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) 2023 under the APR-DRG system.[1] For this analysis, cost coverage calculations do not include DSH payments.

- From SFY 2022 to SFY 2023 estimated inpatient cost coverage for Wyoming hospitals held steady at seventy four percent (74%), excluding QRA or private hospital supplemental payments. When factoring in supplemental payments, the overall cost coverage for Wyoming hospitals remained constant at one hundred and three percent (103%), as depicted in Figure C.1.
- Claims considered in this analysis were affected by various mass adjustments stemming from the transition to a new MMIS vendor in SFY 2022. Adjustments were implemented in this year's supplemental payments to accommodate the claims corrections.
- In SFY 2023 Guidehouse transitioned the Quality Risk Adjustment (QRA) from a retrospective to a prospective model to align with private hospital payments. Previously, the QRA process lagged the private hospital payments by one year. Due to the timing of the transition, the SFY 2023 benchmarking report will continue to utilize the retrospective methodology, incorporating CY 2023 private hospital payments and CY 2022 QRA payments. Looking ahead to the SFY 2024 benchmarking report, both QRA and private hospital payments will align to CY 2024.

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. It aligned the methodology to be similar to that of Medicare and other state Medicaid programs.

As of October 1, 2023, WDH introduced an APR-DRG system update in collaboration with Guidehouse. This involved revising the outlier payment methodology to lower outlier payments as a percentage of the total payments to providers. This realignment aims to reduce cost

[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.

coverage for out-of-state providers receiving frequent and high-dollar outlier payments. With these changes, WDH can increase reimbursement for in-state hospital services while maintaining appropriate reimbursement for out of state inpatient hospital providers. The update is anticipated to be budget neutral overall. For context, the 2023 MedPac report to Congress estimated hospitals' aggregate Medicare cost coverage was eighty-seven-point four percent (87.4%) in 2020, a percentage considered adequate by Medicare standards. Furthermore, cost coverage below one hundred percent (100%) has not shown a negative impact on access or quality of care.[2]

Figure C.1: Estimated Percent Inpatient Hospital Cost Coverage, by SFY for Participating 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

[2] MEDPAC, "*Report to Congress: Medicare Payment Policy," (*page 69*)*. Available online: https://www.medpac.gov/wp-content/uploads/2022/03/Mar22_MedPAC_ReportToCongress_v3_SEC.pdf

[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.

SFY	In-State Hospitals		Out-of-State Hospitals	Total	
	Without Supplemental Payments	With Supplemental Payments	Without Supplemental Payments	Without Supplemental Payments	With Supplemental Payments
2019[6]	78	100	107	89	103
2020	82	100	84	83	94
2021	82	101	85	83	94
2022	74	103	81	77	94
2023[7]	74	103	N/A	N/A	N/A

Outpatient Hospital Reimbursement Benchmark

WDH's estimate of cost coverage for Wyoming Medicaid outpatient hospital services reveals that outpatient services from in-state providers with QRA and private hospital supplemental payment have consistently maintained an estimated ninety nine percent (99%) or higher since SFY 2017, as shown in Figure C.2. This stability is attributed to the initiation of the private hospital tax supplemental payment program in 2017. In SFY 2023, the cost coverage for outpatient hospital services held steady at forty-two percent (42%) without supplemental payments. However, cost coverage for Wyoming hospitals with supplemental payments decreased slightly to an estimated one hundred and four percent (104%). As previously explained, mass adjustments resulting from the transition to the new MMIS vendor significantly impacted cost coverage. To address any overpayments during the SFY 22 process, this year's supplemental payments were adjusted.

[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.
[7] Beginning SFY 2023, WDH no longer calculates out-of-state provider coverage.

Figure C.2: Estimated Percent Outpatient Hospital Cost Coverage, by SFY for Participating Hospitals[8]

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[9]	45	99
2018	46	99
2019	46	100
2020	46	100
2021	45	99
2022	42	106
2023	42	104

[8] 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.
[9] 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.