Washington State Department of
Labor & Industries

Chapter 26: Hospitals and Ambulatory Surgical Centers (ASCs)

Payment Policies for Healthcare Services

Provided to Injured Workers and Crime Victims

Effective July 1, 2025

How to navigate this document

Use the keyboard command **CTRL+F** on Windows (**Command+F** on Mac) to search for specific topics. If you can't find what you're looking for, try different keywords or combinations of words.

The Table of Contents lists each policy. To jump to a policy, click on the page number.

Links to appendices

For definitions of terms used throughout these payment policies, see Appendix A: Definitions.

For explanations of modifiers referenced throughout these payment policies, see Appendix B: Modifiers.

For information about place of service codes, see Appendix C: Place of Service (POS).

Updates and corrections

An annual update of the entire payment policies and fee schedules (MARFS) is published routinely to coincide with the beginning of each state fiscal year (July 1).

Throughout the year, updates and corrections may be needed to modify existing policies and fees or create new ones. Updated and corrected information supersedes the policies in MARFS. Look for possible updates and corrections to these payment policies and fee schedules on L&I's website.

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Payment policy: All Ambulatory Surgical Centers (ASC) services

Prior authorization

Procedures not on L&I's ASC fee schedule require prior authorization. Specifically:

- Under certain conditions, the director, the director's designee, or self-insurer, at their sole discretion, may determine that a procedure not listed on L&I's ASC fee schedule may be authorized in an ASC.
    - For example, this may occur when a procedure could be harmful to a particular worker unless performed in an ASC.
- The healthcare provider must submit a written request and obtain approval from the insurer prior to performing any procedure not on the ASC procedure list. Requests for coverage under these special circumstances require prior authorization. The written request must contain:
    - A description of the proposed procedure with associated CPT® or HCPCS procedure codes, *and*
    - The reason for the request, *and*
    - The potential risks and expected benefits, *and*
    - The estimated cost of the procedure.
- The healthcare provider must provide any additional information about the procedure requested by the insurer.

Who must perform these services to qualify for payment

To qualify for payment for ASC services, an ASC must:

- Be licensed by the state(s) in which it operates, unless that state doesn't require licensure, *or*
- Have at least 1 of the following credentials:
    - Medicare (CMS) Certification as an ASC, *or*
    - Accreditation as an ASC by a nationally recognized agency acknowledged by CMS, and
- Have an active ASC provider account with L&I.

Services that can be billed

L&I uses the CMS list of procedure codes covered in an ASC, plus additional procedures determined to be appropriate.

L&I's rates for ASC procedures are based on a modified version of the current system developed by CMS for ASC services. L&I expanded the CMS list by adding some procedures CMS identified as excluded procedures.

Link: All procedures covered in an ASC are listed online in the fee schedule.

Services that aren't covered

Procedure codes not listed in L&I's ASC fee schedule aren't covered by the insurer for ASC facilities.

Additional information: Who to contact to become accredited or Medicare certified as an ASC

For national accreditation, contact:

- Accreditation Association for Ambulatory Health Care
- American Osteopathic Association
- Commission on Accreditation of Rehabilitation Facilities
- The Joint Commission
- QUAD A

For Medicare certification, contact:

Department of Health, **Office of Health Care Survey**
Facilities and Services Licensing
PO BOX 47874
Olympia, WA 98504-7874
360-236-4983

Payment policy: All hospitals

Requirements for billing

All charges for hospital inpatient and outpatient services provided to workers must be submitted on a UB-04 billing form using the UB-04 National Uniform Billing Committee Data Element Specifications.

Hospitals are responsible for establishing criteria to define inpatient and outpatient services. Bills for a patient admitted and discharged the same day, however, may be treated as outpatient bills and may be paid via a Percent of Allowed Charges (POAC) rate. For information about POAC rates for outpatient hospital visits, see the State Fund payment methods section for outpatient hospitals later in this chapter.

L&I follows CMS in regards to hospital admissions in the course of an encounter at another site for E/M services. Refer to Chapter 9: Evaluation and Management (E&M) "Services that can be billed" for more information.

Payment limits

Insurers will pay for the costs of proper and necessary hospital services associated with an accepted industrial injury.

For State Fund claims, inpatient bills will be evaluated according to L&I's Utilization Review Program. Inpatient bills submitted to L&I without a treatment authorization number may be selected for retrospective review. For observation services, L&I will follow CMS guidance.

No copayments or deductibles from workers are required or allowed.

Payments won't exceed allowed billed charges.

