

**Payment Policies for Healthcare Services  
Provided to Injured Workers and Crime Victims**

# **Chapter 35: Hospitals**

**Effective July 1, 2023**



**Link:** Look for possible [updates and corrections](#) to these payment policies on L&I's website.



## **Table of Contents**

## **Page**

Payment policy: All hospitals .....	<b>35-2</b>
Payment policy: Hospital acquisition cost policy .....	<b>35-3</b>
Payment policy: Inpatient hospital acute care.....	<b>35-4</b>
Payment policy: Outpatient hospitals .....	<b>35-9</b>
Links to related topics .....	<b>35-14</b>



## Payment policy: All hospitals

### Payment methods

Insurers will pay for the costs of proper and necessary hospital services associated with an accepted industrial injury.

For State Fund claims, inpatient bills will be evaluated according to L&I's Utilization Review Program. Inpatient bills submitted to L&I without a treatment authorization number may be selected for retrospective review. For observation services, L&I will follow CMS guidance.



**Links:** Hospital payment policies established by L&I are reflected in the Hospital Billing Instructions (call L&I's Provider Hotline at 1-800-848-0811 for a current copy) and in [WAC 296-20](#), [WAC 296-21](#), [WAC 296-23](#), and [WAC 296-23A](#).

### Requirements for billing

All charges for hospital inpatient and outpatient services provided to workers must be submitted on a **UB-04** billing form using the UB-04 National Uniform Billing Committee Data Element Specifications.

Hospitals are responsible for establishing criteria to define inpatient and outpatient services. Bills for a patient admitted and discharged the same day, however, may be treated as outpatient bills and may be paid via a Percent of Allowed Charges (POAC) rate. For information about POAC rates for outpatient hospital visits, see the State Fund payment methods section for outpatient hospitals later in this chapter.

L&I follows CMS in regards to hospital admissions in the course of an encounter at another site for E/M services. Refer to [Chapter 10: Evaluation and Management Services "Services that can be billed"](#) for more information.

### Payment limits

No copayments or deductibles are required or allowed from workers.

Payments won't exceed allowed billed charges.



## Payment policy: Hospital acquisition cost policy

### Payment methods

Items covered under the hospital acquisition cost policy will be paid using a hospital specific POAC rate.

Nonhospital facilities will be paid a statewide average POAC rate.



## Payment policy: Inpatient hospital acute care

### Self-insured employer payment methods

Services for hospital inpatient care provided to workers covered by Self-insurers are paid using hospital specific POAC rates for all hospitals (see [WAC 296-23A-0210](#)).

### Crime Victims Compensation Program payment methods

Services for hospital inpatient care provided to crime victims covered by the Crime Victims Compensation Program are paid using L&I POAC rates (see [WAC 296-30-090](#)).

### State Fund provider network coverage requirements

Services from both network and non-network providers can be covered:

- If done in an emergency room at an acute care hospital, or
- If done prior to discharge for a patient who was directly hospitalized from an initial emergency room visit.



**Links:** For more information about the network, see [WAC 296-20-01010\(3\)](#).

For information on who may treat, see [WAC 296-20-015\(1\)](#).

### State Fund payment methods

Services for hospital inpatient care provided to workers covered by the State Fund are paid using 3 payment methods:

- An All Patient Refined Diagnosis Related Group (APR DRG) system. L&I currently uses APR DRG Grouper version 38. For exclusions and exceptions, see [WAC 296-23A-0470](#), or
- A statewide per diem rate for those APR DRGs that have low volume, or
- A POAC rate for hospitals excluded from the APR DRG system.



**Link:** The current [APR DRG Assignment List](#) is available online.

## Payment methods for hospital types or locations

Hospital types or locations...	Payment method for inpatient hospital acute care services is:
Hospitals not in Washington State, including psychiatric facilities and HMOs	Paid by an out of state POAC rate. The POAC rates are 64.84% for hospitals within the United States and 100% for hospitals outside the United States.
Hospitals in Washington State that are excluded: <ul style="list-style-type: none"> <li>• Children’s hospitals,</li> <li>• Health Maintenance Organizations (HMOs),</li> <li>• Military hospitals,</li> <li>• Veterans Administration facilities,</li> <li>• State psychiatric facilities.</li> </ul>	Paid 100% of allowed charges.
Hospitals not in Washington State that are excluded: <ul style="list-style-type: none"> <li>• Children’s hospitals,</li> <li>• Military hospitals,</li> <li>• Veterans Administration facilities</li> </ul>	Paid 100% of allowed charges.
Hospitals in Washington State that are major teaching hospitals: <ul style="list-style-type: none"> <li>• Harborview Medical Center,</li> <li>• University of Washington Medical Center.</li> </ul> OR All other Washington hospitals	Paid on a per case basis for admissions falling within designated APR DRGs. For low volume APR DRGs, Washington hospitals are paid using the statewide per diem rates for the designated APR DRG categories below: <ul style="list-style-type: none"> <li>• Chemical dependency,</li> <li>• Psychiatric,</li> <li>• Rehabilitation,</li> <li>• Medical,</li> <li>• Surgical.</li> </ul>

## Hospital inpatient acute care rates

The APR DRG Assignment List with APR DRG codes and descriptions and length of stay is in the [fee schedule](#).

