

## AVERAGE MEDICARE AND MEDICAID EXPENDITURES IN NORTH DAKOTA AND SURROUNDING STATES

### BACKGROUND

At the October 23-24, 2001, meeting of the Budget Committee on Health Care, the committee requested information regarding Medicaid, Medicare, Blue Cross Blue Shield, and other private insurance reimbursement rates for common diagnostic-related groups (DRGs) in North Dakota and surrounding states. Medicaid information was obtained from the North Dakota Department of Human Services and counterpart agencies in other states. Medicare information was obtained from Medicare peer review organizations in North Dakota and other states. Information on the reimbursement rates used by Blue Cross Blue Shield of North Dakota and other private insurers is not maintained by the Insurance Department or any other state agency. Blue Cross Blue Shield of North Dakota indicated that information relating to its actual reimbursement rates is proprietary in nature and therefore it did not provide that information. Consequently, this memorandum compares actual Medicare and Medicaid expenditures for certain DRGs in North Dakota, Minnesota, South Dakota, and Montana.

### CALCULATION OF MEDICARE AND MEDICAID REIMBURSEMENT RATES

The federal Medicare program and many state Medicaid programs utilize DRGs to determine the appropriate payment for inpatient hospital health procedures. A DRG is a diagnosis category which describes a particular condition, e.g., Caesarean section without complications, bronchitis, and asthma for patients ages 0 to 17, etc. Medicare and Medicaid reimbursement rates are specified for each DRG. To determine the actual payment a provider is paid for a DRG, reimbursement rates are adjusted by geographic area and by hospitals within a geographic area. Medicare and Medicaid payments are reduced to reflect other sources of payment, such as the liability of the recipient and private insurance sources.

### MEDICAID EXPENDITURES - FISCAL YEAR 2000

The following table compares, for state fiscal year 2000, the average amount paid by state Medicaid programs for each of the DRGs listed. The amounts shown are net Medicaid expenditures after deducting recipient liability and other insurance and therefore do not reflect the total average amount received by providers. The DRGs listed are the 20 largest in North Dakota based on total annual expenditures. The lowest average state expenditure for each DRG is boldfaced.

DRG	Description	Average Medicaid Expenditure			
		North Dakota	Minnesot a	South Dakota	Montana
386	Extreme immaturity or respiratory distress syndrome, neonate	\$37,679	\$44,178	<b>\$17,912</b>	\$49,447
373	Vaginal delivery without complicating diagnosis	<b>\$1,327</b>	\$1,789	\$1,434	\$1,417
391	Normal newborn	\$753	\$942	\$621	<b>\$560</b>
371	Caesarean section without complications	<b>\$2,737</b>	\$2,949	\$3,166	\$3,096
389	Full-term neonate with major problems	\$3,948	\$4,711	<b>\$2,601</b>	\$5,416
387	Prematurity with major problems	\$9,360	\$14,295	<b>\$8,105</b>	\$13,662
370	Caesarean section with complicating conditions	<b>\$3,644</b>	\$5,135	\$4,064	\$4,118
91	Simple pneumonia and pleurisy - Ages 0 to 17	<b>\$1,879</b>	\$3,298	\$1,991	\$2,552
372	Vaginal delivery with complicating diagnosis	<b>\$1,726</b>	\$2,621	\$2,023	\$1,928
98	Bronchitis and asthma - Ages 0 to 17	<b>\$1,610</b>	\$3,332	\$1,820	\$1,848
390	Neonate with other significant problems	\$1,437	\$1,345	<b>\$943</b>	\$964
89	Simple pneumonia and pleurisy - Ages greater than 17 with complicating conditions	\$2,618	<b>\$2,564</b>	\$3,800	\$3,865
388	Prematurity without major problems	\$4,942	\$2,616	<b>\$1,467</b>	\$2,835
383	Other antepartum diagnosis with medical complications	\$1,993	\$2,560	<b>\$1,686</b>	\$2,083
374	Vaginal delivery with sterilization and/or D&C	<b>\$2,325</b>	\$2,771	\$3,270	\$2,372
88	Chronic obstructive pulmonary disease	<b>\$2,476</b>	\$3,018	\$2,993	\$4,551

DRG	Description	Average Medicaid Expenditure			
		North Dakota	Minnesota	South Dakota	Montana
359	Uterine and adnexa procedures for nonmalignancy without complicating conditions	<b>\$3,071</b>	\$4,572	\$4,003	\$3,566
182	Esophagitis, gastroent, and miscellaneous digestive disorders - Ages greater than 17 with complicating conditions	<b>\$2,208</b>	\$2,593	\$2,819	\$2,441
298	Nutritional and miscellaneous metabolic disorders - Ages 0 to 17	<b>\$1,397</b>	\$4,162	\$1,679	\$1,457
379	Threatened abortion	<b>\$1,466</b>	\$2,510	\$1,663	\$1,918

### MEDICARE EXPENDITURES - FISCAL YEAR 2001

The Medicare peer review organization in Minot, North Dakota Health Care Review, Inc., worked in collaboration with peer review organizations in surrounding states to compile the information shown on the following table. Peer Review Organizations are independent nonprofit entities located in each state. The Centers for Medicare and Medicaid Services provides funding to each peer review organization to respond to Medicare beneficiary complaints and work with health care providers to ensure that health care services provided to Medicare beneficiaries meet certain standards for quality, effectiveness, efficiency, and economy. The Medicare expenditure information presented on the following tables compares the average expenditure amounts in North Dakota and surrounding states for the 10 most frequently occurring DRGs in North Dakota during federal fiscal year 2001. The lowest average state expenditure for each DRG is boldfaced.

