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 | ADMINISTRATIVE DIRECTIVE |  
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TRANSMITTAL: 90 ADM-46

TO: Commissioners of  
 Social Services

DIVISION: Medical  
 Assistance

DATE: December 11, 1990

SUBJECT: Calculation of the Medical Assistance (MA) Payment When  
 Client In-patient Liability Exceeds the MA Rate

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SUGGESTED DISTRIBUTION:	Medical Assistance Staff Accounting Staff Fair Hearing Staff Staff Development Coordinators
CONTACT PERSON:	MA Eligibility County Representative by calling 1-800-342-3715, ext. 3-7581. New York City call (212) 587-4853.
ATTACHMENTS:	Attachment 1 - MA Per Diem Rate - Example (Available On-Line) Attachment 2 - Watkins Calculation Worksheet for Per Diem Rate Hospital Stays - Example (Available On-Line) Attachment 3 - Watkins Calculation Worksheet for Per Diem Rate Hospital Stays (Available On-Line) Attachment 4 - Watkins Calculation Worksheet For DRG Case Payment Hospital Stays - Example (Available On-Line) Attachment 5 - Watkins Calculation Worksheet for DRG Case Payment Hospital Stays (Available On-Line) Attachment 6 - Claiming Instructions Per Diem Rate Methodology (Not Available On-Line)

FILING REFERENCES

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
87 ADM-4	80 ADM-73	360-4.8(c)	366(2)(b)	MARG p. 225	
80 ADM-73		(2)(i)			

I. PURPOSE

This Administrative Directive advises social services districts of a change in methodology necessary to correctly calculate the amount Medical Assistance (MA) will pay in situations in which the client liability exceeds the MA rate but is less than the private pay rate for a hospitalization.

A budgeting methodology has already been established in situations in which the client liability exceeds the MA per diem rate but is less than the private pay rate for a hospitalization (Watkins cases). This methodology, outlined in 80 ADM-73, "Treatment of Excess Income and Catastrophic Budgeting", is still in effect for excess income cases, and is restated in this Directive.

The budgeting methodology for cases where payment is based on Diagnostic Related Groups (DRGs) has not previously been addressed. This Directive also explains budgeting procedures for these cases.

II. BACKGROUND

The procedures for calculating the amount MA will pay in situations in which the client liability exceeds the MA per diem rate but is less than the private pay rate for a hospitalization, as outlined in 80 ADM-73 (Watkins v. Toia) remain effective. MA per diem rates are still utilized in exempt hospitals, or units of hospitals such as those specifically designated as psychiatric, rehabilitation, alcoholism rehabilitation, cancer, or AIDS.

The procedures involve: calculating the average private rate per diem; calculating the number of private pay per diems fully covered by the client liability and applying the remainder of the liability, if any, to the leftover days to be paid by MA; entering on the Principal Provider Subsystem the specific hospital days to be covered by MA and the remainder of the liability, if any.

Since January 1, 1988, DRGs have been used instead of a per diem rate to calculate the MA payment amount for most hospital stays (except as noted above). The DRG rate is a case payment rate based on the principal diagnosis. The number of hospital days are not needed to calculate the portion of a hospital bill to be paid by MA; there are no partial days to be calculated; and entering the actual client liability on the Principal Provider Subsystem will not result in the correct MA payment amount.

Therefore, the procedures for calculating the amount MA would pay in situations of this type are no longer viable when the client liability exceeds the MA DRG Case Payment but is less than the private DRG rate for a hospitalization.

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III. PROGRAM IMPLICATIONS

When determining the amount of the MA payment towards the cost of in-patient care in a hospital, social services districts must take into account the excess income of the patient in relation to both the MA rate of payment and the private charges incurred by the patient. The payment rate utilized by the hospital will determine the budgeting methodology to be used.

IV. REQUIRED ACTIONS

NOTE: The following budgeting procedures pertain only in situations in which the client liability exceeds the MA rate, but is less than the private pay rate.

A. Eligibility staff must use the following procedures when determining eligibility for persons with in-patient stays in hospitals which use Private Rate Per Diems:

1. The total private charges must be averaged for the length of stay. The length of stay extends from the date of admission until the date of discharge from the hospital.
2. When an average daily private charge for a stay is obtained, the excess income liability of the patient for six months is applied toward these charges. Any other medical bills, either paid or unpaid should also be considered to reduce the client excess income liability at this point. For clarification of what bills may be used to reduce the client's liability please see 87 ADM-4, "Excess Income Program Information and Administrative Controls".
3. Once the patient's liability is applied against the average daily private charge, the balance of the length of the stay is payable at the MA per diem rate.
4. In the event that the patient's liability is not equal to a full day's average private charges, the remaining excess income liability must be applied to the following day's average private charge.