Links: Hospital payment policies established by L&I are reflected in the Hospital Billing Instructions (email L&I's Provider Hotline at PHL@Lni.wa.gov for a current copy) and in WAC 296-20, WAC 296-21, WAC 296-23, and WAC 296-23A.

Acquisition costs

Items covered under hospital **acquisition costs** will be paid using a hospital-specific POAC rate.

Nonhospital facilities will be paid a statewide average POAC rate.

Payment policy: Inpatient hospital acute care

Self-insured employer payment methods

Services for hospital inpatient care provided to workers covered by Self-insurers are paid using hospital-specific POAC rates for all hospitals (see WAC 296-23A-0210).

Crime Victims Compensation Program payment methods

Services for hospital inpatient care provided to crime victims covered by the Crime Victims Compensation Program are paid using hospital-specific POAC rates for all hospitals (see WAC 296-30-090).

State Fund provider network coverage requirements

Services from both network and non-network providers can be covered:

- If done in an emergency room at an acute care hospital, or
- If done prior to discharge for a patient who was directly hospitalized from an initial emergency room visit.

Links: For more information about the network, see WAC 296-20-01010(3).

For information on who may treat, see WAC 296-20-015(1).

State Fund payment methods

Services for hospital inpatient care provided to workers covered by the State Fund are paid using 3 payment methods:

- An All Patient Refined Diagnosis Related Group (APR DRG) system. L&I currently uses APR DRG Grouper version 38. For exclusions and exceptions, see WAC 296-23A-0470, *or*
- A statewide per diem rate for those APR DRGs that have low volume, *or*
- A POAC rate for hospitals excluded from the APR DRG system.

Link: The current APR DRG Assignment List is available online.

Payment methods for hospital types or locations

If the **hospital type** or **location** is…	Then the **payment method** for inpatient hospital acute care services is:
Hospitals not in Washington State, including psychiatric facilities and HMOs	Paid by an out of state POAC rate. The POAC rates are 66.14% for hospitals within the United States and 100% for hospitals outside the United States.
Hospitals in Washington State that are excluded: • Children's hospitals, • Health Maintenance Organizations (HMOs), • Military hospitals, • Veterans Administration facilities, • State psychiatric facilities, • Tribal-owned facilities located on tribal land.	Paid 100% of allowed charges.
Hospitals not in Washington State that are excluded: • Children's hospitals, • Military hospitals, • Veterans Administration facilities	Paid 100% of allowed charges.

If the **hospital type** or **location** is…	Then the **payment method** for inpatient hospital acute care services is:
Hospitals in Washington State that are major teaching hospitals: • Harborview Medical Center, • University of Washington Medical Center. *OR* All other Washington hospitals	Paid on a per case basis for admissions falling within designated APR DRGs. For low volume APR DRGs, Washington hospitals are paid using the statewide per diem rates for the designated APR DRG categories below: • Chemical dependency, • Psychiatric, • Rehabilitation, • Medical, • Surgical.

Hospital inpatient acute care rates

The APR DRG Assignment List with APR DRG codes, descriptions, relative weights for each severity of illness category and average length of stay can be viewed on L&I's fee schedule page.

For information on how specific rates are determined see WAC 296-23A.

APR DRG base rates

If the **hospital** is…	Then the **base rate** is:
Harborview Medical Center	**$13,545.20**
University of Washington Medical Center	**$11,994.52**
All other Washington hospitals	**$11,209.50**

APR DRG per diem rates

If the **payment category** is…	Then the **rate** is…	And the **definition** is:
Psychiatric APR DRG per diem	**$1,215.03** multiplied by the number of days allowed by L&I.	APR DRGs identified as Psych
Chemical dependency APR DRG per diem	**$1,004.69** multiplied by the number of days allowed by L&I.	APR DRGs identified as Chem Dep
Rehabilitation APR DRG per diem	**$1,783.82** multiplied by the number of days allowed by L&I.	APR DRGs identified as Rehab
Medical APR DRG per diem	**$2,558.29** multiplied by the number of days allowed by L&I.	APR DRGs identified as Medical
Surgical APR DRG per diem	**$5,367.77** multiplied by the number of days allowed by L&I.	APR DRGs identified as Surgical

