

Medicare outlier payments and hospital charging practices

ISSUE: Medicare pays a fixed payment rate per admission, but provides outlier payments for admissions where the cost of care exceeds a fixed dollar loss threshold. About five percent of Medicare inpatient payments go to covering these cases. At issue is how hospitals' charging practices may be affecting outlier payments.

KEY POINTS: The share of cases that are outliers varies across hospitals and DRGs. Charge markups also vary across hospitals and within hospital departments. The net result is outlier payments represent a large share of payments for some hospitals.

ACTION: The Commission should be prepared to discuss the findings.

STAFF CONTACT: Craig Lisk (202-220-3742)