



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

# NEWSLETTER

Volume 13 No. 32

May 2003

**TO:** Providers of Hospital Services - For Action  
Health Maintenance Organizations - For Information Only

**SUBJECT:** Establishment of Interim Rates for Outpatient Services, Hospital Notice  
Regarding Changes in Outpatient Charges

**EFFECTIVE:** Immediately

**PURPOSE:** The purpose of this newsletter is two-fold: (1) to notify hospitals of the cost report data used to establish interim outpatient hospital rates; and (2) to advise hospitals of their duty to inform the Division of Medical Assistance and Health Services (DMAHS) of changes in charges for outpatient hospital services.

**BACKGROUND:** DMAHS routinely monitors Medicaid claims activity and has noticed large increases in charges for hospital outpatient services, either in specific services, particularly mental health, or across-the-board. DMAHS reimburses hospital outpatient services on an interim basis through the application of cost-to-charge ratios based upon historical Medicare cost report data. Final settlement is based on cost and hospitals should be billing using charges that are related to their costs and consistent with their cost report filings in order to minimize overpayments or underpayments.

In order to address the excessive charge issue, DMAHS will be using the 2001 submitted Medicare cost report data to develop the cost-to-charge ratios for 2003. We believe that the use of the most recent available cost report data will better estimate hospitals' current cost of providing services.

**ACTION:** It is the obligation of a hospital to notify the DMAHS of any significant changes made to the hospital's charge structure or cost-to-charge ratios. This will permit DMAHS to work with the hospital to establish cost-to-charge ratios that will result in outpatient reimbursement that is reflective of the cost of the services. This will also assist DMAHS in meeting its requirement under 42 CFR 447.321 to limit Medicaid reimbursement to what Medicare would have paid for these services.

DMAHS will continue to monitor hospital outpatient charges, and will investigate any improprieties that are discovered. In these circumstances, DMAHS will, at a minimum, reduce cost-to-charge ratios and process recoveries retroactive to the date of change in charges. Hospitals that are in this situation are encouraged to contact the DMAHS Hospital Rate Setting Unit to coordinate corrective action. Providers that do not seek corrective action and are determined to be receiving reimbursement greater than they are entitled to could be subjected to recovery of the excessive reimbursement received, as well as interest, false claim penalties and criminal prosecution.

If you have any questions concerning this Newsletter, please contact Eileen Stokley at (609) 588-2693.

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