MA payment may be made up to the MA rate for the marginal day only if the remaining excess is less than the MA rate for that day's care.

Please see Attachments 1 and 2, for an example of the private rate per diem methodology. Attachment 3 is a blank worksheet which may be reproduced by the district. Attachment 6 is claiming form UBF-1, using example 1 for private pay rate per diem cases.

B. Eligibility staff must use the following procedures when determining eligibility for persons with in-patient stays in hospitals using the MA DRG Case Payment:

1. Determine the client's six-month excess income liability.
2. Determine the percentage of the hospital stay to be covered by the client six-month excess income liability by dividing the client's liability by the private pay charges.
3. Multiply the client liability percentage by the DRG case payment amount to obtain the adjusted client liability.
4. Enter this amount as the Available Amount in the Principal Provider Subsystem (PPS). Please note: the amount entered in the PPS will be different from the client's actual liability. Social services districts must ensure that the case record, client notices, and the notice to the hospital reflect the actual liability.
5. Enter the actual dates of service in the PPS.
6. Instruct the hospital to enter the adjusted client liability figured above as the surplus on the UBF-1 claiming form (Field 157), and complete the rest of the claim form according to normal procedures.

See Attachment 4 for an example of the DRG Case Payment methodology, and Attachment 5 for a blank worksheet which may be reproduced and used by the district.

V. SYSTEMS IMPLICATIONS

None

VI. EFFECTIVE DATE

The effective date of this release is December 1, 1990, retroactive to:

- December 19, 1980 for budgeting cases for hospitals using Private Rate Per Diems, and
- January 1, 1988 for hospitals utilizing a DRG Case Payment.

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Jo-Ann A. Costantino  
Deputy Commissioner  
Division of Medical Assistance

MA PER DIEM RATE - EXAMPLE

An applicant for Medical Assistance (MA) is found to have a six-month excess income liability of \$1,350 toward the cost of his in-patient hospital care. The client was admitted on January 1, and discharged on January 7. The total of the private charges for his in-patient hospital stay of six days is \$1,800. This includes the rate for a semi-private room and ancillary charges for pharmacy items and laboratory tests. The average of the room rate plus ancillary medical charges\* on a daily basis over the length of stay is \$300. The MA rate is \$200 per day.

Prior to the Watkins court case this applicant would have been eligible for MA, but not eligible for MA payment for his hospital care. The applicant was liable for the entire \$1,800 hospital bill, even though he was only determined by MA standards to have an excess income liability of \$1,350, which is greater than the MA rate of \$1,200.

Following is the breakdown of the client's liability under the MA per diem rate methodology:

Client is responsible for days one through four of the stay at \$300 average private charges = \$1,200

Client is responsible for \$150 for day five = \$ 150  
 Total Patient Liability \$1,350

This is equal to the applicant's six-month excess income liability.

\*Charges for non-medical items such as telephone and television are not included in the average daily private charges.

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The MA program is responsible for the balance of day five up to the MA rate of \$200 per day = \$ 50

The MA program is responsible for day six at the MA per diem rate for the hospital\*\* (\$200 per day) = \$ 200  
 Total MA Liability \$ 250

The recipient then becomes eligible for full MA coverage for six months.

Please see Attachment 2 for a worksheet using this example and Attachment 3 for a blank worksheet that may be utilized by the district.

\*\*The day of discharge is not included in the count for computation purposes, since the last day does not include a day of in-patient care.

WATKINS CALCULATION WORKSHEET FOR  
PER DIEM RATE HOSPITAL STAYS - Example

A. Enter client's liability. \$1,350 A.

B. What is the total MA rate? \$1,200 B.

C. What is the total private rate? \$1,800 C.

If the applicant's liability for his/her cost of care (figure A) is more than the MA rate (figure B) but less than the private rate (figure C), this is a Watkins situation; proceed below.

D. What are the dates of hospitalization? Jan 1 - Jan 7 D.

E. These dates represent how many days of in-patient care? 6 E.

(The MMIS will reduce the seven day stay to six to reflect the fact we do not pay for the day of discharge.)

F. Divide the private per diem rate (figure C) by the number of days of hospitalization (figure E) to get the average private daily rate.  $\$1,800 \div 6 = \$300$  F.

G. Divide the MA rate (figure B) by the number of days of hospitalization (figure E) to get the average MA daily rate.  $\$1,200 \div 6 = \$200$  G.

H. Divide the client liability (figure A) by the average private daily rate (figure F).  $\$1,350 \div 300 = 4.5$  H.

I. Enter the whole number from figure H. 4 I.

This represents the number of days the applicant is responsible for at the private rate.

J. Enter the dates the client is responsible for at the private rate. Jan 1 - Jan 4 J.

K. The next day (the day with the remainder) represents the "split day", enter the date of this marginal day. Jan 5 K.

L. Multiply the number of days of client responsibility (figure I) times the average private rate (figure F).  $4 \times \$300 = \$1,200$  L.

