FirstChoice Next
A Product of Select Health of South Carolina, Inc.

Cost Outlier Payment

Reimbursement Policy ID: RPC.0043.SCEX

Recent review date: 02/2024

Next review date: 12/2025

First Choice Next reimbursement policies and their resulting edits are based on guidelines from established industry sources, such as the Centers for Medicare and Medicaid Services (CMS), the American Medical Association (AMA), state and federal regulatory agencies, and medical specialty professional societies. Reimbursement policies are intended as a general reference and do not constitute a contract or other guarantee of payment. First Choice Next may use reasonable discretion in interpreting and applying its policies to services provided in a particular case and may modify its policies at any time.

In making claim payment determinations, the health plan also uses coding terminology and methodologies based on accepted industry standards, including Current Procedural Terminology (CPT); the Healthcare Common Procedure Coding System (HCPCS); and the International Classification of Diseases,10th Revision, Clinical Modification (ICD-10-CM), and other relevant sources. Other factors that may affect payment include medical record documentation, legislative or regulatory mandates, a provider's contract, a member's eligibility in receiving covered services, submission of clean claims, and other health plan policies, and other relevant factors. These factors may supplement, modify, or in some cases supersede reimbursement policies.

This reimbursement policy applies to all health care services billed on a CMS-1500 form or its electronic equivalent, or when billed on a UB-04 form or its electronic equivalent.

Policy Overview

This policy describes payment of cost outliers for inpatient and outpatient services by providers contracted with First Choice Next and/or participating with Medicare.

First Choice Next will align with Medicare by utilizing the Medicare guidelines to calculate cost outlier reimbursement for covered services.

When the agreed-upon inpatient contract between First Choice Next and hospitals specifies a percent above 100% of the Medicare rate, the diagnosis-related group (DRG) base rate will be increased by this percent. Any outlier reimbursement will be calculated at 100% of the Medicare rate using the enhanced base rate.

When the agreed-upon outpatient contract between First Choice Next and hospitals/ambulatory surgery centers utilizes EAPG pricing and specifies a percent above 100% of the Medicare rate, the base rate will be increased by this percent. Any outlier reimbursement will be calculated at 100% of the Medicare rate using the enhanced base rate.

Exceptions

N/A

Reimbursement Guidelines

Medicare inpatient admissions are reimbursed under a prospective payment system that includes pre-established, fixed amounts for each admission based on diagnosis-related groups (DRGs) or all patient refined diagnosis-related groups (APR-DRGs).

Medicare outpatient services may be reimbursed under a prospective payment system that includes Enhanced Ambulatory Payment Groups (EAPGs). EAPGs may be used in outpatient prospective payment systems (OPPS) for a variety of outpatient settings, including hospital emergency rooms, outpatient clinics, and same-day surgery.

Medicare makes outlier payments to hospitals or ambulatory surgery center (ASC) facilities to help cover significantly higher costs for certain inpatient admissions and outpatient services. Cost outlier reimbursement is based on the percentage of charges above and beyond the DRG/APR DRG and EAPG rates. A hospital inpatient admission qualifies as an outlier if it exceeds certain cost or charge thresholds. For example, if a discharge is eligible for an outlier payment, the payment will be equal to a specified percentage of the value of eligible outlier costs by the plan. Outpatient services exceeding certain cost or charge thresholds will be reimbursed similarly.

The premium payment (percent above Medicare) would apply only to the base rate of the DRG/APR-DRGs or EAPGs that is on the Medicare schedule. The AmeriHealth Caritas Next payment is based on this rate. Outlier payment is calculated separately, as opposed to the DRG/APR-DRG/EAPG payment, which would be based on the enhanced contracted base rate.

Definitions

Base rate
Hospital specific values used to determine the DRG and EAPG outlier costs.

Cost outlier
Inpatient services provided during a single visit that have an extraordinarily high cost as established by Medicare are therefore eligible for additional payments above and beyond the base rates of DRG or APR-DRG.

Enhanced ambulatory payment group (EAPG)
The enhanced ambulatory payment group (EAPG) system is designed to classify outpatient services into groups that utilize similar resources and have similar costs. The EAPG system also applies discounting factors which could cause a detail line to consolidate, package, or discount.

Edit Sources

I. Current Procedural Terminology (CPT)
II. Healthcare Common Procedure Coding System (HCPCS)
III. International Classification, 10th revision, Clinical Modification (ICD-10-CM), and associated publications and services.
IV. Centers for Medicare and Medicaid Services (CMS), https://www.govinfo.gov/content/pkg/FR-2021-08-13/pdf/2021-16519.pdf

Attachments

N/A

Associated Policies

N/A

Policy History

04/2024	Revised preamble
02/2024	Reimbursement Policy Committee Approval
08/2023	Removal of policy implemented by First Choice Next from Policy History section
01/2023	Template revised • Preamble revised • Applicable Claim Types table removed • Coding section renamed to Reimbursement Guidelines • Associated Policies section added