

## APPENDIX A: METHODOLOGY AND DATA SOURCES

This section provides a description of the data sources and the calculations that were used in the analyses described in this report.

For some service areas and as outlined below, Guidehouse included supplemental data or performed additional calculations, as necessary. For inpatient and outpatient hospital services, we used detailed paid claims expenditure data from SFY 2022, hospital Medicare cost report data from SFY 2022, and Wyoming Medicaid's summary of SFY 2022 federal qualified rate adjustment (QRA) payments.<sup>1,2</sup>

The remainder of this Appendix describes the following:

- Data sources and calculations
- Calculations of recipients and expenditures
- Comparisons to benchmarks

### Data Sources and Calculations

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Data sources, edits to data and description of calculations follows:

#### *Inpatient Hospital*

We used the following data from Wyoming Medicaid's SFY 2022 QRA analysis, in combination with additional data from out-of-state hospitals, to estimate cost coverage and budget impacts:

- Claim set with claims that had never been adjusted and claims with a final adjustment. The inpatient hospital claim line items had dates of payment in SFY 2022.<sup>3</sup>
- As-filed cost report data for all in-state providers and out-of-state participating providers.
- Federal share of Wyoming Medicaid's actual SFY 2022 QRA payments (made to hospitals in SFY 2023).

In the cost calculations, we included estimated costs for medical education and capital. We estimated inpatient hospital costs for providers without cost report data by using the average cost-to-charge ratio from other providers with available cost report data.

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<sup>1</sup> To accurately represent payments received by hospitals during SFY 2023, we added the Federal Share of QRA payments calculated using SFY 2022 paid claims data to the SFY 2022 inpatient and outpatient hospital data.

<sup>2</sup> Due to different extraction dates from the Wyoming Medicaid claim system, inpatient and outpatient hospital payment amounts do not match totals displayed in WDH's SFY 2023 Annual Report.

<sup>3</sup> Never and fully adjusted claims have a claim status of 0 or F.

Unless indicated otherwise, expenditures and cost coverage provided in the inpatient hospital narrative represents in-state and out-of-state participating providers.

### ***Outpatient Hospital***

To estimate cost coverage and budget impacts for this Report, we used Wyoming Medicaid's SFY 2022 QRA analysis, in combination with additional data from out-of-state hospitals. We used the results of Wyoming Medicaid's SFY 2022 QRA payment analysis as follows:

- Claim set with claims that had never been adjusted and claims with a final adjustment. The outpatient hospital paid claims line items had dates of payment in SFY 2022.
- Cost report data (as-filed 2022 cost reports) used for the analysis of inpatient hospital services.
- Federal share of Wyoming Medicaid's actual SFY 2022 QRA payments (made to hospitals in SFY 2023).

We estimated outpatient costs for providers without cost report data by using average cost-to-charge ratios from providers with cost report data.

### **Benchmarking Analyses**

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The benchmarking study provides analysis that can be informative in basing decisions regarding reimbursement levels by comparing Wyoming Medicaid rates to other benchmarks. As part of the process of examining reimbursement for each service area, WDH assessed payment levels and methodologies. The SFY 2023 Benchmarking Study compares Wyoming Medicaid rates to those of six surrounding states and Medicare, and to average payment amounts made by commercial payers, where possible. To perform these comparisons, WDH first determined the most frequently billed procedure codes and the codes with the highest total expenditures in each of the service areas with fee-schedule based reimbursement rates. We identified the top twenty (20) procedure codes for each service area by expenditure and by volume (paid units).<sup>4</sup> For SFY 2023, Guidehouse maintained the sampling methodology to include the top twenty codes excluding injection pharmaceuticals and anesthesia services. These codes were excluded because reimbursement methodologies for injection pharmaceuticals and anesthesia services vary widely across states, Medicare, and commercial payers. For home health and hospice services, we used the top revenue codes.

Then, WDH determined reimbursement rates for comparable services in other states and Medicare. For each code, WDH calculated Wyoming's rate as a percentage of the comparison rate (by dividing the Wyoming Medicaid rate by the relevant benchmark rate) and then took the

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<sup>4</sup> Some services areas have fewer than twenty (20) distinct procedures or revenue codes.

average value for the top codes. The complete analyses for comparisons to other states and to Medicare are included in Appendix B.

