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national average costs by department for heart failure and shock

With pressures mounting to contain cost, benchmarking clinical performance becomes increasingly important. Often such analyses are conducted at the broad overall cost per case level by MS-DRG. Although this level of analysis could indicate possible means to savings, another step is needed to determine which cost center of the service provided could benefit most from improvement. Analyzing cost by department for

specific services, therefore, is an important next step in this process.

Consider, for example, the MS-DRG triad for heart failure and shock (MS-DRGs 291, 292, and 293). This most-frequent Medicare diagnosis represents 5 percent of total Medicare inpatient prospective payment system discharges nationwide. Data for this example were obtained from

MS-DRGS FOR HEART FAILURE AND SHOCK (FY08)

MS-DRG	Description	Relative Weight
291	Heart failure and shock, with major complication/comorbidity	1.2585
292	Heart failure and shock, with major complication/comorbidity	1.0134
203	Heart failure and shock, without complication/comorbidity	0.8765

NATIONAL AVERAGE COST PER CASE FOR HEART FAILURE AND SHOCK (FY08 MEDICARE PROVIDER ANALYSIS AND REVIEW DATA)

MS-DRG	293	292	291
Total Cost	\$5,038	\$6,882	\$10,235
Routine Bed*	\$763	\$749	\$760
Special Care Bed*	\$1,017	\$1,028	\$1,097
Total Bed*	\$866	\$862	\$908
Cardiology	\$259	\$274	\$289
Emergency Department	\$284	\$295	\$323
ESRD†	\$1	\$8	\$270
Laboratory	\$460	\$586	\$805
Pharmacy	\$310	\$504	\$908
Radiology	\$182	\$243	\$328
Med/Surg Supplies	\$227	\$342	\$552
Inhalation Therapy	\$101	\$185	\$355
Physical Therapy	\$54	\$90	\$125
All Other	\$213	\$342	\$538

This analysis was prepared by American Hospital Directory. For more information, contact William Shoemaker at wshoemaker@ahd.com.

*Bed costs are determined using routine and/or special care days as appropriate.

†End-stage renal disease services

Source: American Hospital Directory.

the FY08 final Medicare Provider Analysis and Review (MedPAR) file. Costs were calculated at the claim level using department-specific charge data for these claims applied to departmental cost-to-charge ratios from Medicare cost report data for each facility. The data are limited to short-term acute care facilities, and claims from outside the United States, distinct part units, and facilities with insufficient cost report data available were excluded.

Data on average cost per case by department can be used for comparing a hospital's average departmental costs with national averages to identify unexpected variances for this important diagnosis. As expected, the data disclose that most departments see a significant increase in cost for the higher acuity MS-DRG (291), with the exception of routine and special care beds. Of particular note is the dramatic jump in cost for end-stage renal disease (ESRD) services for MS-DRG 291. This is likely due to MS-DRG coding practices.

The MS-DRG triad for heart failure and shock represents 5 percent of total Medicare IPPS discharges nationwide. Data on average cost per case by department can be used for comparing a hospital's average departmental costs with national averages to identify unexpected variances for this diagnosis.

The same cost information represented as a percentage of cost to total is useful in providing an at-a-glance view of where resources are flowing when comparing individual MS-DRGs of various relative weights that constitute diagnoses such as heart failure and shock. ●

COST AS A PERCENTAGE TO TOTAL COSTS FOR HEART FAILURE AND SHOCK (FY08 MEDICARE PROVIDER ANALYSIS AND REVIEW DATA)

MS-DRG	293	292	291
Total Cost	\$686,215,412	\$1,386,446,024	\$2,152,349,083
Routine Bed*	30.56%	30.23%	26.45%
Special Care Bed*	28%	28%	30%
Total Bed*	58%	58%	56%
Cardiology	5.13%	3.99%	2.83%
Emergency Department	5.64%	4.29%	3.15%
ESRD†	0.03%	0.12%	2.64%
Laboratory	9.14%	8.52%	7.86%
Pharmacy	6.15%	7.32%	8.87%
Radiology	3.61%	3.53%	3.20%
Med/Surg Supplies	4.51%	4.98%	5.39%
Inhalation Therapy	2.01%	2.69%	3.47%
Physical Therapy	1.08%	1.31%	1.22%
All Other	4.22%	4.97%	5.25%

*Bed costs are determined using routine and/or special care days as appropriate.

† End-stage renal disease services

Source: American Hospital Directory.

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