

TO: Hospitals - Chief Executive Officer

APPLICABLE TO: NEW JERSEY HOSPITALS REIMBURSED UNDER THE DRG METHODOLOGY ONLY

ROUTE TO: Medical Records, Finance, Billing and Accounting Departments

SUBJECT: Utilization Review

EFFECTIVE: January 1, 1993

PURPOSE: To notify New Jersey hospitals, reimbursed in accordance with the New Jersey Medicaid DRG methodology, that the Division of Medical Assistance and Health Services (DMAHS) affirms the New Jersey Department of Health's utilization review requirements and requires that Utilization Review Organizations conduct reviews of inpatient hospital services provided to Medicaid recipients.

BACKGROUND: The Department of Health requires Utilization Review Organizations to continue to perform utilization review functions in 1993. In accordance with the Department of Health requirements, DMAHS will also require Utilization Review Organizations to continue to perform utilization review functions for Medicaid recipients in 1993.

The DMAHS includes funding for utilization review in the DRG hospital inpatient reimbursement rate. The costs of Utilization Reviews are part of the Medicaid indirect cost calculation. The costs are hospital specific and are indicated on the hospital's Report 5. These costs were multiplied by a global economic factor of 1.0555 and became part of the 1993 indirect costs recognized by Medicaid.

ACTION: All hospitals are requested to cooperate with the Utilization Review Organizations in the required review of hospital inpatient services provided to Medicaid recipients.

For further information and/or inquiries regarding this Newsletter, please contact Deborah Bradley, Executive Director, Office of Medical Affairs and Provider Relations, Division of Medical Assistance and Health Services, at (609) 588-2721.

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