M. Subtract the amount in figure L from the client's liability  
(figure A).

\$1,350

(This amount is the balance of the client's  
liability to be applied to the "split day".)

-\$1,200

\$ 150 M.

Instruct the hospital to bill the recipient for the number of days and amount responsible at the private per diem rate (figures I and L) plus the remaining available income applicable to the "split day" (figure M). Client's total liability (figures L plus M) is equal to the applicant's liability toward the cost of his/her care (figure A). Please note, actual dates of service are entered in the PPS.

WATKINS CALCULATION WORKSHEET FOR  
PER DIEM RATE HOSPITAL STAYS

A. Enter client's liability. \_\_\_\_\_ A.

B. What is the total MA rate? \_\_\_\_\_ B.

C. What is the total private rate? \_\_\_\_\_ C.

If the applicant's liability for his/her cost of care (figure A) is more than the MA rate (figure B) but less than the private rate (figure C), this is a Watkins situation; proceed below.

D. What are the dates of hospitalization? \_\_\_\_\_ D.

E. These dates represent how many days of in-patient care? \_\_\_\_\_ E.

(The MMIS will reduce the in-patient day stay by one day to reflect the fact we do not pay for the day of discharge.)

F. Divide the private per diem (figure C) by the number of days of hospitalization (figure E) to get the average private daily rate. \_\_\_\_\_ F.

G. Divide the MA rate (figure B) by the number of days of hospitalization (figure E) to get the average MA daily rate. \_\_\_\_\_ G.

H. Divide the client liability (figure A) by the average private daily rate (figure F). \_\_\_\_\_ H.

I. Enter the whole number from figure H. \_\_\_\_\_ I.

This represents the number of days the applicant is responsible for at the private rate.

J. Enter the dates the client is responsible for at the private rate. \_\_\_\_\_ J.

K. The next day (the day with the remainder) represents the "split day", enter the date of this marginal day. \_\_\_\_\_ K.

L. Multiply the number of days of client responsibility (figure I) times the average private rate (figure F). \_\_\_\_\_ L.



M. Subtract amount in figure L from the client's liability  
(figure A).

\_\_\_\_\_

(This amount is the balance of the client's  
liability to be applied to the "split day".)

\_\_\_\_\_  
\_\_\_\_\_ M.

Instruct the hospital to bill the recipient for the number of days and amount responsible at the private rate (figures I and L) plus the remaining available income applicable to the "split day" (figure M). Client's total liability (figures L plus M) is equal to the applicant's liability toward the cost of his/her care (figure A). Please note, actual dates of service are entered into PPS.

WATKINS CALCULATION WORKSHEET  
FOR DRG CASE PAYMENT HOSPITAL STAYS - Example

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An MA applicant was hospitalized from February 8 through February 18, 1989. The bill amounted to \$2,000. The client applies for MA and the social services district determines that the client's six-month excess income liability is \$1,610. The MA DRG case payment amount for the bill is \$1,000.

A. Total private pay charges:	2000.00
B. Client liability: (Six-month excess income)	1610.00
C. DRG case payment amount:	1000.00
D. Client liability percentage: (Divide the client liability (figure B) by the private pay charges (figure A).)	80.5 %
E. Adjusted Client liability to enter on Principal Provider Subsystem (PPS): (Multiply figure D by figure C.)	805.00

Note: The amount entered in the PPS will be different from the client's actual liability. The case record, client notices, and the notice to the hospital should reflect the actual liability.

- F. Instruct the hospital to enter the adjusted client liability figure (figure E) on the UBF-1 form in field 157 as the surplus, and to complete the rest of the claim form according to normal procedures.

Note: The hospital will be paid the difference between figure C and figure E, or \$195 which added to the actual client liability of \$1610 will total \$1805. This amount is greater than the client's liability, but less than the private rate.

WATKINS CALCULATION WORKSHEET  
FOR DRG CASE PAYMENT HOSPITAL STAYS

- A. Total private pay charges: \_\_\_\_\_
- B. Client liability: (six month excess) \_\_\_\_\_
- C. DRG case payment amount: \_\_\_\_\_
- D. Client liability percentage:  
(Divide the client liability (figure B) by the  
private pay charges (figure A).) \_\_\_\_\_
- E. Client liability to enter on the  
Principal Provider Subsystem (PPS):  
(Multiply figure D by figure C.) \_\_\_\_\_

Note: The amount entered in the PPS will be different from the client's actual liability. The case record, client notices, and the notice to the hospital should reflect the actual liability.

- F. Instruct the hospital to enter the adjusted client liability figure (figure E) on the UBF-1 form in field 157 as the surplus, and to complete the rest of the claim form according to normal procedures.