Pennsylvania Health Care Cost Containment Council
Report Period:
FFY2016 Data – October 1, 2015 through September 30, 2016 Discharges
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Technical Notes

Hospital Performance Report

OVERVIEW

This document serves as a technical supplement to the Hospital Performance Report (HPR). These Technical Notes describe the methodology used and outline the development of the report format and presentation. Data tables containing information about overall statewide results and the cases excluded from the analysis are also included.

New for this Report

The following changes are implemented in this report:

- **Code changes**: This new report, which includes discharges from federal fiscal year 2016 (FFY2016, October 2015 through September 2016), is the first HPR based on ICD-10-CM/PCS codes. All reported conditions and procedures, risk factors, and exclusions previously defined by ICD-9-CM codes are now defined by ICD-10-CM/PCS codes.
- **New condition**: Respiratory Failure is added to this report. Case volume, mortality ratings, readmission ratings, and average charges are reported for this new condition.
- **Name changes**: Septicemia is renamed Sepsis to better align with current clinical nomenclature (there is a change in the name only; there is no change in the types of cases included in the study population). Congestive Heart Failure is renamed Heart Failure to reflect the inclusion of a more comprehensive mix of cases (now includes hypertensive heart failure cases) in the study population.
- **Added measures**: Readmission ratings using the CMS algorithm for identifying/excluding potentially planned readmissions (see “Unplanned Readmissions” section below) are now displayed for Sepsis and Respiratory Failure.
- **Retired conditions**: Gallbladder Removal – Open and Hypotension and Fainting are no longer reported.

Measures Reported in the HPR

The HPR presents several quality measures for 16 different medical conditions and surgical procedures for adult cases (≥ 18 years of age), regardless of payer.

The measures included in this report are:

- **Case Volume** – For each hospital, the number of cases (discharges) for each condition/procedure, after exclusions, is reported.
- **Risk-adjusted Mortality Rating** – In-hospital mortality is identified in the patient discharge record as a discharge status of “20.” The rating identifies whether the hospital’s observed mortality rate is significantly higher than, significantly lower than, or not significantly different than expected based on patient risk factors. This measure is reported for each hospital.
- **Risk-adjusted Readmission Rating** – A hospital readmission is defined as an acute care rehospitalization, for any reason, which occurred within 30 days of the discharge date of the original hospitalization. The rating identifies whether the hospital’s observed readmission rate is significantly higher than, significantly lower than, or not significantly different than expected based on patient risk factors. This measure is reported for each hospital. For the FFY2016 HPR, readmission (unplanned) ratings have been added for two conditions (i.e., Sepsis and Respiratory Failure; see “Unplanned Readmissions” section below).
• **Average Hospital Charge (adjusted by case mix at the regional level)** – Hospital charge is the patient total charge excluding professional fees. For each hospital, the average adjusted charge for each condition/procedure is reported.

• **Average Payment** – The overall statewide average payment (unadjusted) is shown for Medicare fee-for-service (FFS) patients. The average payment reflects the amount paid for the inpatient hospitalizations of Pennsylvania residents only and is shown for each condition/procedure and each MS-DRG within a given condition or procedure—to account for variations in case mix. Payments are displayed at the statewide level only and are calculated using the claim payment amount obtained from the Centers for Medicare and Medicaid Services (CMS). Payments from Medicare Advantage plans (e.g., Medicare HMOs) are not included. The payment data displayed in this report corresponds to calendar year 2015 hospitalizations as this is the most recent payment data available to PHC4. Patient liabilities (e.g., coinsurance and deductible dollar amounts) are not included.

**Measures Not Reported**

Measures unsuitable for a particular condition/procedure are not reported. For example, mortality ratings are not reported for conditions/procedures (i.e., Chest Pain) with low statewide mortality (less than ten mortalities, after exclusions). Similarly, readmission ratings are not reported for some conditions/procedures (i.e., Colorectal Procedures, Heart Attack – Angioplasty/Stent, and Heart Attack – Medical Management) to avoid counting readmissions that may have been planned (e.g., for cancer treatment). However, new for the FFY2016 HPR, readmission (unplanned) ratings have been added for some conditions (see “Unplanned Readmissions” section below).

**Unplanned Readmissions**

New for the FFY2016 HPR, readmission (unplanned) ratings have been added for two conditions, Sepsis and Respiratory Failure. By using the Centers for Medicare and Medicaid Services planned readmission algorithm* to capture only readmissions that are “unplanned,” patients readmitted for reasons defined as typically planned will not be counted as having readmissions.

**Selection of Medical Conditions and Surgical Procedures for the HPR**

The conditions/procedures selected for the HPR were chosen primarily because they: 1) are described in the literature as high cost, high mortality groups of patients, 2) have a high frequency of hospitalization, high rate of mortality, or high rate of readmission, or 3) show high variation across hospitals in the rates of mortality or readmission. In addition, since the report includes data from acute care facilities regardless of bed size, conditions/procedures were selected that are prevalent at smaller facilities as well as at larger facilities. Both medical and surgical categories were chosen so that both types of patients would be evaluated in the report.

Each condition/procedure is designed to represent a clinically cohesive group of patients and is defined using specific MS-DRGs and ICD-10-CM/PCS (International Classification of Diseases, Tenth Revision, Clinical Modification/Procedure Coding System) codes. Appendix Table A lists the codes that define each of the conditions and procedures in the HPR. Cases deemed to be clinically complex are excluded. For example, cases with HIV infection (ICD-10-CM diagnosis code B20, in any position) are excluded from all conditions/procedures.

Appendix Table B shows the statewide results for the measures and conditions/procedures displayed in the HPR.

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Report Layout

The report is comprised of three separate “area” reports. Each area report includes, for each condition/procedure, results for individual hospitals in the area as well as summary information for both the area and the state overall. The three areas allow a geographically-refined comparison among acute care facilities. These areas are further divided into a total of nine regions.

