adjustment	Hospital- specific Geographic Factor	Payment Discount Factor	OP Hospital Charge Discount Factor
ADVENTIST MEDICAL CTR	022173	TriCounty	0.613	0.720	0.999	0.925	0.408
ALBANY GENERAL HOSPITAL	001404	Benton	0.613	0.720	1.015	0.925	0.415
BAY AREA DISTRICT HOSPITAL	015214	Lane	0.613	0.720	1.012	0.925	0.414
EASTMORELAND GENERAL HOSPITAL	112409	TriCounty	0.613	0.720	0.999	0.925	0.408
GOOD SAMARITAN HOSPITAL	072652	Benton	0.613	0.720	1.015	0.925	0.415
KAISER FOUNDATION HOSPITALS	101550	TriCounty	0.613	0.720	0.999	0.925	0.408
LEGACY EMANUEL HOSP HLTH CTR	046313	TriCounty	0.613	0.720	0.999	0.925	0.408
LEGACY GOOD SAM HOSP MED CTR	077404	TriCounty	0.613	0.720	0.999	0.925	0.408
LEGACY MERIDIAN PARK HOSPITAL	122499	TriCounty	0.613	0.720	0.999	0.925	0.408
LEGACY MT HOOD MED CTR	069526	TriCounty	0.613	0.720	0.999	0.925	0.408
MCKENZIE WILLAMETTE MEMORIAL	045450	Lane	0.613	0.720	1.012	0.925	0.414
MERCY MEDICAL CENTER INC	123109	Lane	0.613	0.720	1.012	0.925	0.414
MERLE WEST MEDICAL CENTER	152371	Jackson	0.613	0.720	0.974	0.925	0.398
OHSU HOSPITAL	041178	TriCounty	0.613	0.720	0.999	0.925	0.408
PROVIDENCE MEDFORD MEDICAL CTR	125935	Jackson	0.613	0.720	0.974	0.925	0.398
PROVIDENCE MILWAUKIE HOSPITAL	047134	TriCounty	0.613	0.720	0.999	0.925	0.408
PROVIDENCE PORTLAND MEDICAL	023981	TriCounty	0.613	0.720	0.999	0.925	0.408
ROGUE VALLEY MEMORIAL HOSP	012349	Jackson	0.613	0.720	0.974	0.925	0.398
SACRED HEART GENERAL HOSPITAL	054028	Lane	0.613	0.720	1.012	0.925	0.414
SALEM MEMORIAL HOSPITAL	047209	TriCounty	0.613	0.720	0.999	0.925	0.408
SOUTHERN OREGON MEDICAL CTR	173740	Jackson	0.613	0.720	0.974	0.925	0.398
ST CHARLES MEDICAL CENTER	047399	Lane	0.613	0.720	1.012	0.925	0.414
ST VINCENT HOSPITAL MED CTR	023023	TriCounty	0.613	0.720	0.999	0.925	0.408
THREE RIVERS COMM HOSPITAL	097808	Jackson	0.613	0.720	0.974	0.925	0.398
TUALITY COMMUNITY HOSPITAL	045716	TriCounty	0.613	0.720	0.999	0.925	0.408
WILLAMETTE FALLS COMM HOSPITAL	045963	TriCounty	0.613	0.720	0.999	0.925	0.408
WILLAMETTE VALLEY MEDICAL CTR	090452	TriCounty	0.613	0.720	0.999	0.925	0.408
WOODLAND PARK HOSPITAL	158768	TriCounty	0.613	0.720	0.999	0.925	0.408