

# **Refresher: Episodic Pricing Methodology**

Home Care Work Group

August 31, 2009



# Methodology of Episodic Payment System

- All 2007 NYS Medicaid claims payments for CHHA services (total \$1.2B) were grouped into 60-day episodes of care for each patient (a total of 6 episodes, e.g., first, second, third etc.)
  - Total claims in each of the episodic groups reduced by claims of \$500 or less (low utilization claims)
- Claims in each of the 6 episodic groups were matched to OASIS data (Clinical/Functional Dual/Non Dual)
  - Allocates \$ claims in each episodic group to a case mix group – 42 case mix groups in each episode
- In each of the 42 case mix groups, and in each of the episodes, the dollars in excess of outlier threshold at the 80<sup>th</sup> percentile are calculated
- Base Price Per Episode = Total Claims – low utilization claims – dollars in excess of threshold in each of the 42 groups divided by total # of claims
- Case Mix Index (the weights for each of the 42 groups in each of the 6 episodes) = average claim amount for case mix group divided by the base price
- Wage Index Factor ~ 85% of Base Price adjusted by Regional Wage Index Factor

## Example ~ Calculation of Base Price and Outlier Thresholds for Episode 2

2 <sup>nd</sup> Episode of Care	# Claims	\$ Dollars
Total Claims Paid 2 <sup>nd</sup> Episode of Care	28,040	\$88,887,017
Less 2 <sup>nd</sup> Episode Low Utilization Claims	(10,354)	(\$2,117,665)
Net Total	17,686	\$86,769,352
Less Outlier Claims Over 80 <sup>th</sup> Percentile in Each of the 42 Case Mix Groups in the 2 <sup>nd</sup> Episode of Care (see example below)		(\$17,325,430)
Net Total	17,686	\$69,443,922
Base Price 2 <sup>nd</sup> Episode		\$3,926
Base Price 2 <sup>nd</sup> Episode Adjusted for R&R Add On		\$4,034

### Outlier Example 2<sup>nd</sup> Episode, Case Mix Group “BFY”

Total Dollar Claims:	\$2,726,291
80 <sup>th</sup> Percentile – Outlier Threshold:	\$5,831
Total \$ Claims in Excess of Threshold:	\$604,266

# Calculation of Case Mix Weights

- Case Mix Weights are calculated for each of the 42 Case Mix Groups in Each of the Six Episodes
  
- Example: 2<sup>nd</sup> Episode, Case Mix Weight for Case Mix Group BFY:
  - # of Claims (\$500 or More): 729
  - \$ Amount Below 80<sup>th</sup> Percentile: \$2,122,025  
(Claims \$2,726,291 – Claims in Excess of Threshold \$604,266)
  - Average: \$2,911
  - Base Price 2<sup>nd</sup> Episode (unadjusted): \$3,926
  - Weight = Average / Base Price = .74
  - Adjusted Base Price (R&R Add) \$4,034

**Example: Setting Outlier Thresholds –  
Episode 2 Case Mix Group BFY**

Patient	Total Claims Episode 2
#1	\$1,000
#2	\$1,700
#3	\$1,800
#4	\$1,900
#5	\$1,902
#6	\$4,000
#7	\$5,000
#8	\$5,500
<b>#9</b>	<b>\$5,831</b>
#10	\$7,000
#11	\$9,000

**Outlier Threshold  
Set at  
80<sup>th</sup> Percentile**



\$ Over Threshold  
Excluded from Base Price

## Example: Setting Episodic Base Price and Weights ~ Episode 2

Patient	Total Claims Episode 2	Patient Group	Weight
#1	\$1,000	BFY	0.74
#2	\$4,000	BGY	1.15
#3	\$1,292	AEN	0.42
#4	\$4,561	BGY	1.15
#5	\$1,902	BFY	0.74
#6	\$5,000	CIN	1.74
#7	\$5,000	BGY	1.15
#8	\$2,000	AEN	0.42
#9	\$5,831	BFY	0.74
#10	\$8,672	CIN	1.74

Total : \$39,258 (Exc Outliers & LUPAs)  
 (Average) **Base Price: \$3,926** (unadjusted)  
 Base Price: \$4,034 (adjusted for R&R)

BFY Weight Calculation ~ Episode 2	
#1	\$1,000
#5	\$1,902
#9	\$5,831
Total	\$8,733
Average BFY	\$2,911
Avg BFY /Base Price	\$2,911/\$3,926
<b>Weight</b>	<b>.74</b>