Subdivision of Three Pennsylvania Areas into Nine Regions:

**Western Pennsylvania**
1. *Southwestern PA*—Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Washington, and Westmoreland Counties
2. *Northwestern PA*—Cameron, Clarion, Clearfield, Crawford, Elk, Erie, Forest, Jefferson, Lawrence, McKean, Mercer, Potter, Venango, and Warren Counties
3. *Southern Allegheny*—Bedford, Blair, Cambria, Indiana, and Somerset Counties

**Central and Northeastern Pennsylvania**
4. *Northcentral PA*—Centre, Clinton, Columbia, Lycoming, Mifflin, Montour, Northumberland, Snyder, Tioga, and Union Counties
5. *Southcentral PA*—Adams, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Perry, and York Counties

**Southeastern Pennsylvania**
8. *Suburban Philadelphia*—Bucks, Chester, Delaware, and Montgomery Counties
9. *City of Philadelphia*—Philadelphia County

**DATA COLLECTION AND VERIFICATION**

The data for the *HPR*, obtained from the UB-04 (Uniform Billing) form, was submitted electronically to the Pennsylvania Health Care Cost Containment Council by Pennsylvania general acute care (GAC) and specialty GAC hospitals. Federal hospitals were not included. The data included demographic information, hospital charges, and diagnosis and procedure codes (ICD-10-CM/PCS).

Additionally, laboratory test results were submitted by hospitals to the Council for a select group of acute care inpatient records. For the period of this report (Q4, 2015 through Q3, 2016 discharges), these submissions covered nearly (but not more than) 50 percent of acute care hospital discharges. Hospitals were required to submit the highest and/or lowest result(s) for a maximum of 29 laboratory tests as collected from patients during the initial segment of their hospitalization. The requirements for submitting this data are specified elsewhere (refer to PHC4’s *Laboratory Data Reporting Manual*, accessible at [www.phc4.org](http://www.phc4.org)). In brief, for patients admitted prior to 6:00 p.m., only laboratory results collected on Day 1 of the admission (i.e., the entire calendar date of Day 1) were to be submitted. For patients admitted after 6:00 p.m., results were to be submitted for tests collected on the entire calendar date of Day 1 (day of admission) through the next calendar day (Day 2).

Facilities submitted data to the Council on a quarterly basis (within 90 days from the last day of each quarter). Upon receipt of the data, verification was performed to assure data were submitted in a readable format. Extensive quality assurance checks were completed and laboratory data submissions were matched to inpatient records. Error reports for UB-04 data were then generated and returned to each facility with an opportunity to correct any problems. Similarly,
laboratory test results were evaluated each quarter and summary reports indicating any anomalies were sent to each facility, again with an opportunity to make corrections. Data accuracy and completeness were the ultimate responsibility of each individual hospital.

Hospitals Not Reported

Results were not displayed for the following types of hospitals:

- hospitals that closed, merged into other facilities, or recently opened
- pediatric hospitals
- hospitals with less than five records in all conditions/procedures in this report
- hospitals with extensive data errors or missing data

See Appendix Table C for detailed information. Although data and analyses specific to these facilities were not displayed in the HPR, their valid, adult (≥ 18 years of age) records were retained in the reference database (unless noted otherwise) for the statistical analyses.

Handling of Anomalous Laboratory Test Results

The calculation of hospital-specific risk-adjusted outcomes relied heavily on the submission of valid and accurate laboratory test data. As noted, hospitals were given the opportunity to correct data anomalies (laboratory data that was so unreasonably high or low that it was most plausibly representative of a data error). Hospitals were notified of anomalous laboratory data submissions via specific feedback reports, provided on a quarterly basis. Since anomalous data that was not corrected had the potential to inaccurately skew all hospitals’ final risk-adjusted results, such extreme values were replaced with default (typical) values when calculating a patient’s risk of mortality or readmission. In effect, such lab results were treated as if they were missing, in which neither penalty nor credit relative to the implicated data was applied in the calculation of a patient’s risk.

STUDY POPULATION

Inclusion Criteria

The study populations for each condition/procedure reported in the HPR included usable records from all Pennsylvania GAC and specialty GAC hospitals during the period October 1, 2015 through September 30, 2016. All records that met the definition criteria for each of the conditions and procedures included in this report, as described in the “Overview” and Table A of this document, were included. During the study period there were 172 facilities in Pennsylvania.

General Exclusion Criteria

The number of cases included in any single type of analysis varied because each reported measure had its own unique set of exclusion criteria (see “Measure-Specific Exclusions” section). However, the following types of records were excluded from all measures for all reported conditions and procedures.

Universal Exclusions:

- Records with errors (e.g., systematic errors in coding of essential data fields such as discharge status, dates, charges, etc.)
- Duplicate records
- Records with discharge dates not in study period
- Records with missing or invalid discharge status (see Appendix Table D for valid codes)
- Non-adult records (< 18 years) or records with invalid age (e.g., records that did not have the necessary data for the calculation of age or for which age was > 120 years)
• Patients with HIV infection (records with ICD-10-CM diagnosis code B20 in any position)
• Patients who left against medical advice (records with a discharge status code of 07)
• Patients transferred to acute care facilities (short-term care, federal, long-term care, or critical access facilities; records with a discharge status code of 02, 43, 63, 66, 82, 88, 91, or 94)
• Records representing rehabilitation services, not acute care (identified by revenue codes 0024, 011B, 0128, 0138, or 0158)

An additional exclusion criterion was applied to the Colorectal Procedures study population. Cases involving abdominal trauma, when present on admission (POA), were excluded from all measures. That is, records that contained an abdominal trauma diagnosis code with an accompanying POA-indicator of “yes” (Y) or “clinically undetermined” (W) were excluded. Abdominal trauma was defined by the following ICD-10-CM diagnosis codes, in any position, with the last character of “A” (initial encounter only): S31.000A-S31.159A, S31.600A-S31.659A, S31.831A-S31.839A, S35.00XA-S37.99XA, S38.3XXA, S39.021A, S39.023A, T18.2XXA-T18.9XXA, T28.2XXA, and T28.7XXA.

Measure-Specific Exclusions

In addition to the cases excluded from the general study population (see “General Exclusion Criteria” section), individual hospitalizations were excluded from outcome analyses when the data in the record was insufficient or inappropriate to the measure of interest. For example, patients that died were excluded from the readmission analysis but not the mortality analysis. See Appendix Table E for a listing of all records excluded by type and volume. Described below are some of the more complex exclusion criteria that were applied to specific measures.

