Paying for Hospital Services Third-party payers are crucial in rsdseimbursing healthcare providers and hospitals for their services. These payers, which include private insurance and public/government programs, serve as the central source of revenue for physicians and healthcare systems,

The reimbursement methods employed by third-party payers vary depending on the specific payer and the type of service provided, whether outpatient or inpatient. Understanding these reimbursement methods and the levels of reimbursement offered by different payers is essential for healthcare providers and hospitals. This essay will address the questions in the case assignment regarding Paying for Hospital Services, utilising the information from the module overview, required readings, and additional research from a peer-reviewed source.

**Paying for Hospital Services**



Mrs Jones, a 74-year-old woman, is hospitalised for an ischemic stroke at a large urban Philadelphia hospital. Her care has resulted in $189,000 in Medicare-approved  Paying for Hospital Services. To answer the questions related to Mrs Jones' case, we will refer to the DRG table and the Hospital Payments Example.

**Question 1: What is the operating payment for the hospital?**

To determine the operating payment to be paid to the hospital, we must identify the appropriate DRG for Mrs Jones' condition. By referring to the DRG table, we can find that the relevant DRG for an ischemic stroke is DRG 061.

Next, we need to calculate the hospital-specific base rate (HSBR) and adjust it for geographic location. Let's assume that the HSBR for the Philadelphia area is $5,000.

Operating Payment = HSBR × DRG Relative Weight

Using the DRG table, we find that the relative weight for DRG 061 is 1.10.

Operating Payment = $5,000 × 1.10  
Operating Payment = $5,500

Therefore, the operating payment to the hospital for Mrs Jones' care is $5,500.

**Question 2: What is the capital payment for the hospital services?**

The capital Paying for Hospital Services is based on Medicare's Prospective Payment System (PPS). It represents the reimbursement for the money Paid for Hospital Services, such as depreciation, interest, and maintenance expenses. The capital payment is calculated by multiplying the capital payment rate by the hospital's capital costs.

Capital Payment = Capital Payment Rate × Capital Costs

Assuming the capital payment rate is 0.15, and the hospital's capital costs amount to $50,000, we can calculate the capital payment as follows:

Capital Payment = 0.15 × $50,000  
Capital Payment = $7,500

Therefore, the capital payment to the hospital for Mrs Jones' care is $7,500.

**Question 3: Will the hospital be eligible for the Medicare outlier payment for this patient?**

The Medicare outlier payment is provided to hospitals when the costs of caring for a particular patient exceed a certain threshold. We need to calculate the Medicare operating outlier threshold to determine if the hospital is eligible for the outlier payment.

Medicare Operating Outlier Threshold = Operating Payment × Outlier Threshold Factor

Assuming the outlier threshold factor is 0.75, we can calculate the Medicare operating outlier threshold as follows:

Medicare Operating Outlier Threshold = $5,500 × 0.75  
Medicare Operating Outlier Threshold = $4,125

If the total operating payment exceeds the Medicare operating outlier threshold, the hospital will be eligible for the Medicare outlier payment. In this case, the available amount ($5,500) exceeds the outlier threshold ($4,125), making the hospital eligible for the Medicare outlier payment.

**Question 4: What is the total payment due to the hospital?**

The total payment due to the hospital includes operating, capital, and any outlier payment.

Total Payment = Operating Payment + Capital Payment + Outlier Payment

Since the hospital is eligible for the Medicare outlier payment, we need to calculate the outlier payment using the formula:

Outlier Payment = (Operating Payment + Capital Payment) × Outlier Percentage

Assuming the outlier percentage is 0.80, we can calculate the outlier payment as follows:

Outlier Payment = ($5,500 + $7,500) × 0.80  
Outlier Payment = $13,000 × 0.80  
Outlier Payment = $10,400

Now, we can calculate the total payment due to the hospital:

Total Payment = $5,500 + $7,500 + $10,400  
Total Payment = $23,400

Therefore, the total payment to the hospital for Mrs Jones' care is $23,400.

**Paying for Hospital Services and]Physician Services:**

https://youtu.be/a0DDMf4NwyE

Mr Thompson, an 83-year-old Medicare beneficiary, is under the care of Dr Heintz. We need to determine the payments made by Medicare and the out-of-pocket payment responsibility for Mr Thompson based on different scenarios.

**Scenario 1: Medicare Participating Physician**

**Question 1: How much will Medicare pay Dr Heintz if he is a Medicare-participating physician? How much out-of-pocket payment will Mr Thompson be responsible for?**

As a Medicare-participating physician, Dr Heintz agrees to accept the Medicare-approved amount as full payment for covered services. The Medicare-approved amount is determined by the Medicare Physician Fee Schedule (MPFS).

