

## Appendix C: Hospital Cost Benchmarks

Appendix C presents the methodology used for cost coverage of Inpatient Hospital Services and Outpatient Hospital Services.

### Inpatient Hospital Reimbursement Benchmark

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WDH has determined cost coverage for inpatient hospital services (both level of care [LOC] and specialty services) for State Fiscal Year (SFY) 2019 under the LOC system.<sup>1</sup> Cost coverage calculations do not include DSH payments.

- From SFY 2018 to SFY 2019 estimated inpatient cost coverage for participating providers increased from 101 percent to 103 percent as shown in Figure C.1. Excluding Qualified Rate Adjustment (QRA) and private hospital supplemental payments, estimated inpatient cost coverage decreased from 90 percent to 89 percent.
- By LOC, as shown in Figure C.2, estimated cost coverage for participating hospitals ranged from 64 percent for Neonatal Intensive Care Unit (NICU) to 155 percent for newborn nursery level of care services in SFY 2018 (excluding QRA and private hospital tax payments).
- NICU claims have experienced a large decrease in volume and cost coverage since the last LOC rate rebasing. In SFY 2012, there were a total of 132 NICU claims, with a cost coverage of 194 percent. In SFY 2019, there were 45 NICU claims with an 88 percent cost coverage.
- During this same time there has been a large increase in the cost coverage for Newborn Nursery services. In SFY 2019, Guidehouse conducted a cost coverage analysis of Newborn Nursery services to identify why cost coverage for these services was increasing, while WDH added no additional funding for these services. Guidehouse identified that Presbyterian St. Luke's was receiving a statewide average cost-to-charge ratio for these services that resulted in a high level of outlier payments that increased the overall cost coverage for these services.
- For comparison purposes, the 2019 MedPac report to Congress estimated that hospital's aggregate Medicare cost coverage was 90.1 percent in 2017.<sup>2</sup>

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<sup>1</sup> Specialty services comprise inpatient hospital services reimbursed outside of the Level of Care system, i.e., bone marrow transplant, kidney transplant, extended psychiatric services, specialty rehabilitation services, and liver transplants.

<sup>2</sup> MEDPAC. (March 2019). "Report to Congress: Medicare Payment Policy,"(page 66). Available online: [http://medpac.gov/docs/default-source/reports/mar19\\_medpac\\_entirereport\\_sec.pdf?sfvrsn=0](http://medpac.gov/docs/default-source/reports/mar19_medpac_entirereport_sec.pdf?sfvrsn=0)

**Figure C.1: Estimated Percent Inpatient Hospital Cost Coverage, by SFY for Participating In-State Hospitals<sup>3</sup>**

SFY	In-State Hospitals		Out-of-State Hospitals	Total	
	Without Supplemental Payments	With Supplemental Payments	Without Supplemental Payments	Without Supplemental Payments	With Supplemental Payments
2004	88	92	98	90	93
2005	85	89	104	91	94
2006	85	90	106	91	94
2007	81	87	108	88	93
2008	83	88	101	88	92
2009	79	85	122	92	96
2010	88	102	109	94	104
2011	91	100	108	96	102
2012	86	89	91	88	90
2013	82	86	82	82	85
2014	81	86	79	80	83
2015	81	87	82	82	85
2016	83	89	92	86	90
2017 <sup>4</sup>	86	99	89	87	96
2018 <sup>5</sup>	81	100	103	90	101
2019 <sup>6</sup>	78	100	107	89	103

<sup>3</sup> There currently are two state operated supplemental payment programs available for Wyoming hospitals, the qualified rate adjustment (QRA) and private hospital supplemental payment programs. Both programs provide supplemental payments for inpatient and outpatient hospital services rendered by certain hospitals. The QRA and private hospital supplemental payments for a given SFY represent QRA payments based on paid claims data from the preceding SFY.

<sup>4</sup> The private hospital supplemental payment program began in SFY 2017. Inpatient cost coverage in Figure C.1 only includes cost coverage with QRA payments for SFYs 2004-2016, with SFY 2017 being the first year showing cost coverage with both QRA and private hospital supplemental payments.