Exclusions from Readmission Analysis

Patients who died during hospitalization, discharges with invalid or missing lengths of stay, and any discharge with a length of stay that was in excess of the established trim point for a given condition/procedure (i.e., length of stay outliers) were excluded from the readmissions analyses. The 99th percentile was used as the trim point for determining length of stay outliers.

Also excluded were non-Pennsylvania residents, patients who were discharged to hospice, or discharges with missing linking information (i.e., social security number). See Appendix Table E for a complete list of exclusions.

Exclusions from Average Charge Analysis: Trimming

Outlier charges (cases) were trimmed (deleted) from the average charge analysis. Exclusion of outliers was imperative for the elimination of extreme values that otherwise would have had a significant and unrepresentative impact on the mean (average), which was the primary descriptive measure used for the analysis of charges.

Trim points for average charge for each condition or procedure were calculated using the “+/− 3.0 interquartile range” method (IQR). Trimming was done at the level of the MS-DRG; therefore, separate trim points were used for each individual MS-DRG in a condition/procedure. Since charges varied dramatically among geographic regions for the same MS-DRG, trim points were calculated at the regional level for each MS-DRG. Nine different sets of upper and lower trim points were used for each individual MS-DRG for the nine regions in this report.

Trim points for average charge were determined as follows:

\[ Q_1 = \text{the first quartile (25th percentile charge value) of all patient records from the comparative database in a particular condition/procedure} \]
Q3 = the third quartile (75th percentile charge value) of all patient records from the comparative database in a particular condition/procedure

IQR = Q3 – Q1

Lower Trim Point = Q1 – (3.0 x IQR)

Upper Trim Point = Q3 + (3.0 x IQR)

**Exclusions from Average Payment Analysis**

Payments were reported for Medicare FFS patients. Average payments were reported at the statewide level and not at the hospital level. The following types of records were excluded from this analysis.

Payment Analysis Exclusions:
- Records excluded from the mortality analysis
- Records for which CMS indicated the patient was not enrolled in Medicare FFS
- Records with no matching Medicare FFS payment
- Records for which CMS indicated there was payment made by a primary payer other than CMS
- Records for non-Pennsylvania residents
- Records for which CMS indicated the payment was less than $1,300

**Calculating Hospital-Specific Outcomes**

Separate analyses were performed to determine, for each hospital and condition/procedure, the actual percent of mortality, the actual percent of readmission, and the actual average charge. Each hospital’s risk profile was used to calculate expected values; this was done to adjust for the risk inherent to each particular hospital’s patient population. For mortality and readmission measures, significance tests were conducted to determine whether the difference between a hospital’s actual and expected values was too large to be attributed solely to chance. These results were displayed as ratings. For the charge measure, actual average charge values were adjusted to account for variations in case mix across MS-DRGs (see the “Special Considerations for Average Charge” section for details).

**Determining Actual (Observed) Values**

**Mortality Percent**

This percent was determined by dividing the total number of hospitalizations ending in death by the number of hospitalizations in the mortality analysis for a particular condition or procedure.

**Readmission Percent**

This percent was determined by dividing the number of discharges readmitted at least once for an acute care condition*, to any GAC or specialty GAC hospital within 30 days of discharge, by the total number of discharges included in the readmission analysis for a particular condition or procedure. A hospitalization that resulted in more than one readmission within 30 days was counted only once in the numerator even though it resulted in multiple readmissions. If, over the study period, a patient had multiple discharges in the same condition/procedure, each discharge was independently investigated to determine whether it had a readmission within 30 days of that discharge.

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* Readmissions for conditions related to mental health (identified by MDC 19), substance use disorders (identified by MDC 20), or rehabilitation (identified by revenue codes 0024, 0118, 0128, 0138, or 0158) were not counted.
Therefore, a single patient could have contributed more than one readmission to the numerator count (i.e., one for each of the multiple discharges that were in the same condition/procedure). Same-day readmissions were included only if the original hospitalization resulted in a discharge to “home.”

**Average Charge**

This value was determined as the arithmetic mean charge for the hospitalizations included in the charge analysis for a particular condition or procedure.

### Determining Expected (Predicted) Values

Regression techniques were used to construct “risk models” for predicting the risk of mortality or readmission. Each model was a mathematical formula used to predict a patient’s probability of death or readmission based on relevant risk factors. Included were patient risk factors such as abnormal laboratory test results collected from the beginning portion of the hospital stay, chronic comorbidities, demographic data, socioeconomic status, etc. Cases with these risk factors were given more “credit” in the calculation, leading to a higher predicted probability of mortality or readmission. A hospital’s predicted rate was the average predicted probability across all its discharges in a given condition/procedure.

### Model Development

The first step in building the risk adjustment models was to prepare a reference database. UB-04 data and laboratory test results from adult (age ≥ 18 years) discharges from PA acute care hospitals were used. The reference database was based on two or three years of data from 2008 through 2016 depending on the condition and measure being modeled. These records were limited to those included in the PHC4 list of 35 Diseases, Procedures, and Medical Conditions for which hospitals were required to submit laboratory data (this list is accessible at www.phc4.org). Lab results that did not meet quality standards were eliminated from this reference database. For example, when the quarterly median value of all records representing a given lab test from a given hospital was lower/higher than the statewide 5th/95th percentile value, respectively, the corresponding lab results were removed from the reference database. Such data was determined to be highly irregular and not suitable for inclusion in a database used for developing risk models.

Using the reference database, model selection ultimately identified risk factors that were statistically significant predictors of the relevant event (i.e., mortality or readmission). Demographic data, laboratory test results, chronic comorbidities (identified by ICD-9-CM or ICD-10-CM/PCS codes), and UB-04-derived factors were tested for significance. In addition, special high-risk populations identified in the current scientific literature were evaluated as possible risk-adjustment factors. Each condition and procedure was modeled separately using binary logistic regression. Risk factors were considered statistically significant in a model if they met the \( p < 0.10 \) significance criteria. However, risk factors were evaluated for relevance by considering both mathematical (statistical significance) and clinical perspectives (clinically important populations). Factors lacking face validity were eliminated.