## Provider Examples

## Provider A ~ Upstate

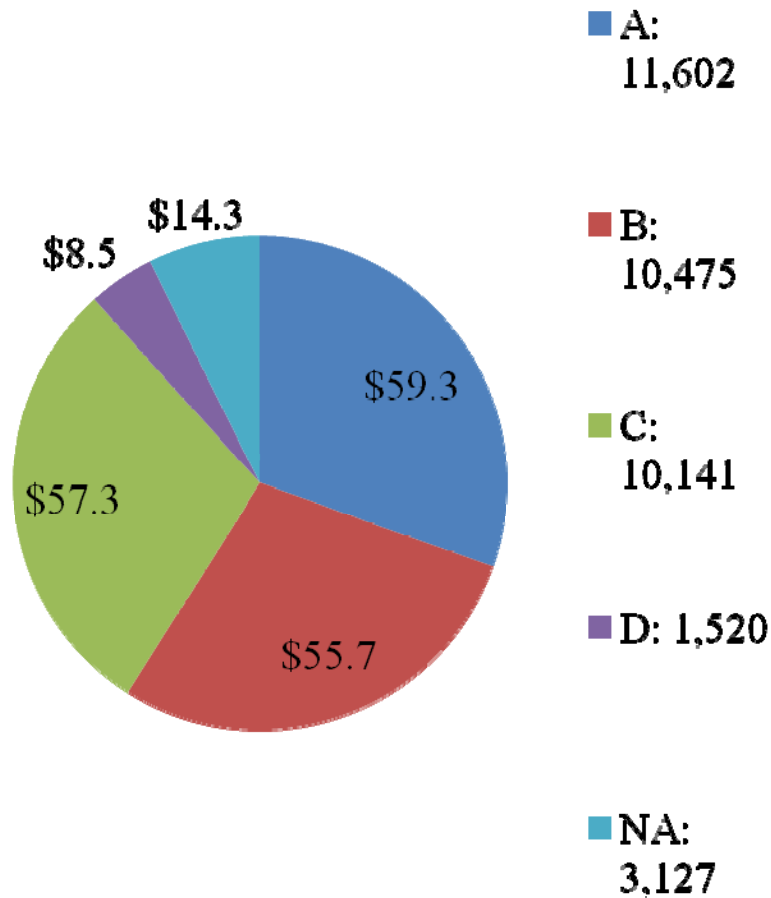
Episode of Care	Claim Amount	Case Mix	Weight	Base Price	Base Payment	Outlier Threshold	Outlier Excess	Outlier Payment	Total Payment	Increase (Decrease)
1	\$1,322	CEN	0.6104	\$2,396	\$1,258	\$2,494			\$1,258	(\$63)
1	\$9,749	BGN	0.9830	\$2,396	\$2,026	\$4,434	\$5,315	\$2,658	\$4,684	(\$5,065)
2	\$1,132	BFN	0.5999	\$4,034	\$2,082	\$4,821			\$2,082	\$950
2	\$5,122	DFN	0.5950	\$4,034	\$2,065	\$4,197	\$925	\$463	\$2,528	(\$2,595)
3	\$2,130	AHN	1.1563	\$4,628	\$4,603	\$10,872			\$4,603	\$2,473
4	\$5,754	DGY	1.1838	\$5,045	\$5,138	\$11,172			\$5,138	(\$616)
7	\$2,891	BIY	2.1706	\$5,890	\$10,998	\$24,978			\$10,998	\$8,108
8	\$4,560	AIN	0.6571	\$5,890	\$3,329	\$8,904			\$3,329	(\$1,230)
8	\$496	BFN	N/A	(LUPA)					\$496	\$0
9	\$2,425	BGY	1.0703	\$5,890	\$5,423	\$11,931			\$5,423	\$2,998
<b>Total</b>	<b>\$35,581</b>								<b>\$40,540</b>	<b>\$4,959</b>

