

Appendix A: Major variable direct cost components

Every hospital cost is assigned a corresponding UB 92 revenue code. These are rolled up and grouped into CMS Expense Groupings. Some of the most common costs that are included in the variable direct cost calculation are shown below:

Category	Selected examples	Method of cost assignment
Staff salaries*	RN Pharmacy Laboratory Technical Social work Service Therapy Ultrasound Casual Transport Housekeeping	Variable Direct Costs for Staff Salaries are allocated using labor Relative Value Units (RVU's). The Relative Value units are assigned to each charge code and are based on the amount of time and labor it requires to perform the particular service.
Blood components	Red cells Platelets Fresh frozen plasma	Cost of purchase
Laboratory	Inpatient laboratory	Actual patient use.
Pharmacy	Pharmaceuticals Intravenous solutions Radioactive materials	Cost of purchase / acquisition cost
Supplies	Minor equipment Bits, burs, blades Sutures Endoscopy Arthroscopy Catheters Surgical custom packs	Cost of purchase / acquisition cost
Implants	Implants Stents Valves Joints Pacemakers and defibrillators Bone allografts	Cost of purchase / acquisition cost

Examples of costs not included in variable direct costs:

Category	Selected examples
Salaries	Physician Nurse practitioner Physician assistant House staff Nurse Managers
Laboratory	Equipment and space costs
Pharmacy	Equipment and space costs
Radiology	Equipment and space costs
Facility utilization	General operating expenses including space and equipment
Corporate Expenses	Finance, IT, Human Resources, etc.
Hospital Administrative Staff and departments	Quality department, Nursing Admin, etc.

Appendix B: VBM dashboard inpatient Medicare loss screenshot

This dashboard shows inpatient Medicare loss per case, visible as average loss per case, total loss, and CMI-adjusted loss per case. Data can be viewed over different time periods, and overall or by department. Graphics represent (clockwise, from top left) results by month, results by department or by DRG family, and ratio of CMI-adjusted loss per case/target cost per case by department. Target cost per case represents the break-even cost for Medicare reimbursement. Only patients with primary payor group of Medicare fee for service are included.

Total loss per case is defined as total revenue minus total cost. Total revenue includes Medicare payments, accounts receivable balance and a prorated portion of graduate medical education revenue allocated according to length of stay. Total cost includes direct and indirect costs.

Average loss per case is defined as $(\text{total loss per case})/(\text{total cases})$.

CMI-adjusted loss per case is defined as $(\text{direct cost})/(\text{average CMI} * \text{total cases})$

Inpatient Medicare Loss



Loss Variable Direct Cost Per Case

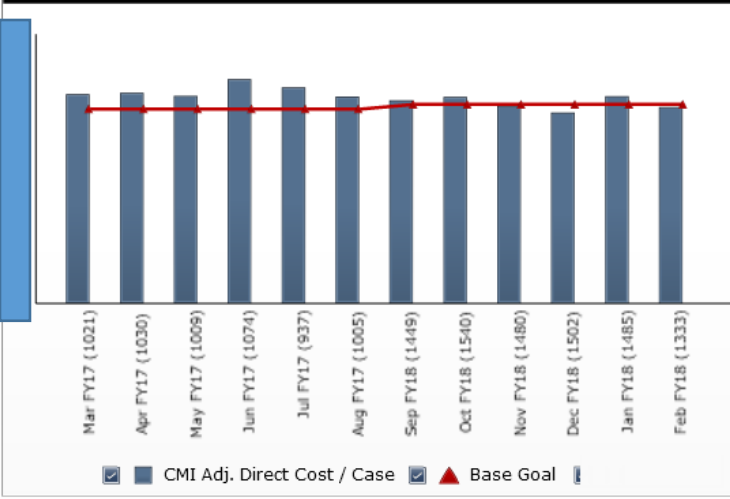
Period **Rolling 12 Months** VBM Reporting Department **ALL**

