

Instructions for using the workers' compensation hospital outpatient fee schedule

Background

- These instructions explain the workers' compensation hospital outpatient fee schedule (**HOFS**) for payment of workers' compensation hospital outpatient treatment according to Minnesota Statutes § 176.1364.¹ The HOFS payment rate table is available at www.dli.mn.gov/business/workers-compensation/work-comp-medical-fee-schedules-hofs.
- The HOFS establishes payment for hospital outpatient surgical, emergency room and clinic services using Addenda A and B from Medicare's Hospital Outpatient Prospective Payment System (OPPS) and corresponding payment "status indicators" that Medicare assigns to each Healthcare Common Procedure Coding System (HCPCS) code.²
- The HOFS includes only hospital outpatient services with either a J1 or J2 status indicator for the specific HCPCS code.³ The HOFS indicates whether a HCPCS code has a J1 or J2 status indicator.
- Illustrative flowcharts that reflect payment requirements under the HOFS are available at www.dli.mn.gov/business/workers-compensation/work-comp-medical-fee-schedules-hofs.
- The HOFS applies to all hospital outpatient services, except for services provided by hospitals designated by Medicare as Critical Access Hospitals.⁴
- Payment amounts for services in the HOFS are divided into two categories: non-critical access hospitals with 100 or fewer licensed beds; and hospitals with more than 100 licensed beds. Payment amounts are calculated by multiplying payment weights assigned by Medicare under the OPPS by the separate Minnesota conversion factor for each category.⁵
 1. The Minnesota Department of Health website specifies the number of a hospital's licensed beds and whether a hospital is designated as a critical access hospital at www.health.state.mn.us/facilities/regulation/directory/providerselect.html.

¹In developing these instructions, the Department of Labor and Industry has made every effort to accurately reflect Minnesota Statutes § 176.1364. The statutory language controls in the event of a difference between these instructions and the statute.

²HCPCS code means the numeric or alphanumeric code included in the Centers for Medicare and Medicaid Services' Healthcare Common Procedure Coding System.

³Medicare primarily applies J1 status indicators to surgical HCPCS codes and J2 status indicators for emergency room codes.

⁴Critical access hospitals are paid at 100% of their usual and customary charges unless the commissioner or a compensation judge determines the charge is unreasonably excessive.

⁵The HOFS table is updated each year to reflect new conversion factors updated under Minnesota Statutes § 176.1364, subd. 3(d). At least once every three years, the commissioner is required to update the HOFS under Minnesota Statutes § 176.1364, subd. 3(e) to incorporate services with a J1 or J2 status indicator, and the corresponding relative weights, listed in the Addenda A and B most recently available on Medicare's website as of the preceding July 1.

- As required by Minnesota Statutes § 176.1364, subd. 3(d), the conversion factors are adjusted each Oct. 1 “based on the market basket index for inpatient hospital services calculated by Medicare and published on its website. The adjustment on each Oct. 1 shall be a percentage equal to the value of that index averaged over the four quarters of the most recent calendar year divided by the value of that index over the four quarters of the prior calendar year.”

How to apply the HOFS to bills with one or more services with a J1 status indicator

- If the bill includes a charge for **one** service listed in the HOFS with a J1 status indicator, pay the amount listed in the HOFS for that service (based on the size of the hospital), regardless of the amount charged by the hospital.
- If the bill includes **more than one** service listed in the HOFS with a J1 status indicator, pay the service with the highest HOFS amount at 100% of that amount and pay any other service with a J1 status indicator 50% of its HOFS amount, regardless of the amounts charged.
- No separate payment is made for any other service, including other services listed in the HOFS with a J2 status indicator. Payment for other services is packaged into payment for the service or services with the J1 status indicator.
 - **Exception:** Under Minn. Stat. § 176.1364, subd. 5, if an implantable device with an H status indicator in the applicable Addendum B is included on a bill with a J1 service, and is properly billed with another HCPCS code if required under Medicare’s OPPS system, it is paid at 85% of the hospital’s usual and customary charge for that implantable device. Services with an H status indicator in the HOFS, if any, will be identified in the HOFS table. The HOFS is updated each Oct. 1 to include any codes payable under Minn. Stat. § 176.1364, subd. 5.

How to apply the HOFS to bills with one or more services with a J2 status indicator and no J1 service

If a bill has one or more services listed in the HOFS with a J2 status indicator, and does not include any service with a J1 status indicator, the following apply.

- **Each** service with a J2 status indicator is paid at the amount listed in the HOFS for that service, regardless of the amount charged by the hospital.
 - **Exception:** If the bill includes eight or more units of HCPCS code **G0378** (hospital observation, per hour), pay the amount listed in the HOFS for Ambulatory Payment Classification (APC) 8011 (comprehensive observation service), regardless of the amount charged.⁶ Payment for all other services on the bill,

⁶There must be a physician’s or dentist’s order for observation services.

including additional services with a J2 status indicator, is packaged into the HOFs amount for APC 8011.⁷

- Payment for drugs charges on the same bill as the service with a J2 status indicator is as follows.
 - Payment for drugs delivered by injection or infusion is packaged into payment for the injection or infusion service. There is no separate payment for the drug.
 - Drugs that were not delivered by injection or infusion are paid at the rate in the applicable Medicare Average Sales Price (ASP) file on the day the drug is dispensed. The Medicare ASP drug files can be found at www.cms.gov/Medicare/Medicare-Fee-for-Service-Part-B-Drugs/McrPartBDrugAvgSalesPrice. The ASP file most recently available on Medicare’s website as of July 1 is available on DLI’s website at www.dli.mn.gov/business/workers-compensation/work-comp-medical-fee-schedules-hofs.⁸
 - If the drug is not delivered by injection or infusion and is not included in the ASP, it is paid at 85% of the hospital’s usual and customary charge.
- Payment for services without a HCPCS code is packaged into payment for the service or services with the J2 status indicator. There is no separate payment for services without a HCPCS code.
- Payment for any other service (not addressed above) that is included on the same bill as the service with a J2 status indicator is according to the relative value fee schedule. (See www.dli.mn.gov/business/workers-compensation/work-comp-medical-fee-schedules-rbrvs.)
 - If the service is not covered by the relative value fee schedule, it is paid at 85% of the hospital’s usual and customary charge.

How to pay bills without any service with a J1 or J2 status indicator

A bill that does not include any service listed in the HOFs – in other words, a bill without any service with a J1 or J2 status indicator – is paid as follows.

- If the service is covered by the **relative value fee schedule**, liability is as provided in the relative value fee schedule.
- If the service is **not** covered under the relative value fee schedule, it is paid at 85% of the hospital’s usual and customary charge.

More information

If you have further questions about the HOFs, contact the Department of Labor and Industry’s medical policy staff at 651-284-5052 or medical.policy.dli@state.mn.us.

⁷APC 8011 can be found in OPSS Addendum A and is assigned a J2 status indicator.

⁸No later than Oct. 1 of each year, the commissioner is required to publish a link on DLI’s website to the ASP most recently available as of the preceding July 1 (Minn. Stat. § 176.1364, subd. 4(c)(3)(ii)).