

**WAC 296-23A-0410 How does the department calculate diagnosis-related-group (DRG) relative weights?** In calculating DRG relative weights, the department will:

(1) Allocate costs for hospital services at a detailed revenue code level using medicare cost report data and medicare definitions for allowable costs. The department will allow costs for graduate medical education and charity care. Allowable costs for charity care shall not exceed a maximum of two percent of the facility's total allowable costs.

(2) Classify department hospital admissions data and hospital discharge data in the Washington state department of health's comprehensive hospital abstract reporting system (CHARS), using an all-patient grouper.

(3) Establish relative weights from department of labor and industries' hospital admission data. If the department's data is not sufficient to calculate stable relative weights, the department may use hospital discharge data in the Washington state department of health's comprehensive hospital abstract reporting system (CHARS) or another appropriate data source.

(4) Exclude the following types of cases from DRG relative weight calculations: Transfers, statistical outliers, length of stay equal to zero, psychiatric, substance abuse and rehabilitation DRGs, out-of-state hospitals, other hospitals and services designated as exempt from DRG payment rates.

*See WAC 296-23A-0470 and 296-23A-0480 for exclusions and exceptions to DRG payments for hospital services.*

(5) Test each DRG statistically for adequacy of sample size to ensure that relative weights meet acceptable reliability and validity standards.

(6) Replace unstable department relative weights with stable CHARS derived relative weights.

(7) Standardize department and CHARS relative weights to a state-wide case-mix index of 1.0.

[Statutory Authority: RCW 51.04.020, 51.04.030 and 51.36.080. WSR 97-06-066, § 296-23A-0410, filed 2/28/97, effective 4/1/97.]