variability in service line costs for heart failure and shock

When conducting a cost analysis, it is important to account for the utilization of individual service lines. By analyzing the portion of total costs allocated to each service within a given Medicare severity-adjusted diagnosis-related group (MS-DRG), utilization patterns may be detected that can lead to improved cost efficiencies.

This analysis examines the distribution of costs expressed as a percentage of total cost for the three MS-DRGs representing heart failure and shock (291, 292, and 293). Three facilities in a common market with similar service and size characteristics were selected as a peer group for comparison. Claims used in the study reflect Medicare inpatient prospective payment system claims from federal fiscal year 2010. Cost data were applied at a facility level using Medicare cost report information from the most concurrent hospital cost reports available for the three hospitals.

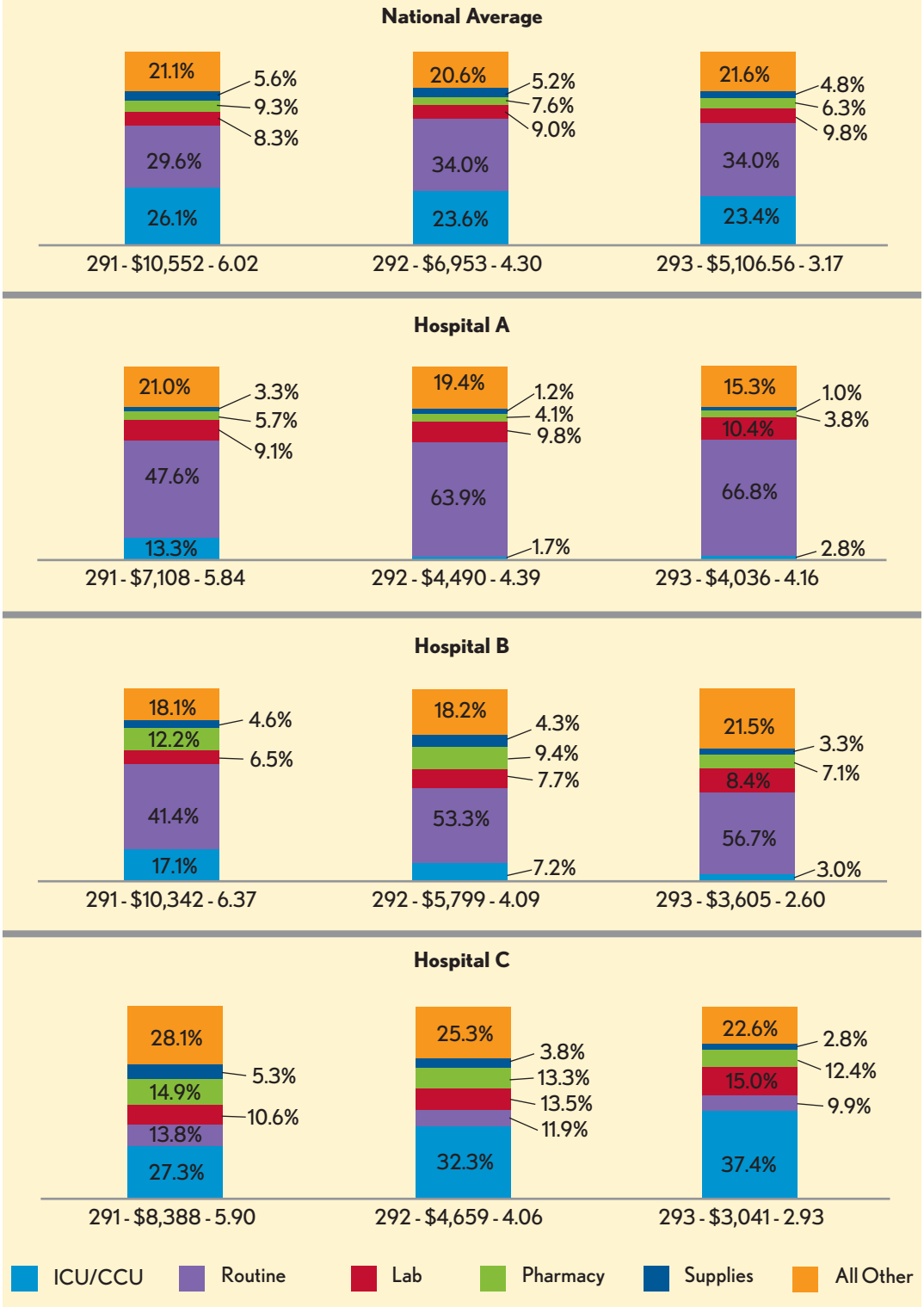
Analysis of the portion of total cost for intensive and critical care, routine care, laboratory, and pharmacy services, and for medical supplies, by MS-DRG for each facility discloses that, overall, the three facilities have similar overall costs for each MS-DRG, with the greatest rate of difference being between Hospitals A and B for MS-DRG 291. Yet each facility also has its own, unique pattern for utilizing those resources.

As an example, the data for Hospital A point to a remarkably high relative cost of routine care for MS-DRGs 292 and 293. Although this facility has managed to contain total cost significantly for the most intensive of the three MS-DRGs (291), there appears to be a significant problem with the cases in the other two MS-DRGs, which do not involve complications and comorbidities. Compared with its peers, Hospital A carries the highest percentage of cost going to routine care for MS-DRG 293, as well as the highest average cost and length of stay. These factors suggest that a more in-depth internal analysis of utilization patterns among these cases may discover opportunities to reduce costs.

This type of analysis is a good starting point for identifying areas for improvement and focusing savings efforts. It is important to note that each percentage in this analysis should be viewed in the context of the overall cost figures and percentages for the MS-DRG in question. At first glance, for example, Hospital C may seem to have inflated pharmacy and lab costs compared with its peers. More likely, however, the hospital's low cost for routine care (a major cost driver for these MS-DRGs) has simply caused these smaller-spend categories to represent a greater portion of the overall figure. ●

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

COST DISTRIBUTION FOR MS-DRGs 291, 292, 293, PERCENTAGE OF TOTAL COSTS*



* Figures represented on the X axis of charts are MS-DRG code, average cost, and average length of stay.

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