Let's assume the Medicare-approved amount for the services provided by Dr Heintz is $500.

Medicare Payment = Medicare-Approved Amount × Medicare Reimbursement Percentage

Assuming the Medicare reimbursement percentage is 80%, we can calculate the Medicare payment as follows:

Medicare Payment = $500 × 0.80  
Medicare Payment = $400

Therefore, Medicare will pay Dr Heintz $400, and Mr Thompson will be responsible for the remaining $100 as an out-of-pocket payment.

**Scenario 2: Medicare Non-Participating Physician Who Elects Assignment**

**Question 2: How much will Medicare pay Dr Heintz if he is a Medicare non-participating physician who elects assignment? How much out-of-pocket payment will Mr Thompson be responsible for?**

As a non-participating physician who elects assignment, Dr Heintz agrees to accept the Medicare-approved amount as full payment for covered services but can charge the patient up to 15% more than the Medicare-approved amount.

Let's assume the Medicare-approved amount for the services provided by Dr Heintz is $500.

Medicare Payment = Medicare-Approved Amount × (Medicare Reimbursement Percentage + Assignment Allowed Amount)

Assuming the Medicare reimbursement percentage is 80%, and the assignment allowed amount is 15%, we can calculate the Medicare payment as follows:

Medicare Payment = $500 × (0.80 + 0.15)  
Medicare Payment = $500 × 0.95  
Medicare Payment = $475

Therefore, Medicare will pay Dr Heintz $475, and Mr Thompson will be responsible for the remaining $25 as an out-of-pocket payment.

**Scenario 3: Medicare Non-Participating Physician Who Does Not Elect Assignment**

**Question 3: How much will Medicare pay Dr Heintz if he is a Medicare non-participating physician who does not elect assignment? How much out-of-pocket payment will Mr Thompson be responsible for?**

As a non-participating physician who does not elect assignment, Dr.

Heintz does not agree to accept the Medicare-approved amount as full payment for covered services. In this case, Dr Heintz can charge the patient up to 115% of the Medicare-approved amount.

Let's assume the Medicare-approved amount for the services provided by Dr Heintz is $500.

Medicare Payment = Medicare-Approved Amount × (1 - Non-Assignment Penalty)

Assuming the non-assignment penalty is 0.15 (115% - 100%), we can calculate the Medicare payment as follows:

Medicare Payment = $500 × (1 - 0.15)  
Medicare Payment = $500 × 0.85  
Medicare Payment = $425

Therefore, Medicare will pay Dr Heintz $425, and Mr Thompson will be responsible for the remaining $75 as an out-of-pocket payment.

**Conclusion to Paying for Hospital Services**

Understanding the reimbursement methods employed by Paying for Hospital Services, such as Medicare, is essential for healthcare providers and hospitals. In the case of Mrs Jones' hospital services, we calculated the operating payment, capital payment, outlier payment, and total payment due to the hospital. For Mr Thompson's physician services, we determined the gains made by Medicare and the out-of-pocket payment responsibility based on different scenarios. These calculations demonstrate the complexity and importance of accurately understanding the payment structures in healthcare. By utilising the provided information, conducting additional research, and applying the appropriate formulas and calculations, healthcare providers can effectively navigate the reimbursement process and ensure fair service compensation.

https://youtu.be/a0DDMf4NwyE

**References:**

HealthCare.gov: The official website of the U.S. government's health insurance marketplace provides information on health insurance options, enrollment, and financial assistance. Visit the "Get Coverage" section for Pay for Hospital Services details. Website: <https://www.healthcare.gov/>

Centres for Medicare & Medicaid Services (CMS): CMS is a federal agency that administers Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). Their website offers resources on these programs, eligibility, and coverage for hospital services. Website: <https://www.cms.gov/>

American Hospital Association (AHA): The AHA is a national organisation representing and advocating for hospitals and healthcare networks. Their website provides information on hospital billing practices, insurance coverage, and financial assistance programs. Website: <https://www.aha.org/>

State Health Departments: State health departments often have resources and information on programs that help individuals and families pay for hospital services, especially those with low incomes or without insurance coverage. You can search your state's health department website for relevant information. Example: California Department of Health Care Services - <https://www.dhcs.ca.gov/>

Patient Advocate Foundation (PAF): PAF is a non-profit organisation that assists patients with access to care, insurance, and financial challenges. They offer resources and guidance on understanding hospital bills, insurance appeals, and financial aid options. Website: [https://www.patientadvocate.org/](https://www.patientadvocate.org/" \t "_new)