<sup>5</sup> In SFY 2018 aggregate cost coverage was 101 percent. This high level of cost coverage was driven by the out-of-state provider cost coverage being 103 percent. Guidehouse identified Presbyterian St. Luke's (PSL) as the major provider contributing to this high cost coverage with the provider having an aggregate 190 percent cost coverage and accounting for 39 percent of total payments to out-of-state providers and 21 percent of out-of-state provider costs. In SFY 2019 Navigant conducted an analysis of PSL's cost coverage and identified that the provider was receiving an incorrect CCR for nursery services that caused excessive service payments.

<sup>6</sup> In SFY 2019 aggregate cost coverage was 103 percent. This high level of cost coverage was driven by the out-of-state provider cost coverage being 107 percent. In SFY 2019 Guidehouse conducted an analysis of PSL's cost coverage and identified that the provider was receiving an incorrect CCR for nursery services that caused excessive

**Figure C.2: Estimated Cost Coverage (SFY 2019) for Participating Providers, by Level of Care and Specialty Service**

Type of Service SFY 2019		Claims SFY 2019	Payments SFY 2019 (\$)	Estimated Cost Coverage SFY 2019 (Percent)
Level of Care	Rehabilitation Services without Ventilator	40	614,686	71
	Maternity/Surgical	940	6,137,527	78
	Maternity/Medical	1,162	4,487,275	70
	NICU	45	2,146,541	88
	ICU/CCU/Burn Care	520	13,768,030	82
	Surgery Care	404	6,290,699	74
	Psychiatric Services	532	3,513,523	109
	Normal Newborn Nursery	2,034	13,063,081	166
	Routine Care	1,529	10,262,941	71
	<i>Subtotal</i>	<i>7,206</i>	<i>60,284,303</i>	<i>88</i>
Specialty Services <sup>7</sup>	Kidney Transplants	2	405,212	270
	Liver Transplants	1	179,266	200
	Bone Marrow Transplants	2	460,500	211
	<i>Subtotal</i>	<i>5</i>	<i>1,044,978</i>	<i>228</i>
Subtotal (before QRA payments)		7,211	61,329,280	89
QRA Supplemental Payments			7,884,398	N/A
Private Hospital Supplemental Payments			2,128,641	N/A
Total (after supplemental payments)			71,094,049	103

service payments. Presbyterian St. Luke's (PSL) continues to be the main provider contributing to this high cost coverage. PSL has an aggregate 232 percent cost coverage and accounts for 37 percent of total payments to out-of-state providers and 17 percent of out-of-state provider costs.

<sup>7</sup> Specialty services are not paid via a Level of Care methodology and are instead paid at 55% of billed charges. Substantial charges from providers result in high cost coverage percentages for these services.

## Outpatient Hospital Reimbursement Benchmark

WDH has estimated cost coverage for Wyoming Medicaid outpatient hospital services. Cost coverage for outpatient services provided by in-state providers with QRA and private hospital supplemental payments remained at an estimated 99 percent in both SFY 2017 and SFY 2018, and increased to an estimated 100 percent in SFY 2019, as shown in Figure C.3, due to the implementation of the private hospital tax supplemental payment program.

**Figure C.3: Estimated Percent Outpatient Hospital Cost Coverage, by SFY for Participating In-State Hospitals<sup>8</sup>**

State Fiscal Year	Estimated Cost Coverage	
	Without QRA or Private Hospital Supplemental Payments	With QRA and Private Hospital Supplemental Payments
2004	61	76
2005	65	78
2006	63	76
2007	64	77
2008	64	73
2009	56	66
2010	60	74
2011	60	81
2012	55	66
2013	56	71
2014	54	67
2015	49	68
2016	45	66
2017 <sup>9</sup>	45	99
2018	46	99
2019	46	100

<sup>8</sup> There currently are two state operated supplemental payment programs for Wyoming hospitals, the qualified rate adjustment and private hospital supplemental payment programs. Both programs provide supplemental payments for inpatient and outpatient hospital services rendered by certain hospitals. The QRA and private hospital supplemental payments for a given SFY represent QRA payments based on paid claims data from the preceding SFY.

<sup>9</sup> The private hospital supplemental payment program began in SFY 2017. Outpatient cost coverage in Figure C.3 only includes cost coverage with QRA payments for SFYs 2000-2016, with SFY 2017 being the first year showing cost coverage with both QRA and private hospital supplemental payments.