



The average cost per day for each DRG hospital was allowed to vary by the CMS FY 2004 geographic adjustments. The CMS geographic adjustments were normalized so that the statewide average per diem was unchanged.

To differentiate between in-area and out-of-area admissions, we employed the methodology used in the calculation of the inpatient hospital geographic factors, as described in our September 2004 report “Capitation Rate Development, Federal Fiscal Year 2004.” To summarize, out-of-area admissions are defined as any admission to a DRG hospital located more than 75 miles from the patient’s residence, with the following exceptions:

- For Tri-County residents, all admissions are designated as In-Area,
- Out of state hospitals are not directly considered in the calculations, and
- For Coos and Douglas counties, the Out-of-Area threshold is 50 miles from the patient’s residence.

The per diem for admissions to out of state hospitals has been set equal to the statewide average per diem multiplied by the average out-of-area cost factor.

The attached Exhibit 1 shows the calculated per diems for each DRG hospital at the level consistent with the funding in the capitation rates, and with a reduction of 7.5% as required by the legislation. The rates on these exhibits presume that FCHPs and hospitals will apply comparable criteria as described above in the determination of appropriate reimbursement amounts to non-contracted DRG hospitals.

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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 Per-Diems  
FY 2005**

Base Rates at 100% of Amount Funded in Managed Care Per Capita Costs

Threshold for  
credible out-of-  
area factor: 100

Hospital Name	Provider Number	CMS Region	Per-Diem @ 100%	Per-Diem with 7.5% Reduction	In-area Per-Diem	Out-of-area Per-Diem	Number of days		Ratio of Out of Area to In-Area rate
							In-area	Out-of-area	
Adventist Medical Center (Portland Adventist)	022173	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	4,962	22	1.00
Albany General	001404	Benton	\$1,281.43	\$1,185.32	\$1,185.32	\$1,185.32	2,821	1	1.00
Bay Area	015214	Lane	\$1,276.51	\$1,180.77	\$1,180.77	\$1,180.77	3,236	24	1.00
Eastmoreland	112409	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	409	27	1.00
Good Samaritan - Corvallis	072652	Benton	\$1,281.43	\$1,185.32	\$1,185.32	\$1,185.32	3,459	3	1.00
Kaiser Hospitals	101550	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	3,501	-	1.00
Legacy Emanuel	046313	TriCounty	\$1,256.58	\$1,162.34	\$1,132.33	\$1,789.85	16,415	785	1.58
Legacy Good Samaritan (Portland)	077404	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	4,764	98	1.00
Legacy Meridian Park	122499	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	1,738	4	1.00
Legacy Mount Hood	069526	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	2,448	10	1.00
McKenzie-Willamette	045450	Lane	\$1,276.51	\$1,180.77	\$1,180.77	\$1,180.77	4,578	9	1.00
Mercy Medical	123109	Lane	\$1,276.51	\$1,180.77	\$1,180.77	\$1,180.77	6,592	7	1.00
Merle West	152371	Jackson	\$1,220.65	\$1,129.10	\$1,129.10	\$1,129.10	4,467	28	1.00
Oregon Health Sciences University	041178	TriCounty	\$1,256.58	\$1,162.34	\$1,084.34	\$1,565.80	26,747	5,171	1.44
Providence Medford	125935	Jackson	\$1,220.65	\$1,129.10	\$1,129.10	\$1,129.10	869	4	1.00
Providence Milwaukie	047134	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	1,401	-	1.00
Providence Portland	023981	TriCounty	\$1,256.58	\$1,162.34	\$1,146.25	\$2,721.32	11,243	116	2.37
Rogue Valley	012349	Jackson	\$1,220.65	\$1,129.10	\$1,119.08	\$1,269.08	5,170	370	1.13
Sacred Heart	054028	Lane	\$1,276.51	\$1,180.77	\$1,156.87	\$1,535.76	15,378	1,035	1.33
Saint Vincent	047209	TriCounty	\$1,256.58	\$1,162.34	\$1,147.15	\$1,990.33	9,998	183	1.74
Salem Hospital	047399	Lane	\$1,276.51	\$1,180.77	\$1,180.77	\$1,180.77	14,269	59	1.00
St. Charles	023023	TriCounty	\$1,256.58	\$1,162.34	\$1,140.25	\$1,412.94	7,273	641	1.24
Three Rivers	097808	Jackson	\$1,220.65	\$1,129.10	\$1,129.10	\$1,129.10	5,257	21	1.00
Tuality Community	045716	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	3,272	20	1.00
Willamette Falls	045963	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	2,498	9	1.00
Willamette Valley Medical Center	090452	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	193	1	1.00
Woodland Park	158768	TriCounty	\$1,256.58	\$1,162.34	\$1,162.34	\$1,162.34	952	7	1.00
Out of State Hospitals	N/A	various	\$1,258.59	\$1,164.20	N/A	\$1,594.64			
All in-state hospitals composite:					\$1,143.67	\$1,566.52	163,910	8,656	1.37

**Oregon Health Plan  
Development of Non-Contracted DRG Hospital Per-Diems  
FY 2005  
Base Rates at 100% of Amount Funded in Managed Care Per Capita Costs**

	<b>A</b>	<b>B</b>	<b>C = A / B</b>		
	<u>Total Projected FY 2005 DRG Hospital Funding</u>	<u>July 1999 - June 2001 Inpatient Days</u>	<u>Statewide Per- Diem</u>		
DRG Hospitals	\$ 217,189,906	172,566	\$1,259		
	<b>D</b>	<b>E</b>	<b>F=C x E</b>	<b>G</b>	<b>H=F x G</b>
<u>Hospital County</u>	<u>CMS Geographic Factor</u>	<u>Normalized CMS Geographic Factor</u>	<u>FY 2005 Per-Diem</u>	<u>July 1999 - June 2001 Inpatient Days</u>	<u>Projected FY 2005 Payments</u>
Benton	1.104	1.018	\$1,281	6,284	\$8,052,515
Jackson	1.052	0.970	\$1,221	16,186	\$19,757,422
Lane	1.100	1.014	\$1,277	38,773	\$49,494,005
TriCounty	1.083	0.998	\$1,257	111,322	\$139,885,964
Statewide	1.084	1.000	\$1,259	172,566	\$217,189,906

*Note: Projected funding is developed by applying the cost to charge ratios used in the 2003 - 2005 Per Capita Cost Development, the DRG Hospital Funding Adjustment (0.72), and cost trend to the July 1999 - June 2001 encounter data.*