

What is Health Care Cost?

Health Information Act Advisory Committee Meeting

August 30, 2016

Cost

- The average cost represents the amount paid by the insurance company and includes the patient's out-of-pocket* expenses.

*Out-of-pocket costs will be dependent on the type of health insurance coverage the patient has.

Methods for Calculating or Estimating Cost

- All Payers Claims Database
- Cost-to-Charge Ratio
- Using Medicare Payments

All Payers Claims Database

- Large scale database that collects health care data from a variety of payer sources:
 - Medical Claims
 - Pharmacy Claims
 - Dental Claims
 - Eligibility Files
 - Provider Files

All Payers Claims Database

- Typically Included in APCDs

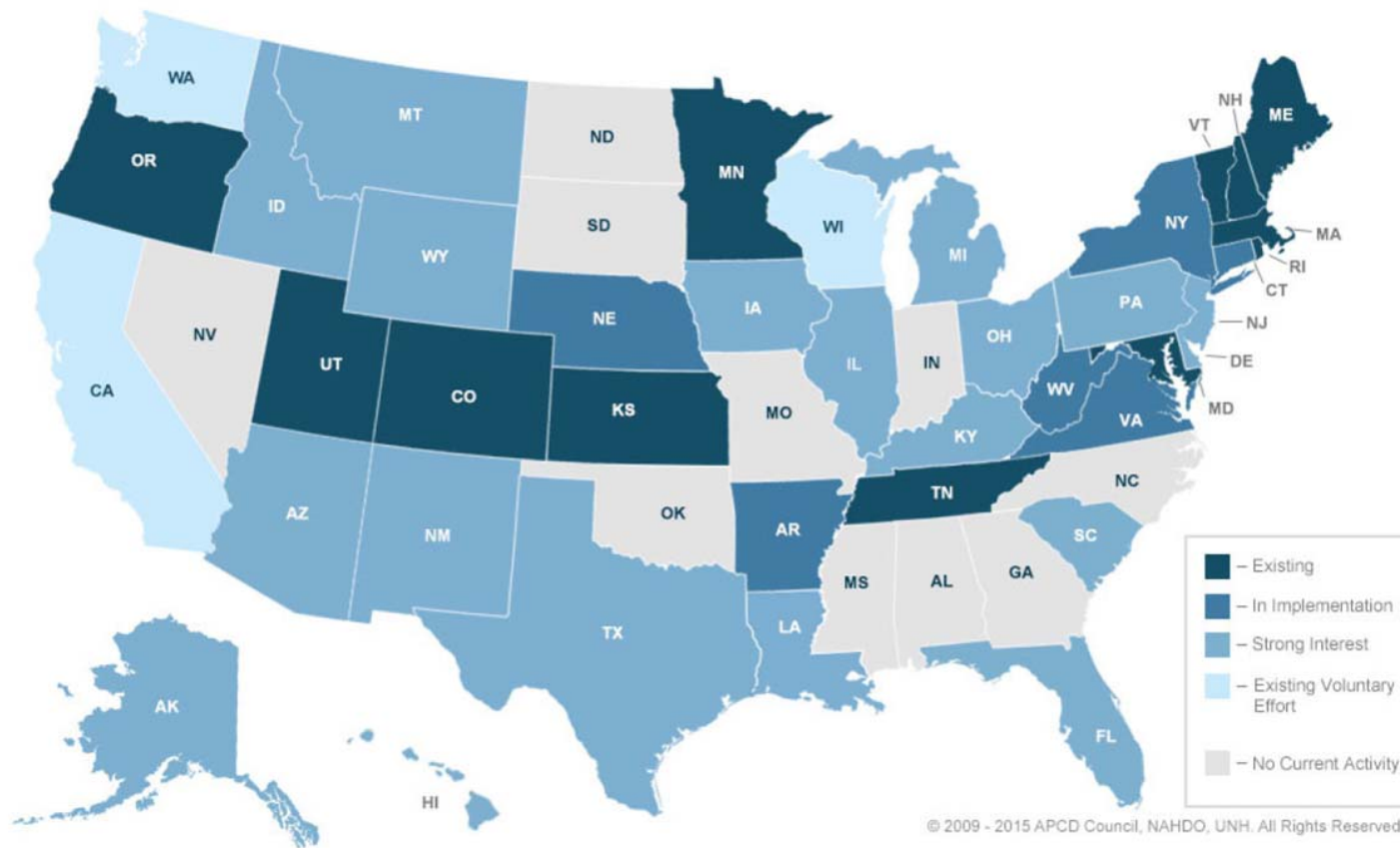
Patient/Clinical Data

- Social Security Number (encrypted)
- Type of Product (HMO, PPO, FFS, etc.)
- Type of Contract (single person, family, etc.)
- Patient Demographics (DOB, gender, residence, relationship to subscriber)
- Diagnosis Codes
- Procedure Codes
- NDC code/generic indicator

Financial Data

- Revenue Codes and Amounts
- Service Dates
- Service Provider (name, tax ID, payer ID, specialty codes, location, etc.)
- Prescribing Physician
- Member Payment Responsibility (co-pay co-insurance, deductible)
- Date Paid
- Type of Bill
- Facility Type

All Payers Claims Database



Minnesota APCD

- Emerged from 2008 State Legislative session.
- Broad coverage: the MN APCD contains claims for about 89% of Minnesotans with coverage.
- Includes claims data from both public and private payers.
- Data coverage covers the spectrum of healthcare delivery: from inpatient, to outpatient and long-term care settings.

All Payers Claims Database

- Benefits
 - Provides a means for uniform data submission from multiple data sources.
 - More representative of health care utilization across state.
 - Includes information on patient portion of healthcare expense and amount paid to health care provider.
 - Provider and patient specific.
- Drawbacks
 - Expense
 - Time to implement

Cost-to-Charge Ratio

- Example: Agency for Healthcare Research & Quality (AHRQ)
 - Cost: actual expenses incurred in the production of hospital services, such as wages, supplies, and utility costs.
