

Outlier Provision in the CPV

There are relatively a small number of visits that have high drug and supply charges. Hospitals have argued that the CPV methodology holds them completely at risk for the cost of drugs and supplies that are beyond their control. To address this issue, a stop-loss threshold for high cost drugs or supplies is defined as the trim point used to establish case-mix weights in the consolidated APG cell that the visit with the high drug or supply is classified. Outlier charges based on the excess charges that are attributable to the sum of drugs and supplies (Column F) are calculated as detailed in Table 1 below. The calculated outlier charges, converted into costs, are then removed from the hospitals total cost of drugs and supplies before calculating the hospital's CPV Target.

Table 1
Calculation of Outliers Cost Associated With High Drugs or Supply Charges

Drug Charge	Supply Charge	Sum of Drug and Supply Charge	Total Charge of the Visit	Trim Points used to establish Weights ¹	Excess Charges Attributable to Drugs and Supplies
A	B	C=Sum(A,B)	D	E	F=C-E
\$216,509	\$1,103	\$217,612	\$224,767	\$12,170	\$205,442
\$120,930	\$224	\$121,154	\$130,722	\$38,069	\$83,085
\$0	\$41,067	\$41,067	\$41,407	\$10,332	\$30,735
\$0	\$41,070	\$41,070	\$41,461	\$10,339	\$30,731
\$416	\$40,600	\$41,016	\$57,951	\$10,435	\$30,581
\$865	\$47,448	\$48,313	\$57,274	\$17,747	\$30,566
\$25,438	\$231	\$25,669	\$34,389	\$13,746	\$11,923
Total Outlier Charge Attributable to Drugs or Supply					\$423,063

¹ The greater of: (Average APG Charge *2) or (Average APG Charge +\$10,000)