Additional inpatient acute care hospital rates

If the **payment category** is…	Then the **rate** is…	And the **definition** is:
Transfer-out cases	Unless the transferring hospital's charges qualify for low outlier status, the stay at this hospital is compared to the APR DRGs average length of stay. If the worker's stay is less than the average length of stay, a per-day rate is established by dividing the APR DRG payment amount by the average length of stay for the APR DRG. Payment for the first day of service is 2 times the per-day rate. For subsequent allowed days, the basic per-day rate will be paid. If the worker's stay is equal to or greater than the average length of stay, the APR DRG payment amount will be paid.	A transfer is defined as an admission to another acute care hospital within 7 days of a previous discharge.
Low outlier cases (costs are less than the threshold)	Hospital-Specific POAC rate multiplied by allowed billed charges.	Cases where the cost (see note below table) of the stay is less than 10% of the statewide APR DRG rate or a statutory amount inflated to current dollars, whichever is greater.
High outlier cases (costs are greater than the threshold)	APR DRG payment rate plus 100% of costs in excess of the threshold.	Cases where the cost (see note below table) of the stay exceeds a statutory amount inflated to current dollars or 2 standard deviations above the statewide average cost for each DRG and SOI combination, whichever is greater.

How costs are determined

Costs are determined by multiplying allowed billed charges by the hospital-specific POAC rate. Hospitals outside of the United States will be paid at a POAC rate of 100% of allowed charges. High and low outlier amounts are listed on the APR-DRG Assignment sheet on L&I's fee schedule page.

Payment policy: Outpatient hospitals

Self-insured employer payment methods

Services for hospital outpatient care provided to workers covered by self-insurers are paid using hospital-specific POAC rates or the appropriate Professional Services Fee Schedule amounts (see WAC 296-23A-0221).

Crime Victims Compensation Program payment methods

Services for hospital outpatient care provided to crime victims covered by the Crime Victims Compensation Program are paid using hospital-specific POAC rates or the Professional Services Fee Schedule (see WAC 296-30-090).

State Fund payment methods

Services for hospital outpatient care provided to workers covered by the State Fund are paid using 3 payment methods:

- Outpatient Prospective Payment System (OPPS) using an Ambulatory Payment Classification (APC) system.
- An amount established through L&I's Professional Services Fee Schedule for covered services not processed using the APC system.
- A POAC rate for covered hospital outpatient services not processed using either the APC system or with an amount from the Professional Services Fee Schedule.

Note: Under the APC payment model, some line items may be packaged into the payment of other services on the bill and do not receive individual payment. The outpatient code editor (OCE) that Centers for Medicare & Medicaid Services created and maintains is utilized to determine which lines get packaged and which do not.

Links: For a description of L&I's OPPS system, see WAC 296-23A (Part 4), WAC 296-23A-0220, and WAC 296-23A-0700 through WAC 296-23A-0780.

How the above payment methods are applied

Hospital types or locations…	Then the **payment method** for hospital outpatient services is:
Hospitals not in Washington State, including psychiatric facilities and HMOs	Paid by out of state POAC rates. The rates are 66.14% for hospitals within the United States and 100% for hospitals outside the United States.
Hospitals in Washington State that are excluded: • Children's hospitals, • Military hospitals, • Veterans Administration facilities, • State psychiatric facilities, • Tribal-owned facilities located on tribal land.	Paid 100% of allowed charges
Hospitals not in Washington State that are excluded: • Children's hospitals, • Military hospitals, • Veterans Administration facilities	Paid 100% of allowed charges
Rehabilitation hospitals, Cancer hospitals, Critical access hospitals, Private psychiatric facilities	Paid a facility-specific POAC rate or a fee schedule amount depending on procedure
All other hospitals in Washington State	Paid on an APC basis for services falling within designated APCs. For non-APC paid services, Washington hospitals are paid using an appropriate Professional Services Fee Schedule amount, or a facility-specific POAC rate.

Additional payment details

When ER visits develop into inpatient stays, hospitals should bill all charges on an inpatient bill. Use the inpatient admission date as the first covered date.

Military hospitals may bill HCPCS code **T1015** for all outpatient clinic services.

Hospitals will be sent their individual POAC and APC rates each year.

Hospitals outside the United States will be paid at a POAC rate of 100%.

Pass-through devices

A transitional pass-through device is an item accepted for payment as a new, innovative medical device by CMS where the cost of the new device hasn't already been incorporated into an APC.

Hospitals will be paid by fee schedule or if no fee schedule exists, a hospital-specific POAC rate for new or current pass-through devices.

New or current drug or biological pass-through items will be paid by fee schedule or a POAC rate (if no fee schedule exists).

