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

WDH has determined cost coverage for inpatient hospital services for State Fiscal Year (SFY) 2020 under the new APR-DRG system.[1] For this analysis cost coverage calculations do not include DSH payments.

- From SFY 2019 to SFY 2020 estimated inpatient cost coverage for Wyoming hospitals increased from 78 percent to 82 percent without QRA or private hospital supplemental payments. When including supplemental payments total cost coverage for Wyoming hospitals remained at 100 percent as shown in Figure C.1.
- Across all participating providers of inpatient hospital services cost coverage decreased from 103 percent to 94 percent as shown in FigureC.1. Excluding Qualified Rate Adjustment (QRA) and private hospital supplemental payments, estimated inpatient cost coverage decreased from 89 percent to 83 percent when looking at all providers. However, while an overall decrease in cost coverage may seem problematic for Wyoming providers, this decrease in cost coverage is driven by out-of-state providers having their payment rates updated during the APR-DRG payment implementation to better align service costs and payments. Prior to the APR-DRG rebasing, out-of-state providers experienced cost coverages in SFY 2018 and 2019 that were over 100 percent, representing a payment level above cost, which was greater than the pay to cost ratios for Wyoming Medicaid providers by more than 21 percent in SFY 2018 and 29 percent in SFY 2019.

Impacts of APR-DRG Implementation

Wyoming's APR-DRG implementation had multiple impacts on the Wyoming Medicaid program. At the highest level, the implementation of the APR-DRG based inpatient prospective payment methodology helped to modernize Wyoming Medicaid's reimbursement of inpatient hospital services and alights the methodology to be similar to that of Medicare and other state Medicaid programs.

During the APR-DRG implementation Guidehouse and WDH developed a revised outlier payment methodology that reduced outlier payments as a percentage of the total payments to providers. This realignment of outlier payments helped to reduce cost coverage for out-of-state providers that received outlier payments more frequently and at a higher dollar amount. By

[1] 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.

making these updates to the outlier payment methodology, WDH was able to increase reimbursement for in-state hospital services while maintaining appropriate reimbursement of out of state impatient hospital providers.

For comparison purposes, the 2020 MedPac report to Congress estimated that hospital's aggregate Medicare cost coverage was 90.7 percent in 2018. Medicare considers this percent of cost coverage adequate as it ensures all variable costs are covered. Furthermore, cost coverage below 100% has not shown a negative impact on access or quality of care.[2]

[2] MEDPAC. (March 2020). "*Report to Congress: Medicare Payment Policy,"(*page 71*)*. Available online: http://medpac.gov/docs/default-source/reports/mar20_entirereport_sec.pdf?sfvrsn=0

Figure C.1: Estimated Percent Inpatient Hospital Cost Coverage, by SFY for Participating In-State Hospitals[3]

SFY	In-State Hospitals		Out-of-State Hospitals	Total	
	Without Supplemental Payments	With Supplemental Payments	Without Supplemental Payments	Without Supplemental Payments	With Supplemental Payments
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[4]	86	99	89	87	96
2018[5]	81	100	103	90	101
2019[6]	78	100	107	89	103
2020	82.0	100	84	83	94

[3] 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.

[4] 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.

[5] 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.

[6] 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 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.

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 SFY 2018, and increased to an estimated 100 percent in SFY 2019, as shown in Figure C.2, due to the implementation of the private hospital tax supplemental payment program. In 2020 cost coverage for outpatient hospital services remained stable at 46 percent without supplemental payments and 100 percent cost coverage for Wyoming hospitals with supplemental payments. Cost coverage for Wyoming outpatient services has remained stable since 2016 when looking only at reimbursement without supplemental payments and has maintained near 100 percent cost coverage since 2017 when the private hospital supplemental payment program was implemented by WDH.

Figure C.2: Estimated Percent Outpatient Hospital Cost Coverage, by SFY for Participating In-State Hospitals[7]

State Fiscal Year	Estimated Cost Coverage	
	Without QRA or Private Hospital Supplemental Payments	With QRA and Private Hospital Supplemental Payments
2010	60	74
2011	60	81
2012	55	66
2013	56	71
2014	54	67
2015	49	68
2016	45	66
2017[8]	45	99
2018	46	99
2019	46	100
2020	46	100

[7] 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.
[8] 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.