Potential risk factors were added to the model using the following prioritization: 1) patient demographics (gender, race/ethnicity, age, socioeconomic status) were given first priority since these data elements were available for every record, 2) laboratory test results were given second priority.
highest priority, 3) ICD-9-CM or ICD-10-CM/PCS code-based variables were evaluated third, and 4) other UB-04-derived data elements (e.g., cases identified as having been transferred from skilled nursing facilities) were evaluated last. All factors within a class were evaluated before considering factors from the next class. This approach was followed to maximize the stronger predictive power of the laboratory data.

Patient age is a well-recognized predictor of health outcomes. For each model, multiple alternative designs of the age factor (i.e., linear, linear spline with up to two knots, or quadratic) were tested to determine which approach best fit the data. Typically the linear spline approach yielded the best results.

In building the risk models, laboratory test results were partitioned into five categories, A through E, with one category reflective of “typical” results for hospitalized patients and four additional categories representative of abnormal results generally associated with increased risk. Records without lab values were combined with records in the typical category. For each individual model, categories with similar results were combined to minimize the complexity of the model while still maintaining its specificity. All combinations that met the following criteria were considered:
- Minimum volume: each category was required to have at least 1% of the total volume.
- Order of risk: categories farther away from the typical category were required to have higher rates of risk (e.g., when the typical category was defined as level A, categories B, C, D, and E were required to have increasingly higher rates of mortality).
- Significance: categories were required to have significantly different rates of risk.

In the final model, all records in a specified abnormal category received the same amount of credit (regardless of how extreme the lab value within the category).

To avoid developing models that were “overfitted” (i.e., unnecessarily complex models with factors that may be insignificant when applied to a different dataset), a statistical criterion called the Schwarz criterion was used. This application avoided the problem of overfitting by including a penalty value for each factor as it was added to the model. In this way, the best end point for the model build (i.e., the point in which no more factors should be added to the model) could be determined. In rare instances, exceptions were made to the Schwarz criterion for factors identified in the research literature as clinically important.

The final step in the model development process was to evaluate the stability of each factor in the prepared model. The bootstrap technique was used to identify and eliminate factors that were unstable and unlikely to predict the same level of risk when applied to other (future) datasets. Using this technique, one hundred sample datasets were randomly generated from the reference database. Records were allowed to appear multiple times in the sample datasets if they were selected repeatedly. The prepared model was then fit to each sample dataset to determine if each factor maintained significance (p<0.10) in at least 75% of the sample models. This same approach was used to eliminate any factor that did not have a consistently positive numeric value/coefficient (reflective of an increased risk) or a consistently negative coefficient (indicative of a decreased risk) in at least 75% of the sample models; see the “Calculation of Expected Values” section below for a description of model coefficients. Factors (except demographic variables) that failed this test were either regrouped if possible or were eliminated.

Special note regarding the transition from ICD-9-CM codes to ICD-10-CM/PCS codes: the study period covered by this report was based on ICD-10-CM/PCS data but the reference databases used to develop the risk models were based on ICD -9-CM and/or ICD-10-CM/PCS data. Therefore, analyses were conducted to test for any changes in code-based risk factors used in the models, or the study populations themselves, that occurred across the transition period and may have precipitated unwanted effects in the performance of the risk models. Adjustments (such as developing new models, modifying risk factors, or redefining study populations) were made where necessary.
**Calculation of Expected Values**

The final risk models estimated the relative effects ($\beta_n$) that each of the risk factors had on the relevant outcome value for each hospitalization. The model equations took the following form:

$$\beta X = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 \ldots$$

where:

- $\beta_n$ = the relevant model coefficient ($\beta_0$ is the intercept)
- $x_n$ = the value of the risk factor for a hospitalization

(risk factors that were binary, e.g., yes/no, were coded as yes = 1 and no = 0)

These models were then used to calculate the predicted values (e.g., predicted probability of death or readmission) for each individual hospitalization (after exclusions). The risk factor values ($X$) were multiplied by the model coefficients ($\beta$) and summed to determine the value $\beta X$ for each hospitalization.

Using logistic regression modeling, the predicted value was calculated as:

$$p = \frac{e^{\beta X}}{1 + e^{\beta X}}$$

where $e \approx 2.7182818285$

To account for changes in the statewide rates over time, the intercept ($\beta_0$) of the model was adjusted so that the statewide expected rate for the current study period was equal to the actual statewide rate for this same period.

The expected value for an individual hospital was the average of these predicted values for all hospitalizations (at that hospital) for a given condition/procedure. See Appendix Table F for an example of a logistic regression model and the calculations involved.

**Special Considerations for Average Charge**

For the conditions and procedures that included more than one MS-DRG in their definition, case mix adjustment was used to calculate a composite average charge for the combined MS-DRGs representing the condition. This adjustment was made at the level of the nine Pennsylvania regions and was used to account for hospital variation in the mix of cases across MS-DRGs and geographic location.

For example, the condition Chronic Obstructive Pulmonary Disease was comprised of a subset of cases in MS-DRGs 190, 191, and 192. The charges associated with MS-DRGs 190, 191, and 192 were adjusted according to the number of patients and the average charge associated with treating patients in each of these three MS-DRGs within a particular Pennsylvania region. See Appendix Table G for a detailed example of a case mix adjustment calculation. As a result of using this method, the average charge for a condition that contained cases from a single MS-DRG (e.g., Chest Pain) was ultimately reported without adjustment.

**Determining Statistical Ratings**

Significance tests (using the binomial distribution, see below) were performed for the mortality and readmission measures. To account for random variation, statistical evaluation was used to determine whether the difference between a hospital’s observed and expected values was too large to be attributed solely to chance.
Binomial Distribution

The use of the binomial distribution required the following assumptions:

- Each observation included in the study had one of two observable events (e.g., mortality vs. no mortality). In other words, the response was dichotomous.
- The probability of the event (e.g., mortality) for each observation studied within a condition/procedure was equal to the probability provided by the risk models.
- The result for any one observation in the analyses had no impact on the result of another observation. In other words, the observations were independent.

