



State of New Jersey
Department of Human Services
Division of Medical Assistance & Health Services

NEWSLETTER

Volume 12 No. 42

May 2002

TO: Hospitals - **For Action**
Health Maintenance Organizations - **For Information Only**

SUBJECT: Hospital Charges

EFFECTIVE: Immediately

PURPOSE: To notify hospitals of the obligation to contact the Division of Medical Assistance and Health Services in the event of significant changes made to the hospital's charge structure or charge ratios since the historical base.

BACKGROUND: The Division of Medical Assistance and Health Services is responsible for monitoring payments and reimbursements to Medicaid/NJ FamilyCare providers. DMAHS believes that some hospitals may be arbitrarily raising their charge structures, and failing to coordinate with DMAHS. These increases have in some cases been related to specific areas of care, particularly mental health, and in other cases across multiple disciplines.

DMAHS' interim reimbursement for hospital outpatient services is based upon historical cost to charge ratios. Because final settlement is based on cost, hospitals should be billing using cost-based charges to allow them to minimize the impact of future cost settlements. The HCFA Provider information manual (publication 15-1) defines hospital outpatient charges as:

Charges. --Charges refer to the regular rates established by the provider for services rendered to both beneficiaries and to other paying patients. Charges should be related consistently to the cost of the services and uniformly applied to all patients whether inpatient or outpatient. All patients' charges used in the development of apportionment ratios should be recorded at the gross value; i.e., charges before the application of allowances and discounts deductions. (See §2206.I for information on accrual of charges and § 2204.I for hospital based physician's charges.)

ACTION:

- (1) Please be advised that it is the obligation of a hospital to notify the DMAHS of any significant changes made to the hospital's charge structure subsequent to the aforementioned historical base used to establish Medicaid cost-to-charge ratios. The hospital must contact Jacqueline Cantlin, Administrator, Office of Provider Rate Setting, at (609) 588-2899 when any significant changes are made to the hospital's charge structure.
- (2) DMAHS will be reviewing hospital charge structures very closely. If improprieties are discovered, DMAHS will, at a minimum, reduce cost-to-charge ratios and adjust all claims retroactive to the date of change. Hospitals that may be impacted by the requirements contained in this newsletter are encouraged to contact the DMAHS Office of Provider Rate Setting at (609) 588-2899 to coordinate corrective action and voluntary disclosure.
- (3) Providers that do not coordinate a corrective action, and are determined to be receiving reimbursement greater than they are otherwise entitled to, could be subject to recovery, interest, civil penalties, and criminal prosecution.

If you have any questions concerning this Newsletter, please contact Jacqueline Cantlin, Administrator, Office of Provider Rate Setting, at (609) 588-2899 regarding a change to a hospital's charge structure or charge ratios. Additionally, hospitals should contact the DMAHS Office of Provider Rate Setting at (609) 588-2899, if they may be impacted by the requirements in this newsletter.

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