 - Charge: the amount a hospital billed for the case.

For AHRQ, a hospital wide cost-to-charge ratio is used.

Cost-to-Charge Ratio

Hospital	Physical Site Address	Ratio
Baptist Health Corbin	1 Trillium Way; Corbin, KY 40701	28.0082%
Baptist Health LaGrange	1025 New Moody Lane; La Grange KY 40031	24.2776%
Baptist Health Lexington	1740 Nicholasville Road; Lexington, KY 40503	29.4407%
Baptist Health Louisville	4000 Kresge Way; Louisville KY 40207	26.9247%
Baptist Health Madisonville	900 Hospital Drive; Madisonville, KY 42431	37.2533%
Breckinridge Memorial Hospital	1011 Old Hwy 60; Hardinsburg, KY 40143	52.3196%
Caldwell County Hospital	100 Medical Center Drive; Princeton, KY 42445	60.0000%
Cardinal Hill Rehabilitation Hospital	2050 Versailles Road; Lexington, KY 40504	60.0000%

Cost-to-Charge Ratio

- Benefits
 - Data more readily available (based on CMS finance data for hospital operating expenses).
- Drawbacks
 - Hospital specific.
 - Able to include other data sources (outside of a hospital)?
 - Not patient specific.
 - The ratio can be influenced by patient and insurance discounts/agreements.
 - Not provider specific.

Payments

- Example: Medicare (Hospital Compare website)
 - All payments made for care starting the day the patient enters the hospital and continuing for the next 30 days.
 - Can include payments made to the hospital, doctor's office, skilled nursing facility, hospice, as well as patient co-pays.

Payments

- Benefits
 - Payer specific (Medicare).
 - Procedure specific.
- Drawbacks
 - Not comparable to cost-to-charge ratio calculations or APCD.
 - Includes additional data (incorporates additional 30 days of healthcare expenses).
 - Data only available for Medicare patients (~16% of NM population).

Other Models - California

<http://www.consumerreports.org/cro/health/california-health-cost-and-quality---consumer-reports/index.htm>

- Regional analysis of procedures/conditions (limited to 18 regions in California)
- Data presented as the average amount paid by the patient and insurance companies.
- Based on claims data from Truven Analytics - includes commercial insurance, Medicare, and Medicaid (limited to data from a few states).