Export Data Print

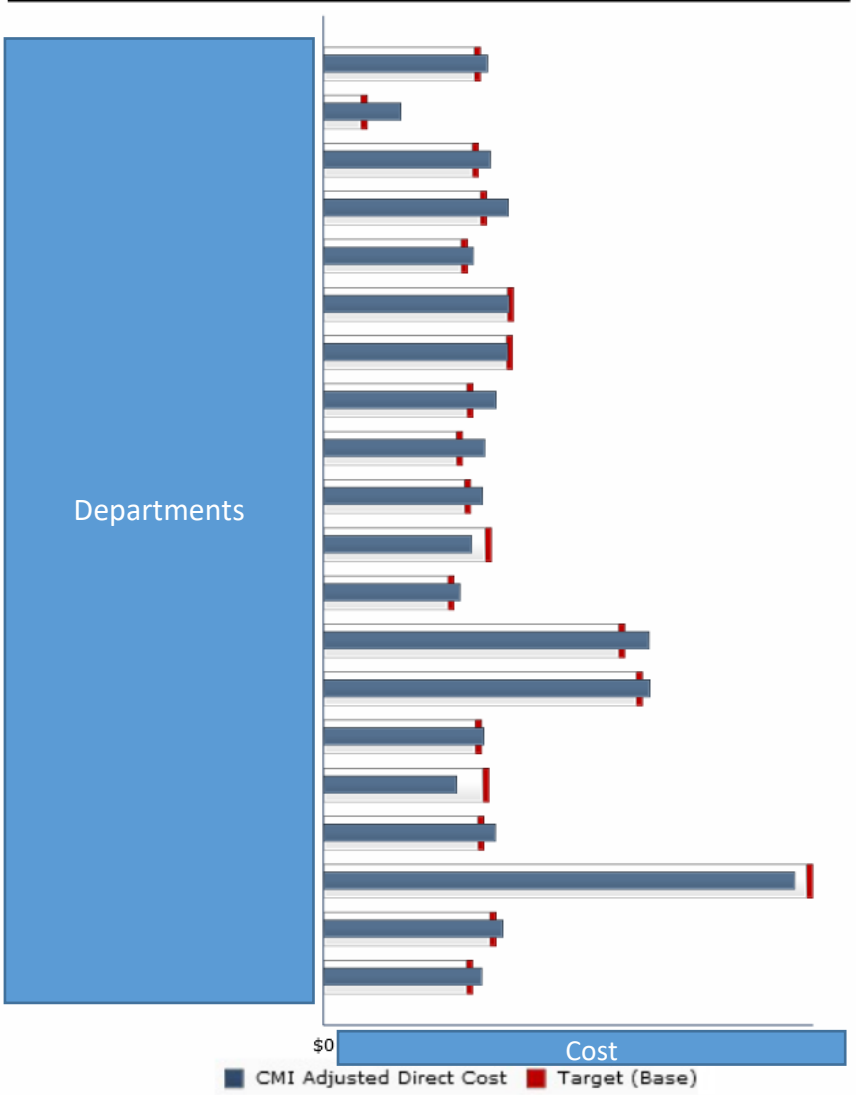
Loss Per Case (Average) Total Loss Case Mix Index Adj Var Direct Cost / Case Physician DRG Family

Dashboard incorporates Brooklyn data beginning in September FY 2018. Targets are now system-wide.

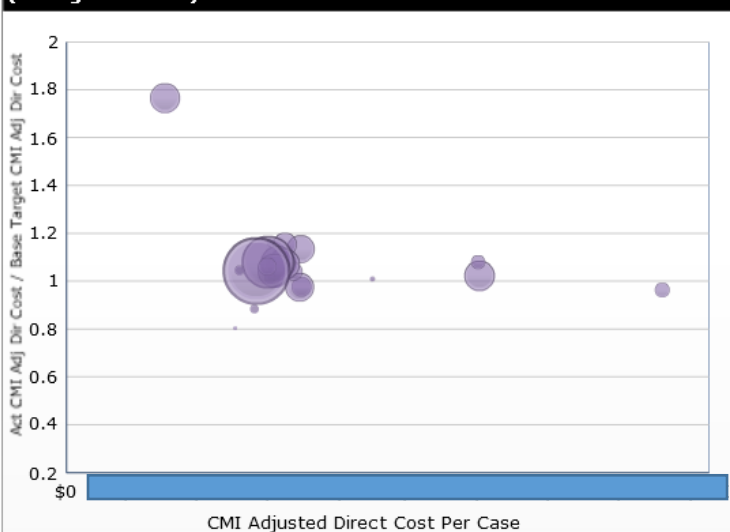
Case Mix Index Adj. Var Direct Cost Per Case by Month



Case Mix Index Adj. Var Direct Cost Per Case (Rolling 12 Months)



Case Mix Index Adj. Var Direct Cost Per Case by Department (Rolling 12 Months)



Appendix C: VBM dashboard variable direct cost per case screenshot

This dashboard shows direct cost per case. Data can be viewed over different time periods, and by department. Graphics represent variable direct cost per case by physician (left) and variable direct cost by cost grouping (right). Variable direct cost by physician can be viewed overall or by cost grouping. Variable direct cost by cost grouping can be viewed overall or by individual physician.