### *Other Medicaid Programs*

WDH performed rate comparisons to fee-for-service Medicaid rates paid in the neighboring states of Colorado, Idaho, Montana, Nebraska, South Dakota, and Utah. To obtain data for this comparison, WDH identified fee schedules and provider communications publicly available on these states' websites.

### *Medicare*

Medicare provides annual rate adjustments for many services, including inpatient and outpatient hospital, skilled nursing facility, and home health based on inflation indices called "market baskets," which measure the prices that providers must pay for the goods and services they purchase to enable them to care for patients. The market basket includes employee wages, equipment, and overhead expenses. Medicare annually updates rates for other service areas using another inflation index – the Consumer Price Index (CPI). Annual Medicare rate adjustments also factor in adjustments to maintain budget neutrality and other volume assumptions for some services, such as physician and outpatient hospital services. Appendix E contains a summary of health care inflation indices, including an explanation of the CMS Market Basket indices.

WDH compared Wyoming Medicaid rates to Medicare rates using Wyoming-specific Medicare rates where applicable.<sup>5</sup> WDH used the calendar year (CY) 2023 Medicare fee schedules posted on the Medicare website to obtain FFS rates for ambulance, durable medical equipment, prosthetic, orthotic and supply (DMEPOS), home health, hospice, laboratory, behavioral health, physician, developmental center, and vision services.<sup>6,7</sup> Additional analyses were needed to determine Medicare rates for home health services in Wyoming: we calculated the average Medicare home health visit rates in Wyoming by identifying the average Wyoming Wage Index Budget Neutrality Factor and the Rural Add-On.

WDH determined the percent of Wyoming's Medicaid rate to the Medicare rate for each procedure code, where possible. Less than one hundred (100) percent indicates the Medicaid rate is less than the Medicare rate; a percentage more than one hundred (100) indicates the Medicaid rate is higher than the Medicare rate. Appendix D describes Medicare's specific reimbursement methodologies for the service areas compared in this report.

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<sup>5</sup> WDH used Wyoming-specific Medicare fee schedules for the following service areas: ambulance, behavioral health, developmental center, durable medical equipment, prosthetic, orthotic and supply (DMEPOS), laboratory, physician, and vision. Medicare does not produce Wyoming-specific fee schedules for ASC or hospice.

<sup>6</sup> Medicare updates rates on a CY basis while Wyoming Medicaid updates rates on an SFY basis; therefore, we compared Medicare rates from CY 2023 to Wyoming Medicaid rates from SFY 2023.

<sup>7</sup> FFS Medicare does not normally cover routine vision services, such as eyeglasses and eye exams, but it may cover some vision costs associated with eye problems that result from an illness or injury.

### *Commercial Payers*

WDH compared Wyoming Medicaid rates to average payments using 2022 commercial insurance claims data from Truven MarketScan.<sup>8</sup> For services for which Medicaid reimburses using a fee schedule, we calculated a benchmark using the average allowed amount for the same procedure codes. Truven MarketScan data is constructed from privately insured paid medical and prescription drug claims.<sup>9</sup> The database includes claims from self-insured and fully insured health insurance plans from almost 350 payers nationwide, including commercial insurance companies, Blue Cross and Blue Shield plans and third-party administrators.<sup>10</sup> To perform the analysis, we identified paid claims for in-network services in Wyoming based on patient location of residence. Additionally, we excluded claims that were part of a capitation arrangement. We then calculated average rates for specific sets of CPT / HCPCS and revenue codes by reported provider type and setting.

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<sup>8</sup> Calendar year 2022 was the most recent year of data available. We removed claims with a paid amount of \$0 from our analysis.

<sup>9</sup> Truven MarketScan does not include claims for dental or vision services.

<sup>10</sup> *Truven MarketScan Commercial Claims and Encounters Medicare Supplemental – Data Year 2022 Edition*. Truven Health Analytics. Available through subscription.