For information on how specific rates are determined see [WAC 296-23A](#).

## APR DRG base rates

If the hospital is...	Then the base rate is:
Harborview Medical Center	<b>\$13,278.31</b>
University of Washington Medical Center	<b>\$11,758.18</b>
All other Washington hospitals	<b>\$10,988.63</b>

## APR DRG per diem rates

If the payment category is...	Then the rate is...	And the definition is:
Psychiatric APR DRG per diem	<b>\$1,191.09</b> multiplied by the number of days allowed by L&I.	APR DRGs identified as Psych
Chemical dependency APR DRG per diem	<b>\$984.89</b> multiplied by the number of days allowed by L&I.	APR DRGs identified as Chem Dep
Rehabilitation APR DRG per diem	<b>\$1,748.67</b> multiplied by the number of days allowed by L&I.	APR DRGs identified as Rehab
Medical APR DRG per diem	<b>\$2,507.88</b> multiplied by the number of days allowed by L&I.	APR DRGs identified as Medical
Surgical APR DRG per diem	<b>\$5,262.00</b> multiplied by the number of days allowed by L&I.	APR DRGs identified as Surgical

## Additional inpatient acute care hospital rates

If the payment category is...	Then the rate is...	And the definition is:
<p><b>Transfer-out cases</b></p>	<p>Unless the transferring hospital's charges qualify for low outlier status, the stay at this hospital is compared to the APR DRGs average length of stay. If the worker's stay is less than the average length of stay, a per-day rate is established by dividing the APR DRG payment amount by the average length of stay for the APR DRG. Payment for the first day of service is 2 times the per-day rate. For subsequent allowed days, the basic per-day rate will be paid. If the worker's stay is equal to or greater than the average length of stay, the APR DRG payment amount will be paid.</p>	<p>A transfer is defined as an admission to another acute care hospital within 7 days of a previous discharge.</p>
<p><b>Low outlier cases</b> (costs are less than the threshold)</p>	<p>Hospital Specific POAC rate multiplied by allowed billed charges.</p>	<p>Cases where the cost (see note below table) of the stay is less than 10% of the statewide APR DRG rate or a statutory amount inflated to current dollars, whichever is greater.</p>
<p><b>High outlier cases</b> (costs are greater than the threshold)</p>	<p>APR DRG payment rate plus 100% of costs in excess of the threshold.</p>	<p>Cases where the cost (see note below table) of the stay exceeds a statutory amount inflated to current dollars or 2 standard deviations above the statewide average cost for each DRG and SOI combination, whichever is greater.</p>

## How costs are determined

Costs are determined by multiplying allowed billed charges by the hospital specific POAC rate. Hospitals outside of the United States will be paid at a POAC rate of 100% of allowed charges. High and low outlier amounts are listed on the APR-DRG Assignment sheet on L&I's [fee schedule](#) page.



## Payment policy: Outpatient hospitals

### Self-insured employer payment methods

Services for hospital outpatient care provided to workers covered by self-insurers are paid using facility specific POAC rates or the appropriate Professional Services Fee Schedule amounts (see [WAC 296-23A-0221](#)).

### Crime Victims Compensation Program payment methods

Services for hospital outpatient care provided to crime victims covered by the Crime Victims Compensation Program are paid using POAC rates or the Professional Services Fee Schedule (see [WAC 296-30-090](#)).

### State Fund payment methods

Services for hospital outpatient care provided to workers covered by the State Fund are paid using 3 payment methods:

- Outpatient Prospective Payment System (OPPS) using an Ambulatory Payment Classification (APC) system.
- An amount established through L&I's Professional Services Fee Schedule for items not covered by the APC system
- A POAC rate for hospital outpatient services not paid by either the APC system or with an amount from the Professional Services Fee Schedule



**Links:** For a description of L&I's OPPS system, see [WAC 296-23A](#) (Section 4), [WAC 296-23A-0220](#), and [WAC 296-23A-0700](#) through [WAC 296-23A-0780](#).