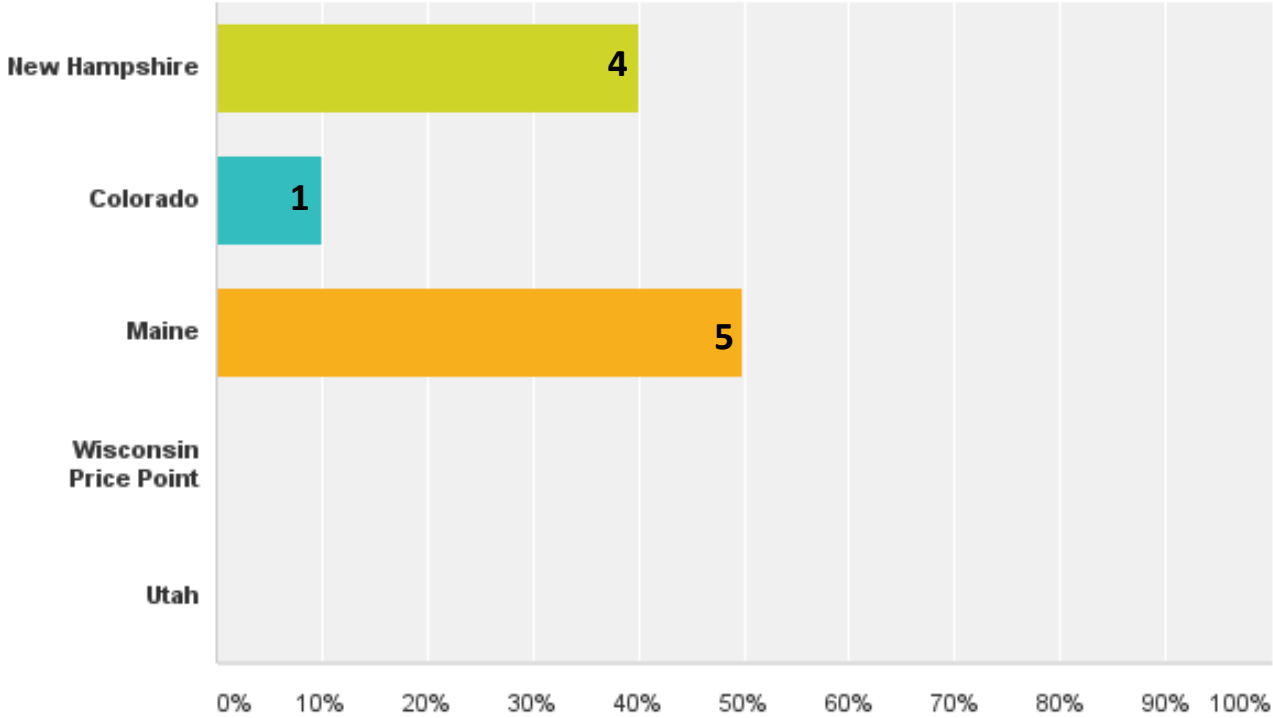
Method Comparison

	APCD	Cost-to-Charge Ratio	Payments
Hospital Specific	X	X	X
Procedure Specific	X		X
Provider Specific	X		X*
Patient Specific	X		X
Data Currently Available		X	
Meets Cost Definition	X		

*Only available for Medicare

Survey Results -- Website

Answered: 10 Skipped: 0



Survey Results -- Indicators

Indicator	N
Ambulatory Care Sensitive Condition Rates	5
Prevention Quality Indicator –PQI 02 Perforated Appendix Admission Rate	0
Prevention Quality Indicator –PQI 09 Low Birth Weight Rate	3
Patient Safety Indicators	8
Pediatric Quality Indicators	5
30-Day All Cause Readmission Rate (Risk Adjusted)	9
Number of Deaths (Risk Adjusted)	5
Number of Discharges	2
Average Length of Stay per Admission	6
Rates of Healthcare Associated Infections (HAIs) not included under Patient Safety Indicators	7