The probability distribution for a specific hospital’s outcome in one area of analysis was based on the hospital’s predicted or expected values. Using the probability distribution, a p-value was calculated for each observed value. This p-value was the probability, or likelihood, that the value could have occurred by chance. If it was very unlikely (p < 0.05; see “Inferential Error” section below) that the observed or actual value could have occurred only by chance, it was concluded that the observed value was “significantly different” from the expected value.

Calculation of p-values

The binomial distribution defined a probability of each potential outcome (e.g., the probability of observing exactly 3 deaths out of 40) according to the binomial formula:

\[
P(a) = \frac{N!}{a!(N-a)!} p^a (1-p)^{N-a}
\]

where:
- \(a\) was the number of events (e.g., mortalities) that were observed (i.e., \(a = 1\) mortality, \(a = 2\) mortalities, etc.) in \(N\) hospitalizations. The value of “\(a\)” ranged from 0 through \(N\) (in other words, \(0 \leq a \leq N\)).
- \(P(a)\) was the probability that exactly “\(a\)” events would be observed.
- \(N\) was the number of hospitalizations in a particular hospital’s condition/procedure.
- \(p\) was the overall expected rate (e.g., expected percent mortality) for a particular hospital’s condition/procedure.

The rating process evaluated both fewer than expected as well as greater than expected mortalities. Thus, a two-tailed test was used. In the example 3 deaths out of 40, the probability associated with the left-hand tail was the sum of the probability for 0, 1, 2, or 3 deaths out of 40. The probability of the right-hand tail was the sum of the probabilities at the upper end of the range (40, 39, 38…) until that sum was as close as possible to (but still less than) the probability associated with the left-hand tail. The two-tailed p-value was the sum of the probability of the left-hand and right-hand tails.

The two-tailed p-value was calculated for each hospital within each condition or procedure.

Inferential Error

A type of inferential error that can be made in statistics is called a Type I error or “false positive.” The probability of committing a Type I error is equal to the level of significance established by the researcher. For the current analysis, the level of significance was set to 0.05.

In the context of the HPR, a Type I error would have occurred when the difference between the actual mortality percent and the expected mortality percent was declared statistically significant, when in fact, the difference was due to chance. That is, for a particular condition or procedure, the hospital was declared to be statistically higher or lower than expected when in reality the
hospital’s level of performance was comparable to its expected performance, as determined by its risk profile. Since the level of significance was set to 0.05, there was a 5% chance (or 1 in 20) of committing this type of error.

**Assignment of Statistical Rating**

A statistical rating of higher than expected or lower than expected was assigned to each hospital if the difference between what was observed and what was expected in a particular condition/procedure was statistically significant. The p-value, calculated in terms of a “two-tailed” test, was compared to the level of significance. For example, in determining the mortality rating for each hospital:

- If the calculated p-value was less than 0.05, then the conclusion was made that the difference between what was expected and what was observed was statistically significant.
  - If the actual mortality percent was less than expected, the hospital was assigned the symbol “○” (as shown in the HPR) to indicate that the mortality percent was significantly less than expected for a particular condition or procedure.
  - If the actual mortality percent was higher than expected, the hospital was assigned the symbol “●” (as shown in the HPR) to indicate that the mortality percent was significantly greater than expected for a particular condition or procedure.

- If the calculated p-value was greater than or equal to 0.05, then the conclusion was made that the difference between the expected mortality percent and the actual mortality percent was not statistically significant. It could not be concluded that the actual mortality percent for that particular hospital in that particular condition/procedure was different from the expected mortality percent derived from the particular hospital’s risk profile. In this case the hospital was assigned the symbol “□” (as shown in the HPR).

**Minimum Cases Needed for Reporting**

**Mortality, Readmissions, and Charges**

Whenever the number of cases analyzed for a particular measure (after exclusions) was less than five, “NR” (not reported) was displayed in place of a particular result. Hospitals with less than five records in all of the reported conditions and procedures were not displayed in the report. See Appendix Table C for a listing of these hospitals.

**Statewide Average Payments**

“NR” was displayed in the average payment column when the number of cases within a single MS-DRG for a particular condition or procedure was ten or fewer.
APPENDIX
### TABLE A
**ICD-10-CM/PCS Codes and MS-DRGs Used in the Hospital Performance Report**

The following ICD-10-CM/PCS codes and MS-DRGs are applicable to CMS Grouper Version 33.0. When diagnosis, procedure, and MS-DRG categories are listed, all are required.

**Exclude from all conditions and procedures:** cases with HIV Infection (ICD-10-CM code B20, in any position).

#### Abnormal Heartbeat

<table>
<thead>
<tr>
<th>Principal diagnosis</th>
<th>ICD-10-CM/PCS Codes</th>
<th>MS-DRG:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heartbeat</td>
<td>I440, I441, I442, I443, I449, I454, I455</td>
<td>242, 243, 244, 258, 259, 260, 261, 262, 273, 274, 276, 287, 308, 309, 310</td>
</tr>
</tbody>
</table>

#### Chest Pain

<table>
<thead>
<tr>
<th>Principal diagnosis</th>
<th>ICD-10-CM/PCS Codes</th>
<th>MS-DRG:</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>I456, I4582, I459</td>
<td>313</td>
</tr>
</tbody>
</table>

#### Chronic Obstructive Pulmonary Disease (COPD)

<table>
<thead>
<tr>
<th>Principal diagnosis</th>
<th>ICD-10-CM/PCS Codes</th>
<th>MS-DRG:</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>I440, I441, I442, I4430, I4450, I4451, I4452, I4453, I4454, I4455</td>
<td>190, 191, 192</td>
</tr>
</tbody>
</table>

#### Colorectal Procedures

<table>
<thead>
<tr>
<th>Principal procedure</th>
<th>ICD-10-CM/PCS Codes</th>
<th>MS-DRG:</th>
</tr>
</thead>
</table>

