

Diagnosis-Related Group High Outlier Claims

Engrossed Substitute House Bill 1109, Section 211(36); Chapter 415; Laws of 2019
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Legislative summary

Engrossed Substitute House Bill 1109, Section 211 (36) directed the Washington State Health Care Authority (HCA) to examine the current diagnosis-related group high outlier claim policies and examine the impact of increasing the current high outlier threshold. The report should provide options for increasing diagnosis-related group (DRG) high outlier claim thresholds, outline the impacts of the proposed options on hospitals, the state, and Washington Apple Health (Medicaid) Managed Care Organizations (MCO), and highlight any technical challenges or limitations associated with changing current policies.

Summary statement

HCA completed an internal examination of the current DRG high outlier claim policies. Inpatient Prospective Payment Systems (IPPS) hospitals are generally paid by DRG. This national grouping is dependent on a number of factors, including the services provided, the diagnoses, and patient demographics. This bundled payment depends on the DRG and the hospital specific pricing factors. In addition, if a hospital incurs costs significantly higher than the DRG payment, they may be eligible for an outlier payment.

This analysis included estimating the number of claims and costs associated with raising the current high outlier claim threshold of \$40,000. This study revealed that an increase in the DRG high outlier claim threshold would have a disproportionate effect on Washington's children's hospitals.

Impacts of changing the high outlier thresholds

The HCA evaluated the number of Fee for Service (FFS) Apple Health claims for state fiscal year 2018. The expenditures associated with raising the claims threshold in \$10,000 increments from the current threshold of \$40,000.

As outlined in figures 1 and 2, Washington's FFS Apple Health program received 374 high outlier claims with a total spend of \$34,500,646.84. Increasing the DRG high outlier claims threshold to \$50,000 would affect an estimated 98 claims, decreasing the state's expenditure by \$5,099,031.61, while increasing the threshold to \$90,000 would affect an estimated 258 claims or a savings of \$16,076,830.30. The HCA also examined the effect of increasing the high outlier threshold on the state's hospital network. Increasing the outlier threshold shifts cost from the state to the hospitals. This examination revealed that a change in the outlier threshold would have the greatest impact on Seattle Children's Hospital. Figure 3 outlines the impact of such an increase on the hospitals with the highest number of DRG high outlier claims.



Technical challenges and limitations

Changes to the DRG high outlier claim threshold would require changes to the ProviderOne system, associated Washington Administrative Code (WAC), and the Apple Health program's state plan amendment. HCA estimates that a change in the high outlier claim threshold would require at least a year to implement and an additional budget allocation to support changes to the ProviderOne system. An examination of the potential effect on the Apple Health MCOs would require actuarial support, and the proviso requesting this report did not include an allocation for that work.



Data

Figure 1 - Claim Counts by High Outlier Threshold

| SFY | Do the claims Qualify for High Outlier | Outlier Thresholds | | | | | |
|---------|--|--------------------|-------------|-------------|-------------|-------------|-------------|
| | | 40k (current) | 50k | 60k | 70k | 80k | 90k |
| | | Claim Count | Claim Count | Claim Count | Claim Count | Claim Count | Claim Count |
| SFY2018 | NO | - | 98 | 166 | 209 | 230 | 258 |
| | YES | 374 | 276 | 208 | 165 | 144 | 116 |

Figure 2 - Paid Amounts by High Outlier

| SFY | Do the claims Qualify for High Outlier | Outlier Thresholds | | | | | |
|---|--|--------------------|---------------|---------------|---------------|---------------|---------------|
| | | 40k (current) | 50k | 60k | 70k | 80k | 90k |
| | | Paid Amt | Paid Amt | Paid Amt | Paid Amt | Paid Amt | Paid Amt |
| SFY2018 | NO | - | 2,491,438.64 | 4,383,726.42 | 5,650,111.07 | 6,394,289.92 | 7,465,786.46 |
| | YES | 34,500,646.84 | 29,401,615.23 | 25,503,692.27 | 22,653,610.99 | 20,587,469.51 | 18,423,816.54 |
| Grand Total | | 34,500,646.84 | 31,893,053.87 | 29,887,418.69 | 28,303,722.06 | 26,981,759.43 | 25,889,603.00 |
| Decrease in Hospital Reimbursement | | - | 2,607,592.97 | 4,613,228.15 | 6,196,924.78 | 7,518,887.41 | 8,611,043.84 |



Figure 3 - Top Five High Outlier Claim Sources

| Facility Name | Current Outlier Threshold | 50K | 60K | 70K | 80k | 90k |
|-------------------------------------|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Mary Bridge Children's Hospital | 1,185,242.61 | 1,077,179.00 | 986,651.50 | 914,265.60 | 870,093.40 | 847,981.20 |
| Northwest Hospital & Medical Center | 76,126.00 | 59,152.58 | 49,652.58 | 40,152.58 | 30,652.58 | 21,152.58 |
| Seattle Children's Hospital | 19,555,102.83 | 18,737,689.83 | 18,036,586.12 | 17,412,960.14 | 16,845,545.93 | 16,330,053.72 |
| Swedish Cherry Hill Campus | 1,777,933.05 | 1,613,944.51 | 1,493,076.26 | 1,404,789.40 | 1,358,615.81 | 1,330,115.81 |
| Virginia Mason Medical Center | 1,711,095.47 | 1,547,564.37 | 1,410,082.63 | 1,305,424.55 | 1,221,191.29 | 1,157,291.87 |
| Grand Total | 24,305,499.96 | 23,035,530.29 | 21,976,049.09 | 21,077,592.27 | 20,326,099.01 | 19,686,595.18 |