Inpatient Medicare Loss



Loss

Variable Direct Cost Per Case

Period **Rolling 12 Months**

VBM Reporting Department

Orthopedic Surgery



Export Data



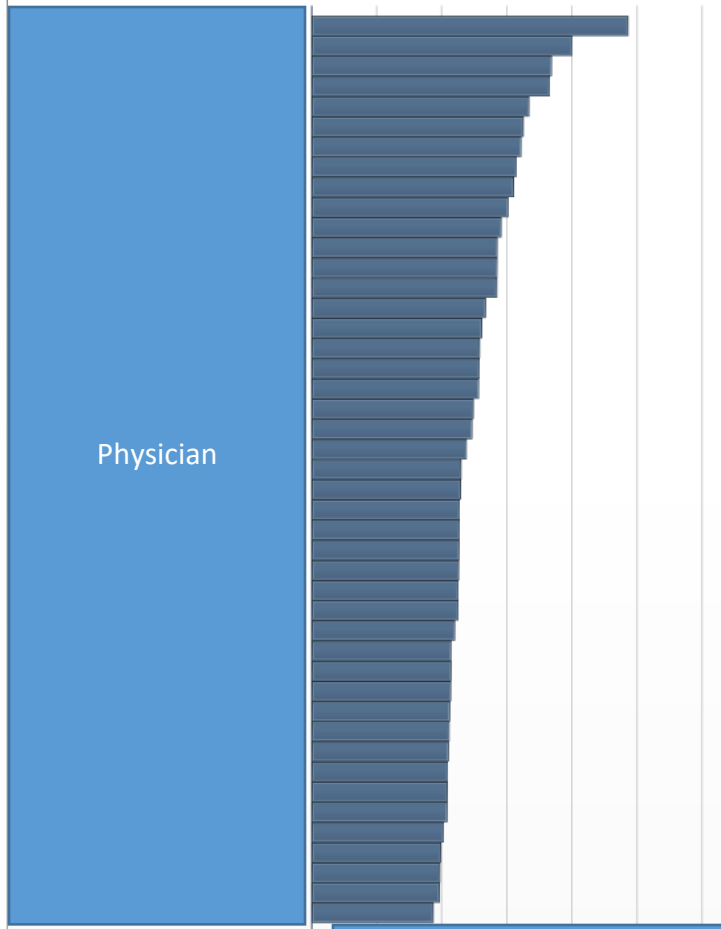
Print



DRG Family **Major joint replacement or reattachment of lower extrem**

Variable Direct Cost Per Case by Physician (Rolling 12 Months)

Expense Grouping **ALL**



Physician

\$0

Cost

Variable Direct Cost Per Case

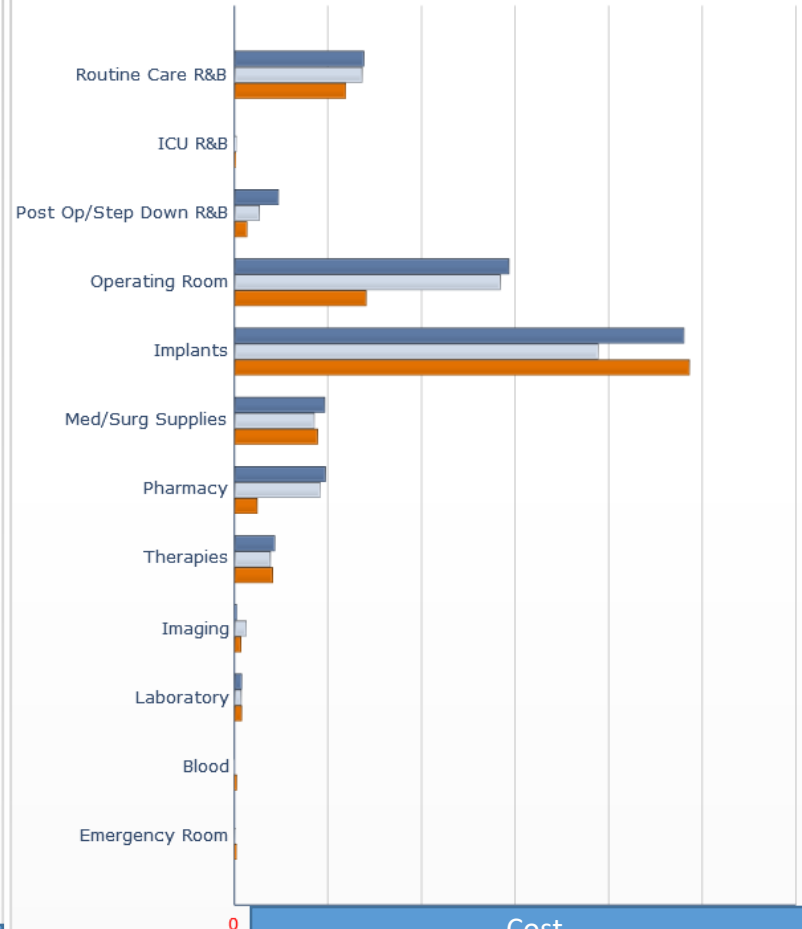
Variable Direct Cost Per Case Grouping (Rolling 12 Months)

Department: O/E LOS, # of Discharges: .84 ,

Physician: O/E LOS, # of Discharges: .96 , 98

Physician

Physician name



0

Cost

■ Physician ■ Department ■ UHC 25th Percentile