#### Technical Notes

- **Any position:** DRGs Used in the Hospital Performance Report.
- **Hospital Performance Report:** CM/PCS.
- **DRGs:** I440, I441, I442, I4430, I4450, I4451, I4452, I4453, I4454, I4455. codes.
- **Any position:** Technical Notes.
- **Any position:** Abdominal procedure.
- **Any position:** Colorectal Procedures.
- **Any position:** Technical Notes.
### Kidney and Urinary Tract Infections

**Principal diagnosis:** N10, N110, N111, N118, N119, N12, N136, N151, N159, N2884, N2885, N2886, N3000, N3001, N3010, N3011, N3020, N3021, N3030, N3031, N3080, N3081, N3090, N3091, N390

**MS-DRG:** 689, 690

### Kidney Failure – Acute

**Principal diagnosis:** N170, N171, N172, N178, N179

**MS-DRG:** 682, 683, 684

### Pneumonia – Aspiration

**Principal diagnosis:** J690

**MS-DRG:** 177, 178, 179

### Pneumonia – Infectious

**Principal diagnosis:** A481, J09X1, J100, J1001, J1008, J110, J1100, J1108, J120, J121, J122, J123, J1281, J1289, J129, J13, J14, J150, J151, J1520, J1521, J15212, J1529, J153, J154, J155, J156, J157, J158, J159, J160, J168, J180, J181, J188, J189

**MS-DRG:** 177, 178, 179, 193, 194, 195

### Respiratory Failure

**Principal diagnosis:** J9600, J9601, J9602, J9610, J9611, J9612, J9620, J9621, J9622, J9690, J9691, J9692

**MS-DRG:** 189, 207, 208

### Sepsis


**MS-DRG:** 870, 871, 872

### Stroke


**MS-DRG:** 061, 062, 063, 064, 065, 066
# TABLE B
Statewide Utilization and Outcome Data, by Condition/Procedure

<table>
<thead>
<tr>
<th>Condition/Procedure</th>
<th>Cases¹ (n)</th>
<th>Mortality² (%)</th>
<th>Readmission³ (%)</th>
<th>Average Charge⁴</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abnormal Heartbeat</td>
<td>37,335</td>
<td>0.9</td>
<td>14.3</td>
<td>$41,457</td>
</tr>
<tr>
<td>Chest Pain</td>
<td>6,544</td>
<td>NR</td>
<td>13.6</td>
<td>$23,888</td>
</tr>
<tr>
<td>Chronic Obstructive Pulmonary Disease (COPD)</td>
<td>28,929</td>
<td>0.5</td>
<td>20.6</td>
<td>$30,458</td>
</tr>
<tr>
<td>Colorectal Procedures</td>
<td>11,868</td>
<td>1.6</td>
<td>NR</td>
<td>$91,514</td>
</tr>
<tr>
<td>Diabetes – Medical Management</td>
<td>16,083</td>
<td>0.4</td>
<td>21.1</td>
<td>$29,292</td>
</tr>
<tr>
<td>Gallbladder Removal – Laparoscopic</td>
<td>9,916</td>
<td>0.2</td>
<td>6.5</td>
<td>$50,967</td>
</tr>
<tr>
<td>Heart Attack – Angioplasty/Stent</td>
<td>13,989</td>
<td>1.4</td>
<td>NR</td>
<td>$91,462</td>
</tr>
<tr>
<td>Heart Attack – Medical Management</td>
<td>11,051</td>
<td>7.0</td>
<td>NR</td>
<td>$40,234</td>
</tr>
<tr>
<td>Heart Failure</td>
<td>47,358</td>
<td>2.2</td>
<td>23.8</td>
<td>$39,631</td>
</tr>
<tr>
<td>Kidney and Urinary Tract Infections</td>
<td>20,104</td>
<td>0.4</td>
<td>15.3</td>
<td>$25,752</td>
</tr>
<tr>
<td>Kidney Failure – Acute</td>
<td>23,725</td>
<td>2.2</td>
<td>20.7</td>
<td>$32,891</td>
</tr>
<tr>
<td>Pneumonia – Aspiration</td>
<td>7,065</td>
<td>5.4</td>
<td>21.0</td>
<td>$42,712</td>
</tr>
<tr>
<td>Pneumonia – Infectious</td>
<td>30,419</td>
<td>1.9</td>
<td>15.7</td>
<td>$31,849</td>
</tr>
<tr>
<td>Respiratory Failure</td>
<td>15,427</td>
<td>9.7</td>
<td>23.6³</td>
<td>$56,530</td>
</tr>
<tr>
<td>Sepsis</td>
<td>63,134</td>
<td>8.8</td>
<td>17.9³</td>
<td>$51,898</td>
</tr>
<tr>
<td>Stroke</td>
<td>22,454</td>
<td>3.2</td>
<td>12.3</td>
<td>$46,132</td>
</tr>
</tbody>
</table>

¹ Number of cases after mortality exclusions
² Value shown was based on records after all relevant exclusions were removed.
³ Rate was based on “unplanned” readmissions only; patients readmitted for reasons defined by the CMS planned readmission algorithm as typically planned were not counted as having a readmission.
⁴ NR: Not Reported
### TABLE C

**Hospitals Not Reported in the Hospital Performance Report**

The *Hospital Performance Report* included usable discharge records from all GAC/SGAC Pennsylvania facilities in the reported time period. There were 172 facilities in Pennsylvania during the study period.

<table>
<thead>
<tr>
<th>Hospital Name</th>
<th>Reason Hospital Not Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Facilities that Closed/Merged:</strong></td>
<td></td>
</tr>
<tr>
<td>Palmerton</td>
<td>Merged with Blue Mt Gnaden Huetten on December 1, 2016</td>
</tr>
</tbody>
</table>

**New Facilities:**

None

**Children’s Hospitals:**

- Children’s Hosp Phila
- Children’s Hosp Pgh UPMC
- Shriners Children Phila
- St. Christopher’s Children

**Facilities with Low Volume of Records in the Hospital Performance Report:**

The following facilities had fewer than 5 records in all conditions/procedures in this report.