## Provider B ~

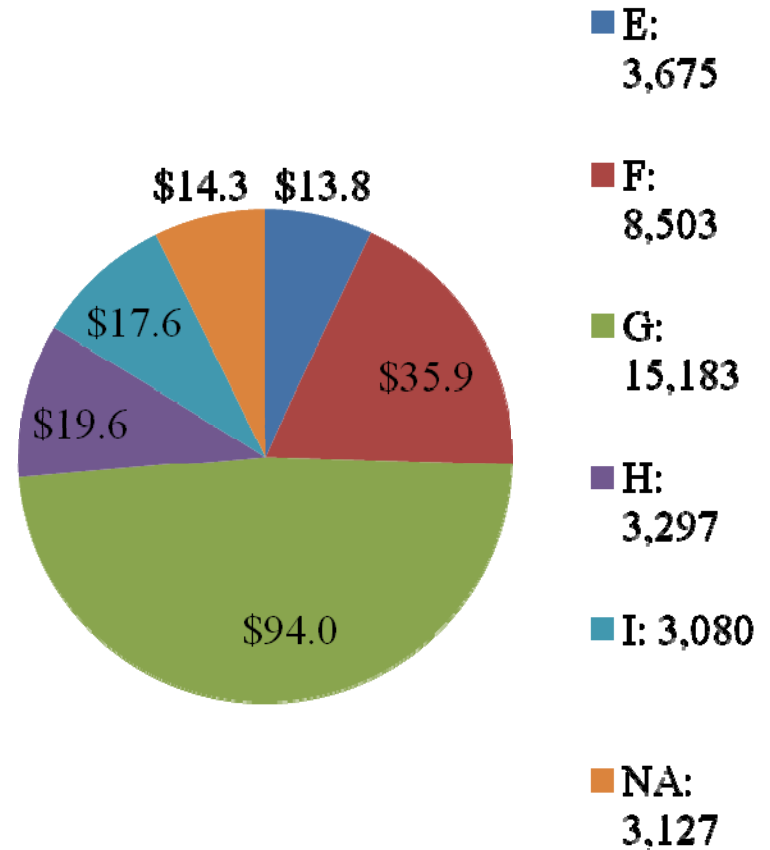
Episode of Care	Claim Amount	Case Mix	Weight	Base Price	Base Payment	Outlier Threshold	Outlier Excess	Outlier Payment	Total Payment	Increase (Decrease)
1	\$3,926	AFN	0.7744	\$2,396	\$1,907	\$3,343	\$583	\$292	\$2,198	(\$1,728)
1	\$784	BGN	0.9830	\$2,396	\$2,420	\$4,434			\$2,420	\$1,636
2	\$2,804	BFN	0.5999	\$4,034	\$2,487	\$4,821			\$2,487	(\$318)
3	\$25,398	DIY	1.9946	\$4,628	\$9,484	\$18,946	\$6,452	\$3,226	\$12,710	(\$12,688)
4	\$932	BHY	1.5925	\$5,045	\$8,255	\$14,837			\$8,255	\$7,323
5	\$3,492	AGN	0.9656	\$5,372	\$5,329	\$9,232			\$5,329	\$1,837
6	\$11,822	CHY	1.8957	\$5,890	\$11,472	\$22,322			\$11,472	(\$349)
7	\$12,235	BHY	1.9768	\$5,890	\$11,963	\$23,756			\$11,963	(\$272)
8	\$7,732	CGY	1.1905	\$5,890	\$7,204	\$13,359			\$7,204	(\$527)
10	\$392	DIN	N/A	(LUPA)					\$392	\$0
<b>Total</b>	<b>\$69,517</b>								<b>\$64,431</b>	<b>(\$5,085)</b>

# Outlier Cases By Clinical / Functional Status

## Claims \$M by Clinical Status



## Claims \$M by Functional Status



Most outlier \$/Cases are on the low end of the Clinical scale (A-C) and moderate portion of Functional scale (F-G)



## Outliers by Case Mix / Resource Group

Group	# Claims	\$M Above Threshold	Group	# Claims	\$M Above Threshold
AE	1,928	\$8.2	CF	1,971	\$8.2
AF	4,003	\$17.1	CG	4,538	\$29.3
AG	4,938	\$29.1	CH	1,427	\$8.5
AH	535	\$3.5	CI	1,439	\$8.6
AI	198	\$1.4	DE	13	\$0.0
BE	968	\$2.9	DF	74	\$0.3
BF	2,455	\$10.3	DG	292	\$1.9
BG	5,415	\$33.8	DH	285	\$1.7
BH	1,049	\$5.9	DI	856	\$4.7
BI	588	\$2.9	NA	3,127	\$14.3
CE	766	\$2.7	<b>Total</b>	<b>36,865</b>	<b>\$195.1</b>