Three Basic Statistics

- Count of discharges (numerator and denominator)
- Payments (sum and average)
- Average length of stay (numerator and denominator)
Percents and Percentiles

- Percents and percentiles are at the heart of PEPPER.
- It is easy to confuse these terms.
- Let’s clarify the definitions and how they relate to each other in PEPPER.
Target Area Statistics

- **Numerator** – number of target-area discharges; will not display if <11
- **Denominator** – number of all denominator discharges; will not display if <11
Target Area Percents

- Target area percents are calculated by dividing the number of target discharges by the number of denominator discharges for each hospital for each time period, then multiplying by 100.

- Example: Septicemia

$$\frac{29 \text{ discharges for DRGs 870, 871, 872}}{33 \text{ discharges for DRGs 689, 690, 870, 871, 872}} \times 100 = 88\%$$
Percentiles

- The target area percent lets the provider know its billing patterns.
- More useful information comes from knowing how it compares to other providers, which is why we calculate percentiles.
- Definition of a percentile:
  - The percentage of providers with a lower target area percent
To calculate percentiles for all providers in a comparison group (nation, jurisdiction or state), the target area percents are sorted from largest to smallest for each time period.

Example:

– If 40% of the providers’ target area percents were lower than Provider A, then Provider A would be at the 40th percentile.
Percentile Calculation Example

- The top two providers’ percents are at or above the 80\textsuperscript{th} percentile.
- The bottom two providers’ percents are at or below the 20\textsuperscript{th} percentile (for areas at risk for undercoding only).
Review: How does PEPPER Identify Providers at Risk?

- A provider’s target area percent is compared to other providers’ percents in the nation, MAC jurisdiction and state.
- If the provider’s target area percent is at/above the national 80th percentile or at/below the national 20th percentile, it is identified as at risk for improper Medicare payments.
- Compare and Target Area reports:
  - **Red bold print** – at or above the national 80th percentile for the target area
  - **Green italic print** – at or below the national 20th percentile for the target area (areas at risk for undercoding only)