Hospital OPPS payment process

Question:	If the **answer** is…	Then the **payment method** is:
1. Does L&I cover the service?	No	Don't pay
	Yes	Go to question 2
2. Does the service coding pass the Outpatient Code Editor (OCE) edits?	No	Don't pay
	Yes	Go to question 3
3. Are the service codes listed on the inpatient-only list?	No	Go to question 4
	Yes	Pay POAC rate
4. Is the service packaged?	No	Go to question 5
	Yes	Don't pay. Go to question 7
5. Is there a valid APC for the service?	No	Go to question 6
	Yes	Pay the APC amount and total the APC payment(s) for outlier consideration. Go to question 7
6. Are the service codes listed in a fee schedule?	No	Pay POAC rate
	Yes	Pay the facility amount for the service
7. Does the service qualify for outlier?	No	No outlier payment
	Yes	Pay outlier amount

Additional payment details

If only 1 line item on the bill is an inpatient (IP) code, the entire bill will be paid at POAC rate.

Outlier amounts are in addition to regular APC payments.

OPPS relative weights and payment rates

The relative weights published by CMS are used for the OPPS program.

Each hospital's blended APC rate was determined using a combination of the average hospital-specific APC rate and the statewide average APC rate.

Links: Additional information on the formulas used to establish individual hospital rates can be found in WAC 296-23A-0720.

Hospitals will receive notification of their blended APC rates via separate letter from L&I or by accessing the Hospital Rates link in the fee schedule.

OPPS outlier payments

L&I uses a modified version of the CMS outlier payment policy.

Payment policy: Post-exposure prophylaxis (PEP) drugs for HIV

General information

The insurer will cover up to a 28-day supply of post-exposure prophylaxis (PEP) drugs for HIV when dispensed directly from a Washington State hospital emergency department for proper and necessary treatment of an injured worker or crime victim.

Link: For PEP HIV drugs dispensed through a pharmacy, see Chapter 19: Pharmacy.

Services that can be billed

Local rev code	Description and notes	Max fee
0017	Post-exposure prophylaxis (PEP) drugs for HIV	**Hospital-specific POAC rate**

Note: Don't include a CPT®/HCPCS code on the line billed with local rev code 0017.

Documentation requirements

Documentation of the PEP HIV drug(s) dispensed must include:

- Drug name,
- NDC,
- Strength,
- Dosage, *and*
- Quantity

Payment policy: Swing beds for sub-acute care

Payment methods

Critical Access Hospitals and Veterans Administration Hospitals will be paid for sub-acute care (swing bed services) utilizing a hospital specific POAC rate.

Prior authorization

You must contact an ONC for approval. To obtain information about contacting an ONC, email L&I's Provider Hotline at PHL@Lni.wa.gov.

Requirements for billing

Upon approval from a Labor and Industries ONC, CAHs and Veterans Administration Hospitals should bill their usual and customary charge for sub-acute care (swing bed use) on the UB-04 billing form.

Identify these services in the Type of Bill field (Form Locator 04) with the 018x series (hospital swing beds).

Does this policy apply to self-insured employers?

No. Self-insured employers' payment formula for hospital inpatient services and non-fee schedule hospital outpatient services = *the hospital specific POAC factor x Allowed charges*. Contact your insurer for correct form and payment procedures.

Links to related topics

If you're looking for more information about…	Then see…
Administrative rules for ASC payment policies	Washington Administrative Code (WAC) 296-23B
Administrative rules for billing procedures	Washington Administrative Code (WAC) 296-20-125
Administrative rules for hospital payment policies	Washington Administrative Code (WAC) 296-20 WAC 296-21 WAC 296-23 WAC 296-23A WAC 296-30-090
Administrative rules for the State Fund provider network and Who may treat	WAC 296-20-01010 WAC 296-20-015
Becoming an L&I provider	Become A Provider on L&I's website
Billing instructions and forms **Adjustments, Refunds, Protests & Appeals**	Chapter 2: Information for All Providers
Evaluation and management services	Chapter 9: Evaluation and Management Services
Fee schedules for all healthcare facility services	Fee schedules on L&I's website
Minimum Data Set (MDS) Basic	Medicare's (CMS's) website

If you're looking for more information about…	Then see…
Assessment Tracking Form	
Payment policies for **durable medical equipment (DME)**	Chapter 7: Durable Medical Equipment (DME) and Supplies
Residential treatment facilities for mental health	Chapter 26: Rehabilitation Facilities and Programs
Statement for Miscellaneous Services form	Statement for Miscellaneous Services form on L&I's website
Washington revised code (state laws) regarding **audits of healthcare providers**	Revised Code of Washington (RCW) 51.36.100 RCW 51.36.110

Need more help?

Contact Provider Hotline with billing and authorization questions by emailing PHL@Lni.wa.gov or calling **1-800-848-0811** between 8 am and 12 pm PT Monday through Friday.