- Advanced Surgical: Low volume
- Barix Clinics PA: Low volume
- Coordinated Health Ortho: Low volume
- Edgewood Surgical: Low volume
- OSS Orthopaedic: Low volume
- Physicians Care: Low volume
- Rothman Ortho Specialty: Low volume
- Surgical Spec Coordinated: Low volume
- Wellspan Surgery & Rehab: Low volume
- Wills Eye: Low volume

**Facilities with partial data for Heart Attack – Angioplasty/Stent:**

- Ephrata: Facility started performing angioplasty/stent procedures for Heart Attack – effective March 2016
- Grand View: Facility stopped performing angioplasty/stent procedures for Heart Attack – effective May 2016
- Wayne Memorial: Facility started performing angioplasty/stent procedures for Heart Attack – effective June 2016
TABLE D
Valid Discharge Status Codes

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Discharged to home or self-care (routine discharge)</td>
</tr>
<tr>
<td>02</td>
<td>Discharged/transferred to a short-term general hospital for inpatient care</td>
</tr>
<tr>
<td>03</td>
<td>Discharged/transferred to a skilled nursing facility (SNF) with Medicare certification in anticipation of skilled care</td>
</tr>
<tr>
<td>04</td>
<td>Discharged/transferred to a facility that provides custodial or supportive care</td>
</tr>
<tr>
<td>05</td>
<td>Discharged/transferred to a designated cancer center or children’s hospital</td>
</tr>
<tr>
<td>06</td>
<td>Discharged/transferred to home under care of organized home health service organization in anticipation of covered skilled care</td>
</tr>
<tr>
<td>07</td>
<td>Left against medical advice (AMA) or discontinued care</td>
</tr>
<tr>
<td>20</td>
<td>Expired</td>
</tr>
<tr>
<td>21</td>
<td>Discharged/transferred to court/law enforcement</td>
</tr>
<tr>
<td>43</td>
<td>Discharged/transferred to a federal health care facility</td>
</tr>
<tr>
<td>50</td>
<td>Discharged to hospice—home</td>
</tr>
<tr>
<td>51</td>
<td>Discharged to hospice—medical facility (certified) providing hospice level of care</td>
</tr>
<tr>
<td>61</td>
<td>Discharged/transferred to a hospital-based Medicare approved swing bed</td>
</tr>
<tr>
<td>62</td>
<td>Discharged/transferred to an inpatient rehabilitation facility (IRF) including rehabilitation distinct part units of a hospital</td>
</tr>
<tr>
<td>63</td>
<td>Discharged/transferred to a Medicare certified long term care hospital (LTCH)</td>
</tr>
<tr>
<td>64</td>
<td>Discharged/transferred to a nursing facility certified under Medicaid but not certified under Medicare</td>
</tr>
<tr>
<td>65</td>
<td>Discharged/transferred to a psychiatric hospital or psychiatric distinct part unit of a hospital</td>
</tr>
<tr>
<td>66</td>
<td>Discharged/transferred to a critical access hospital (CAH)</td>
</tr>
<tr>
<td>69</td>
<td>Discharged/transferred to a designated disaster alternative care site</td>
</tr>
<tr>
<td>70</td>
<td>Discharged/transferred to another type of health care institution not defined elsewhere in this code list</td>
</tr>
<tr>
<td>81</td>
<td>Discharged to home or self care (routine discharge) with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>82</td>
<td>Discharged/transferred to a short term general hospital for inpatient care with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>83</td>
<td>Discharged/transferred to a skilled nursing facility with Medicare certification in anticipation of skilled care with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>84</td>
<td>Discharged/transferred to a facility that provides custodial or supportive care with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>85</td>
<td>Discharged/transferred to a designated cancer center or children’s hospital with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>86</td>
<td>Discharged/transferred to home under care of organized home health service organization in anticipation of covered skilled care with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>87</td>
<td>Discharged/transferred to court/law enforcement with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>88</td>
<td>Discharged/transferred to a federal health care facility with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>89</td>
<td>Discharged/transferred to a hospital-based Medicare approved swing bed with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>90</td>
<td>Discharged/transferred to an inpatient rehabilitation facility including rehabilitation distinct part units of a hospital with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>91</td>
<td>Discharged/transferred to a Medicare certified long term care hospital with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>92</td>
<td>Discharged/transferred to a nursing facility certified under Medicaid but not certified under Medicare with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>93</td>
<td>Discharged/transferred to a psychiatric hospital or psychiatric distinct part unit of a hospital with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>94</td>
<td>Discharged/transferred to a critical access hospital with a planned acute care hospital inpatient readmission</td>
</tr>
<tr>
<td>95</td>
<td>Discharged/transferred to another type of health care institution not defined elsewhere in this code list with a planned acute care hospital inpatient readmission</td>
</tr>
</tbody>
</table>
## TABLE E

Statewide Exclusions from Analyses, by Measure

The exclusions are listed in the order in which they were removed from the reference database.

