MEMORANDUM

To: All HSC Faculty & Staff Members

From: Richard S. Larson, MD, Ph.D.
      Vice President for Research, HSC

and Steve McKernan
      Vice President for HSC Hospital Operations

Date: August 1, 2010

Re: UNMH Patient Care Rates and Quotes for Research Projects and Clinical Trial Agreements

The purpose of this memo is to inform HSC Researchers of our policy for pricing patient care procedures and accounting for expenses of UNMH Services.

All patient care rates are subject to annual external audit review to verify their true and actual costs.

I. The cost of UNMH procedures on any Federally Funded, Investigator Initiated / Research Allocation Committee (RAC) / Internal, State Sponsored, or Non-Profit Foundation agreements is 100% of the current Center for Medicare Services (CMS) rate. The CMS rate is defined as 100% of the Medicare fee (including deductibles and coinsurance) that the hospital would receive if the service was performed for a Medicare beneficiary.

- **Medicare inpatient prospective payment system (Inpatient)** - The primary source of the inpatient fee will be from the CMS Inpatient Pricer, currently available at [http://www.cms.gov/PCPricer/03_inpatient](http://www.cms.gov/PCPricer/03_inpatient).

- The fee will include all components that UNMH is paid if the service is performed for a Medicare beneficiary including but not limited to operating base DRG component known as Federal Specific Operating Rate adjusted for area wage index and DRG weight, operating Disproportionate Share (DSH), operating Indirect Medical Education (IME), capital DSH, capital IME, and Graduate Medical Education (GME). The payment amount will be calculated as of the date of the inpatient discharge. For inpatient admissions that do not group to a payable DRG, the reimbursement will be at the prior year cost to charge ratio, which, for FY 09 was 52.9% of billed charges. The cost to charge ratio changes every year and is a part of the annual summit reporting that is calculated by the Controller’s office of the UNM Health Sciences Center.

- **Outpatient**: The primary source of the outpatient fee will be from the Outpatient Prospective Payment System (OPPS) Addendum B. For services that are not paid under the OPPS, the applicable fee schedule would apply (e.g. Medicare Physician Fee Schedule (MPFS), Clinical Laboratory Fee Schedule, OP Rehabilitation, diabetic supplies and Durable Medical Equipment). The applicable fee will be adjusted to the Albuquerque market. For O/P services not paid under any Medicare fee schedule, the applicable rate will be at the prior year cost to charge ratio, which, for FY 09 was 52.9% of billed charges. The cost to charge ratio changes every year and is a part of the annual summit reporting that is calculated by the Controller’s office of the UNM Health Sciences Center.
- UNMH is prohibited by law from selling services at a cost lower than the CMS rate. This is the lowest possible pricing UNMH can offer.

II. The cost of Industry sponsored (Pharma and For-Profit) agreements is 140% of the CMS rate as defined above.

1. Official UNMH price quotes are to be obtained from Mike Bewak, UNMH Research Liaison. Please contact Mike at 272-2575 or MBewak@salud.unm.edu. Please indicate type of agreement, name of the sponsor, and the applicable DRG or CPT code(s) with your pricing request.

2. All UNMH price quotes are given at the current rate. Researchers are encouraged to calculate a potential inflation rate of 3% for each future year or use the NIH inflation rates, whichever is more, in proposals and quotes. CMS adjusts the rates on at least an annual basis which typically occurs in the month of October of each year. UNMH does not know the future rate, nor are they responsible for honoring out of date CMS pricing, so researchers must plan their proposals and quotes accordingly.

On occasion, pharma sponsors have refused an inflation rate in budgets; in these cases Principal Investigators should use an “average” by incorporating the potential inflation rate and dividing by the number of years for an acceptable flat amount that will be fair, while not putting the study in a deficit cash flow position. Principal Investigators are always responsible for adhering to the New Mexico Anti-Donation Law by offering an accurate bid without jeopardizing a loss to the University by not being able to cover all costs.