## How the above payment methods are applied

Hospital types or locations...	Then the <b>payment method</b> for hospital outpatient services is:
Hospitals not in Washington State, including psychiatric facilities and HMOs	Paid by out of state POAC rates. The rates are 64.84% for hospitals within the United States and 100% for hospitals outside the United States.
Hospitals in Washington State that are excluded: <ul style="list-style-type: none"> <li>• Children's hospitals,</li> <li>• Military hospitals,</li> <li>• Veterans Administration facilities,</li> <li>• State psychiatric facilities.</li> </ul>	Paid 100% of allowed charges
Hospitals not in Washington State that are excluded: <ul style="list-style-type: none"> <li>• Children's hospitals,</li> <li>• Military hospitals,</li> <li>• Veterans Administration facilities</li> </ul>	Paid 100% of allowed charges
Rehabilitation hospitals, Cancer hospitals, Critical access hospitals, Private psychiatric facilities	Paid a facility specific POAC rate or a fee schedule amount depending on procedure
All other hospitals in Washington State	Paid on an APC basis for services falling within designated APCs.  For non-APC paid services, Washington hospitals are paid using an appropriate Professional Services Fee Schedule amount, or a facility specific POAC rate.

### Additional payment details

When ER visits develop into inpatient stays, hospitals should bill all charges on an inpatient bill. Use the inpatient admit date as the first covered date.

Military hospitals may bill HCPCS code **T1015** for all outpatient clinic services.

Hospitals will be sent their individual POAC and APC rates each year.

Hospitals outside the United States will be paid at a POAC rate of 100%.

### Pass-through devices

A transitional pass-through device is an item accepted for payment as a new, innovative medical device by CMS where the cost of the new device hasn't already been incorporated into an APC.

Hospitals will be paid fee schedule or if no fee schedule exists, a hospital specific POAC rate for new or current pass-through devices.

New or current drug or biological pass-through items will be paid by fee schedule or a POAC rate (if no fee schedule exists).

## Hospital OPPS payment process

Question:	If the answer is...	Then the payment method is:
1. Does L&I cover the service?	No	Don't pay
	Yes	Go to question 2
2. Does the service coding pass the Outpatient Code Editor (OCE) edits?	No	Don't pay
	Yes	Go to question 3
3. Are the service codes listed on the inpatient-only list?	No	Go to question 4
	Yes	Pay POAC rate
4. Is the service packaged?	No	Go to question 5
	Yes	Don't pay. Go to question 7
5. Is there a valid APC for the service?	No	Go to question 6
	Yes	Pay the APC amount and total the APC payment(s) for outlier consideration. Go to question 7
6. Are the service codes listed in a fee schedule?	No	Pay POAC rate
	Yes	Pay the facility amount for the service
7. Does the service qualify for outlier?	No	No outlier payment
	Yes	Pay outlier amount

### Additional payment details

If only 1 line item on the bill is an inpatient (IP) code, the entire bill will be paid at POAC rate.

Outlier amounts are in addition to regular APC payments.

## OPPS relative weights and payment rates

The relative weights published by CMS are used for the OPPS program.

Each hospital's blended APC rate was determined using a combination of the average hospital specific APC rate and the statewide average APC rate.



**Links:** Additional information on the formulas used to establish individual hospital rates can be found in [WAC 296-23A-0720](#).

Hospitals will receive notification of their blended APC rates via separate letter from L&I or by accessing the Hospital Rates link in the [fee schedule](#).

## OPPS outlier payments

L&I uses a modified version of the CMS outlier payment policy.



## Links to related topics

If you're looking for more information about...	Then see...
<b>Administrative rules</b> for hospital payment policies	<a href="#">Washington Administrative Code (WAC) 296-20</a> <a href="#">WAC 296-21</a> <a href="#">WAC 296-23</a> <a href="#">WAC 296-23A</a> <a href="#">WAC 296-30-090</a>
<b>Administrative rules</b> for the State Fund provider network and Who may treat	<a href="#">WAC 296-20-01010</a> <a href="#">WAC 296-20-015</a>
<b>Becoming an L&amp;I provider</b>	<a href="#">Become A Provider on L&amp;I's website</a>
<b>Billing</b> instructions and forms	<a href="#">Chapter 2: Information for All Providers</a>
<b>Evaluation and management services</b>	<a href="#">Chapter 10: Evaluation and Management Services</a>
<b>Fee schedules</b> for all healthcare facility services (including hospitals)	<a href="#">Fee schedule on L&amp;I's website</a>
<b>Residential treatment facilities for mental health</b>	<a href="#">Chapter 17: Mental Health Services</a>

### Need more help?

Call L&I's Provider Hotline at **1-800-848-0811** or email [PHL@lni.wa.gov](mailto:PHL@lni.wa.gov)