

Appendix C: Hospital Cost Benchmarks

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

Inpatient Hospital Reimbursement Benchmark

WDH determined cost coverage for inpatient hospital services for state fiscal year (SFY) 2024 under the All Patient Refined Diagnosis-Related Group (APR-DRG) system.¹ For this analysis, cost coverage calculations do not include Disproportionate Share Hospital (DSH) payments. From SFY 2023 to SFY 2024, estimated inpatient cost coverage for Wyoming hospitals decreased to seventy percent (70%), excluding Qualified Rate Adjustment (QRA) or private hospital supplemental payments. When factoring in supplemental payments, the overall cost coverage for Wyoming hospitals increased significantly to one hundred and twenty-four percent (124%), as depicted in Figure C.1.

Starting in SFY 2024, the Wyoming Department of Health (WDH) changed the calculation of the annual Upper Payment Limit for hospital inpatient services from a cost-based calculation to a determination of Medicare payment under the Medicare Inpatient Prospective Payment System (IPPS) for those hospitals reimbursed through the IPPS by Medicare. This resulted in significantly higher Upper Payment Limits for the applicable hospitals and allowed for larger supplemental payments through the QRA and Private Hospital Supplemental payment programs.

Impacts of APR-DRG Implementation

Wyoming's APR-DRG implementation resulted in several updates to the Wyoming Medicaid program. At a high level, the introduction of the APR-DRG based inpatient prospective payment methodology modernized Wyoming Medicaid's reimbursement for inpatient hospital services, aligning it with Medicare and other state Medicaid programs.

In October 2023, WDH introduced an update to the APR-DRG system. This update revised the outlier payment methodology to reduce outlier payments as a percentage of total payments to non-participating providers. The realignment is expected to decrease cost coverage for non-participating providers receiving frequent and high-dollar outlier payments. These changes allow WDH to increase reimbursement for in-state hospital services while maintaining appropriate reimbursement for out-of-state inpatient hospital providers. The update is expected to be budget neutral overall.

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.

Figure C.1: Estimated Percent Inpatient Hospital Cost Coverage, by SFY for Participating Hospitals²

SFY	In-State Hospitals		Out-of-State Hospitals	Total	
	Without Supplemental Payments	With Supplemental Payments	Without Supplemental Payments	Without Supplemental Payments	With Supplemental Payments
2014	81	86	79	80	83
2015	81	87	82	82	85
2016	83	89	92	86	90
2017 ³	86	99	89	87	96
2018 ⁴	81	100	103	90	101
2019 ⁵	78	100	107	89	103
2020	82	100	84	83	94
2021	82	101	85	83	94
2022	74	103	81	77	94
2023 ⁶	74	103	N/A	N/A	N/A
2024 ⁷	71	124	N/A	N/A	N/A

² There are currently 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.

³ 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.

⁴ In SFY 2018 aggregate cost coverage was 101 percent (101%). This high level of cost coverage was driven by the out-of-state provider cost coverage being 103 percent (103%). 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 (190%) cost coverage and accounting for 39 percent (39%) of total payments to out-of-state providers and 21 percent (21%) 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.

⁵ In SFY 2019 aggregate cost coverage was 103 percent (103%). This high level of cost coverage was driven by the out-of-state provider cost coverage being 107 percent (107%). 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 (232%) cost coverage and accounts for 37 percent (37%) of total payments to out-of-state providers and 17 percent (17%) of out-of-state provider costs.

⁶ Beginning SFY 2023, WDH no longer calculates out-of-state provider coverage.

⁷ Supplemental payments are higher in SFY 2024 due to a change in the upper payment limit calculation from a cost-based method to a Medicare IPPS-based determination, resulting in significantly higher upper payment limits and larger private hospital supplemental payments.

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 2024, the cost coverage for outpatient hospital services increased to forty-three percent (43%) without supplemental payments, while cost coverage with supplemental payments decreased to an estimated one hundred and one percent (101%).

Figure C.2: Estimated Percent Outpatient Hospital Cost Coverage, by SFY for In-State Hospitals⁸

State Fiscal Year	Estimated Cost Coverage	
	Without QRA or Private Hospital Supplemental Payments	With QRA and Private Hospital Supplemental Payments
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%
2024	43%	101%

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.

⁹ The private hospital supplemental payment program began in SFY 2017. Outpatient cost coverage in Figure C.2 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.