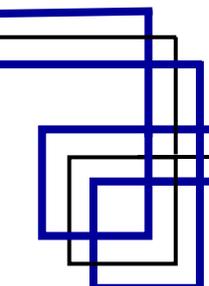


Overview of Inpatient Hospital Rebasing: Data Sources and Overview of DRG Calculations

EP&P CONSULTING, INC.

October 17, 2006

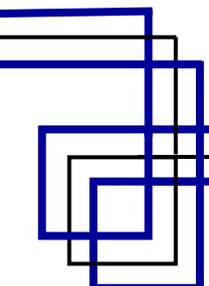
Agenda Items



- ❑ Overview of Data Sources
 - Claims data
 - Capital data
 - GME data
 - Cost-to-charge ratios

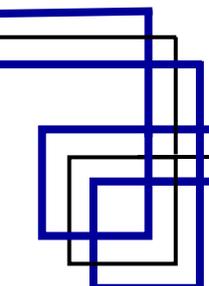
- ❑ Overview of DRG Calculations
 - Inflation methodology
 - DRG classification
 - Outlier thresholds
 - Relative weights
 - Base rates

Overview of Data Sources - Claims



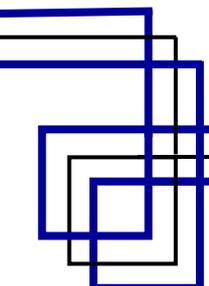
- ❑ Table 1: Amount and distribution of exclusions
- ❑ Table 2: Overview of claims data based on DRG grouper v16 (*overall, by peer group, and by hospital*)
 - Distribution of charges and payments
 - CMO vs FFS by DRG
- ❑ Table 2: Overview of claims data based on DRG grouper v23 (*overall, by peer group, and by hospital*)
 - Distribution of charges and payments
 - CMO vs FFS by DRG

Overview of Data Sources - Capital



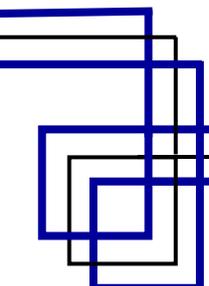
- Table 3: Overview of capital data (*overall and by hospital*)
 - Overall and by hospital – per discharge and per day capital amounts used in SFY 2005 payment calculations
 - Overall and by hospital updated per discharge and per day capital amounts from HFY 2004 cost reports and capital surveys for SFY 2005 and 2006 (*amount from each source shown individually*)

Overview of Data Sources - GME



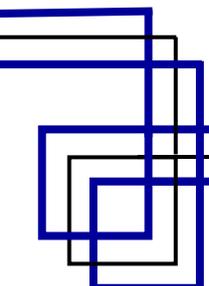
- Table 4: Overview of GME data (*overall and by hospital*)
 - Overall and by hospital – per discharge GME amounts used in SFY 2005 payment calculations
 - Overall and by hospital updated per discharge GME amounts from HFY 2004 cost reports

Overview of Data Sources - CCRs



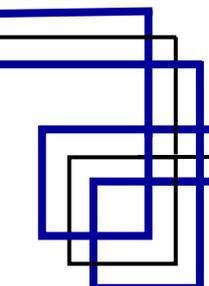
- Table 5: Sample of CCR data
 - Source data
 - Updating methodology

Overview of Data Sources



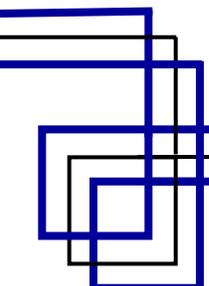
- ❑ Discussion of data sources
- ❑ Summary of follow-up items
- ❑ Discussion of next steps with updated data

Overview of DRG Calculations



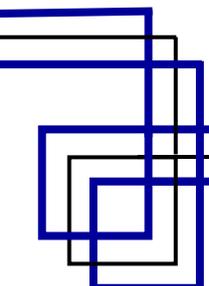
- Inflation methodology
 - Inflation (or deflation) of claims costs to a common date - December 31, 2004

Overview of DRG Calculations



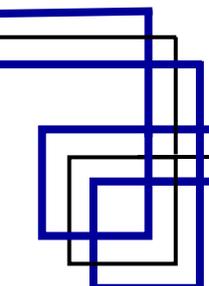
- Components used in DRG classifications
 - General overview
 - Potential issues
 - Table 6: Volume of claims and charges that changed DRG classification (is no longer in same DRG grouping)
 - Table 7: Overview of new DRGs by MDC

Overview of DRG Calculations



- ❑ Calculation of outlier thresholds
 - Table 8: By hospital example, claims and payments identified as outliers – v16 vs v23

Overview of DRG Calculations



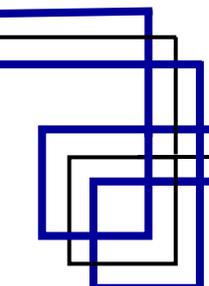
- Calculation of relative weights
 - General overview of calculations

Relative Weight Calculations by DRG or MDC*:

$$\frac{\text{Average Cost of Inlier Claims}}{\text{Overall Average Cost}}$$

* MDC relative weights are adjusted by complications

Overview of DRG Calculations



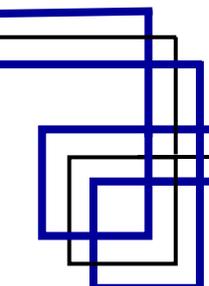
□ Calculation of Case-Mix Factors

- Table 9: Case Mix by hospital example

Provider Case Mix Calculation:

$$\frac{\Sigma (\text{Number of Cases in DRG} \times \text{DRG Relative Weight})}{\text{Provider's Total Number of Cases}}$$

Overview of DRG Calculations

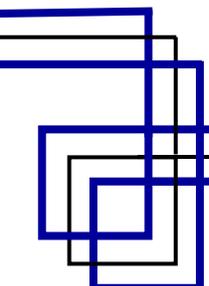


- Calculation of base rates
 - Table 10: Peer group base rates

Peer Group Base Rate Formula:

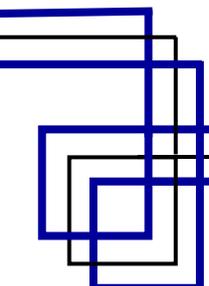
$$\frac{\Sigma (\text{Provider Total Cost} / \text{Provider Case Mix})}{\text{Peer Group Claim Count}}$$

Overview of DRG Calculations



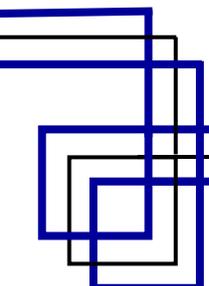
- ❑ Calculation of base rates
 - Table 11: Discussion of specialty hospital base rates

Overview of DRG Calculations



- Updated claims and CCR data
 - Available soon
 - EP&P will recalculate rates using more recent data
 - Phase-in of CMO enrollment causes a delay in data completeness

Overview of DRG Calculations



- ❑ Discussion of DRG calculations
- ❑ Summary of follow-up items
- ❑ Discussion of next steps with updated data