STATEWIDE AVERAGE					
DRG	Description	Average Medicare Expenditures			
		North Dakota	Minnesota	South Dakota	Montana
14	Specific cerebrovascular disorders except TIA	<b>\$4,105</b>	\$5,083	\$4,210	\$4,519
88	Chronic obstructive pulmonary disease	<b>\$3,230</b>	\$3,868	\$3,381	\$3,482
89	Simple pneumonia and pleurisy - Ages greater than 17 with complicating conditions	<b>\$3,647</b>	\$4,399	\$3,773	\$3,966
116	Other permanent cardiac pacemaker implant	<b>\$9,537</b>	\$11,718	\$9,748	\$9,892
127	Heart failure and shock	<b>\$3,596</b>	\$4,370	\$3,717	\$3,905
148	Major small and large bowel procedures with complicating conditions	<b>\$15,361</b>	\$17,848	\$15,445	\$15,832
174	Gastrointestinal hemorrhage with complicating conditions	<b>\$3,563</b>	\$4,291	\$3,643	\$3,809
182	Esophagitis, gastroent, and miscellaneous digestive disorders - Ages greater than 17 with complicating conditions	<b>\$2,640</b>	\$3,336	\$2,725	\$2,921
209	Major joint and limb reattachment procedures of lower extremity	<b>\$7,823</b>	\$9,590	\$8,054	\$8,331
296	Nutritional and miscellaneous metabolic disorders - Ages greater than 17 with complicating conditions	\$3,087	\$3,716	<b>\$3,018</b>	\$3,236

AVERAGE FOR URBAN HOSPITALS					
DRG	Description	Average Medicare Expenditures			
		North Dakota	Minnesota	South Dakota	Montana
14	Specific cerebrovascular disorders except TIA	<b>\$4,238</b>	\$5,521	\$4,478	\$4,652
88	Chronic obstructive pulmonary disease	<b>\$3,251</b>	\$4,182	\$3,603	\$3,585
89	Simple pneumonia and pleurisy - Ages greater than 17 with complicating conditions	<b>\$3,789</b>	\$4,896	\$4,139	\$4,029
116	Other permanent cardiac pacemaker implant	<b>\$9,717</b>	\$11,874	\$10,059	\$9,900
127	Heart failure and shock	<b>\$3,702</b>	\$4,834	\$4,041	\$4,068
148	Major small and large bowel procedures with complicating conditions	\$16,279	\$19,013	<b>\$15,941</b>	\$16,230
174	Gastrointestinal hemorrhage with complicating conditions	<b>\$3,724</b>	\$4,729	\$3,967	\$3,902
182	Esophagitis, gastroent, and miscellaneous digestive disorders - Ages greater than 17 with complicating conditions	<b>\$2,747</b>	\$3,698	\$2,973	\$3,007
209	Major joint and limb reattachment procedures of lower extremity	<b>\$7,910</b>	\$10,148	\$8,267	\$8,420
296	Nutritional and miscellaneous metabolic disorders - Ages greater	\$3,303	\$4,132	<b>\$3,237</b>	\$3,340

DRG	Description	Average Medicare Expenditures			
		North Dakota	Minnesota	South Dakota	Montana
	than 17 with complicating conditions				

AVERAGE FOR RURAL HOSPITALS					
DRG	Description	Average Medicare Expenditures			
		North Dakota	Minnesota	South Dakota	Montana
14	Specific cerebrovascular disorders except TIA	<b>\$3,942</b>	\$4,250	\$3,965	\$4,177
88	Chronic obstructive pulmonary disease	\$3,213	\$3,322	<b>\$3,198</b>	\$3,306
89	Simple pneumonia and pleurisy - Ages greater than 17 with complicating conditions	<b>\$3,561</b>	\$3,828	\$3,644	\$3,857
116	Other permanent cardiac pacemaker implant	\$8,952	\$9,635	<b>\$8,798</b>	\$9,180
127	Heart failure and shock	\$3,531	\$3,705	<b>\$3,523</b>	\$3,630
148	Major small and large bowel procedures with complicating conditions	<b>\$12,913</b>	\$14,698	\$14,966	\$13,945
174	Gastrointestinal hemorrhage with complicating conditions	<b>\$3,358</b>	\$3,575	\$3,432	\$3,524
182	Esophagitis, gastroent, and miscellaneous digestive disorders - Ages greater than 17 with complicating conditions	<b>\$2,568</b>	\$2,730	\$2,628	\$2,732
209	Major joint and limb reattachment procedures of lower extremity	<b>\$7,421</b>	\$8,021	\$7,702	\$7,663
296	Nutritional and miscellaneous metabolic disorders - Ages greater than 17 with complicating conditions	<b>\$2,878</b>	\$3,066	\$2,884	\$3,040