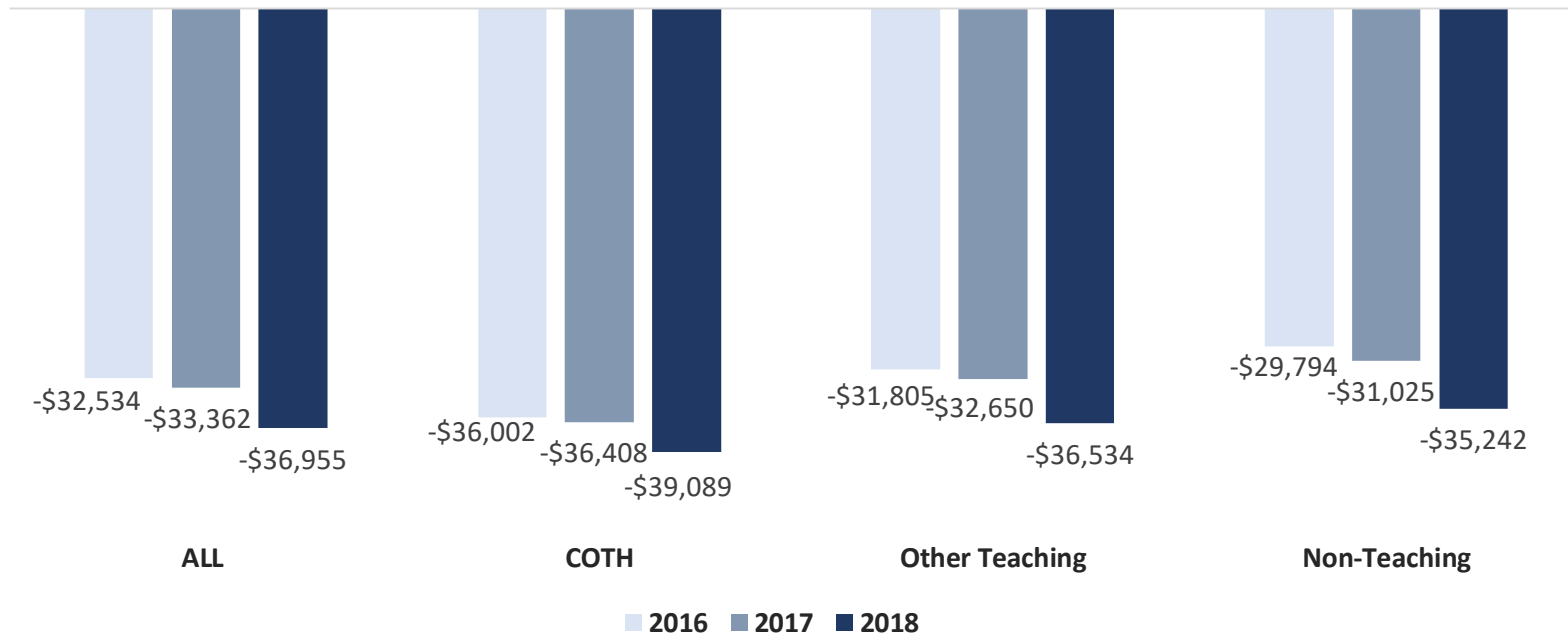


Teaching Hospitals Are Underpaid for Costly Medicare Outlier Cases

Medicare payments do not always adequately compensate hospitals for both outlier and non-outlier cases. Qualifying outlier cases, those that exceed the annual fixed-loss cost threshold, are even more severely underpaid than non-outlier cases. After controlling for payment factors and hospital effects, our analysis indicates that AAMC-member hospitals were underpaid by \$39,089 per outlier case in FY2018 an increase from the \$36,002 per outlier case underpayment in FY2016. AAMC-member teaching hospitals have consistently been underpaid for outlier cases over the years relative to other teaching hospital and non-teaching hospitals.

Average difference between Medicare payment and cost per outlier case



Fiscal Year	Outlier Threshold Amount
2016	\$25,743
2017	\$26,473
2018	\$29,064

* This analysis controlled for payment factors (DRG weight, wage index, IRB ratio, and disproportionate patient percentage) and random hospital-specific effects.

** Outliers are cases whose costs are greater than the sum of the prospective payment rate for the MS-DRG, plus IME, DSH, uncompensated care and new technology add-on payments, and the outlier threshold amount.

Source: AAMC analysis of Medicare Inpatient Claims data from FY2016, FY2017 and FY2018. The outlier threshold amounts are from FY2021, FY2020 and FY2019 IPPS Final Rule and Correction Notices.

Note: All mentions of FY are in reference to the Federal fiscal year