<table>
<thead>
<tr>
<th>Exclusions:</th>
<th>Mortality Cases (n)</th>
<th>Mortality Cases (%)</th>
<th>Readmission Cases (n)</th>
<th>Readmission Cases (%)</th>
<th>Average Charge Cases (n)</th>
<th>Average Charge Cases (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cases Before Exclusions</td>
<td>384,097</td>
<td>100.0</td>
<td>351,293</td>
<td>100.0</td>
<td>391,177</td>
<td>100.0</td>
</tr>
<tr>
<td>Exclusions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Records with errors</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Duplicate records</td>
<td>38</td>
<td>&lt;0.1</td>
<td>34</td>
<td>&lt;0.1</td>
<td>40</td>
<td>&lt;0.1</td>
</tr>
<tr>
<td>Discharge date not in time period</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Missing or invalid discharge status</td>
<td>171</td>
<td>&lt;0.1</td>
<td>171</td>
<td>&lt;0.1</td>
<td>181</td>
<td>&lt;0.1</td>
</tr>
<tr>
<td>Non-adult (&lt; 18) or invalid age</td>
<td>7,624</td>
<td>2.0</td>
<td>7,392</td>
<td>2.1</td>
<td>7,646</td>
<td>2.0</td>
</tr>
<tr>
<td>Patients with HIV Infection</td>
<td>502</td>
<td>0.1</td>
<td>485</td>
<td>0.1</td>
<td>520</td>
<td>0.1</td>
</tr>
<tr>
<td>Patients with abdominal trauma*</td>
<td>64</td>
<td>&lt;0.1</td>
<td>NA</td>
<td>NA</td>
<td>64</td>
<td>&lt;0.1</td>
</tr>
<tr>
<td>Rehabilitation revenue code in record</td>
<td>788</td>
<td>0.2</td>
<td>696</td>
<td>0.2</td>
<td>790</td>
<td>0.2</td>
</tr>
<tr>
<td>Patients who left against medical advice</td>
<td>4,193</td>
<td>1.1</td>
<td>4,247</td>
<td>1.2</td>
<td>4,516</td>
<td>1.2</td>
</tr>
<tr>
<td>Patients transferred to GAC facilities</td>
<td>11,860</td>
<td>3.1</td>
<td>9,775</td>
<td>2.8</td>
<td>12,019</td>
<td>3.1</td>
</tr>
<tr>
<td>Patients who died</td>
<td>NA</td>
<td>NA</td>
<td>10,912</td>
<td>3.1</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Invalid length of stay</td>
<td>NA</td>
<td>NA</td>
<td>4</td>
<td>&lt;0.1</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Length of stay outliers</td>
<td>NA</td>
<td>NA</td>
<td>2,866</td>
<td>0.8</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Non-Pennsylvania residents</td>
<td>NA</td>
<td>NA</td>
<td>10,555</td>
<td>3.0</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Patients discharged to hospice</td>
<td>NA</td>
<td>NA</td>
<td>9,919</td>
<td>2.8</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Missing or invalid social security number</td>
<td>NA</td>
<td>NA</td>
<td>3,631</td>
<td>1.0</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Invalid charges</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>598</td>
<td>0.2</td>
</tr>
<tr>
<td>Charge outliers</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>6,615</td>
<td>1.7</td>
</tr>
<tr>
<td>No reference data</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>1,158</td>
<td>0.3</td>
</tr>
<tr>
<td>Total Exclusions</td>
<td>25,240</td>
<td>6.6</td>
<td>60,687</td>
<td>17.3</td>
<td>34,147</td>
<td>8.7</td>
</tr>
<tr>
<td>Total Cases in Analysis</td>
<td>358,857</td>
<td>93.4</td>
<td>290,606</td>
<td>82.7</td>
<td>357,030</td>
<td>91.3</td>
</tr>
</tbody>
</table>

* This exclusion was applicable to the Colorectal Procedures study population only.
NA: Not Applicable
## Table F
### Example of Logistic Regression

<table>
<thead>
<tr>
<th>Calculation Used in Determining Expected Mortality Rate for a Hospital Medical Condition: Abnormal Heartbeat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Cases:</strong> Number of Abnormal Heartbeat hospitalizations for a hospital after exclusions (equal to n).</td>
</tr>
<tr>
<td><strong>Actual Percent Mortality:</strong> Total number of Abnormal Heartbeat cases that died / total number of Abnormal Heartbeat hospitalizations.</td>
</tr>
<tr>
<td><strong>Expected Percent Mortality:</strong> Mean of the predicted probabilities of death among all Abnormal Heartbeat hospitalizations.</td>
</tr>
</tbody>
</table>

Step 1: Calculate the predicted probability of death for each Abnormal Heartbeat hospitalization (PDeath):

\[
\beta X = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \ldots \beta_{40} x_{40} \\
= -9.3671 + (-0.7373)(x_1) + (0.0421)(x_2) + (0.0372)(x_3) + \ldots (0.6856)(x_{39})
\]

where:
- \( x_1 = \% \) Population w/in Patient’s Zip Code w/ a Bachelor’s Degree
- \( x_2 = \) Age
- \( x_3 = \) Age > 85
- \( \ldots \)
- \( x_{39} = \) Seizure (1 if true, 0 if false)

\( \beta \)'s are the regression coefficients that correspond to each respective risk factor (x).

\[
PDeath = \frac{e^{\beta X}}{1 + e^{\beta X}}
\]

where \( e \approx 2.7182818285 \)

Step 2: Calculate the mean PDeath for a hospital (expected percent of deaths):

\[
\text{Mean PDeath} = \frac{\sum \text{PDeath}}{n}
\]
### TABLE G

**Example of Case Mix Adjustment**

<table>
<thead>
<tr>
<th>Calculations Used in Determining Average Charge for a Hospital</th>
<th>Example Hospital: Hospital “A” in Southwestern PA, Region 1</th>
<th>Medical Condition: COPD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Cases:</strong></td>
<td>Number of COPD hospitalizations for hospital A after charges exclusions (equal to n).</td>
<td></td>
</tr>
<tr>
<td><strong>Actual Average Charge, Hospital:</strong></td>
<td>Mean of the charges among all COPD hospitalizations for hospital A.</td>
<td></td>
</tr>
<tr>
<td><strong>Actual Average Charge, Region:</strong></td>
<td>Mean of the charges among all COPD hospitalizations for the hospital region (region 1).</td>
<td></td>
</tr>
<tr>
<td><strong>Expected Average Charge, Hospital:</strong></td>
<td>Mean of the predicted charges among all COPD hospitalizations for hospital A (equal to Mean PChg).</td>
<td></td>
</tr>
</tbody>
</table>

Step 1: Calculate each COPD hospitalization’s predicted charge (PChg):

The PChg for each COPD record is based on the MS-DRG of the record and is equal to the average charge among all COPD hospitalizations (after exclusion) in hospital A’s same region in the corresponding DRG.

Region 1 - Southwestern PA, COPD, MS-DRG 190: .......... $25,008
or
Region 1 - Southwestern PA, COPD, MS-DRG 191: .......... $20,925
or
Region 1 - Southwestern PA, COPD, MS-DRG 192: .......... $14,858

Step 2: Calculate the mean PChg for hospital A (expected charge):

\[
\text{Mean PChg} = \frac{\sum \text{PChg}}{n}
\]

**Case Mix Adjusted Charge:**  \[
\frac{\text{Actual Average Charge, Hospital A}}{\text{Expected Average Charge, Hospital A}} - \text{Actual Average Charge, Region 1}
\]