Three Basic Statistics

- Count of episodes (numerator and denominator)
- Payments (sum and average)
- Average length of stay (numerator and denominator)

Percents and Percentiles

- Percentiles are at the heart of PEPPER

- It is easy to confuse percents and percentiles

- The following slides 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:

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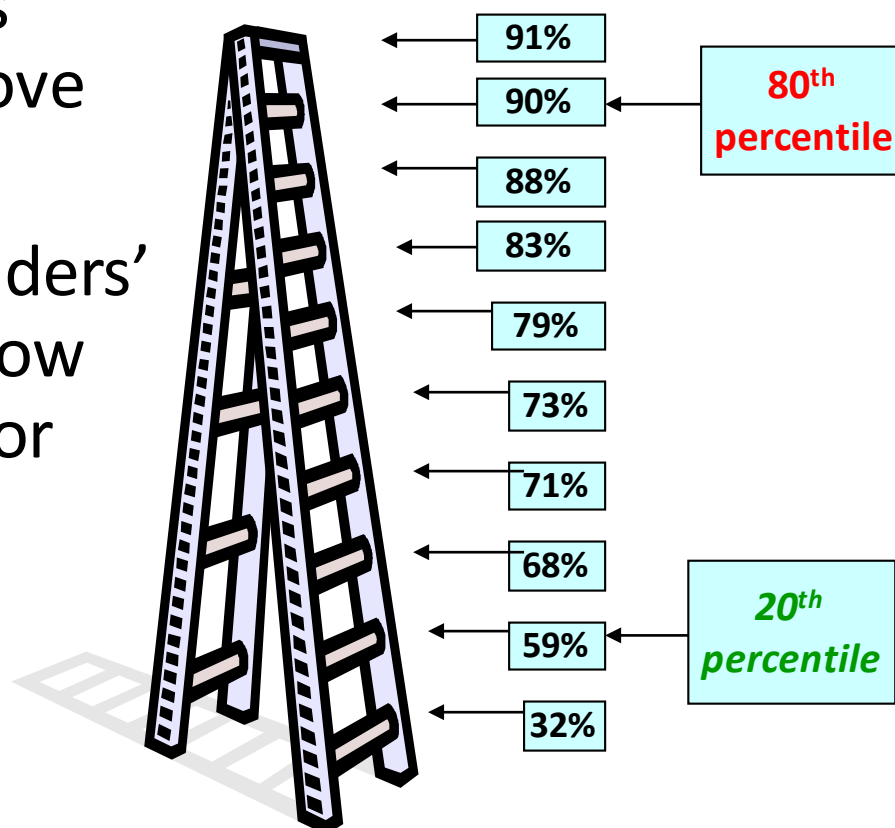
Percentiles

- 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

Percentiles, continued

- 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 80th percentile.

- The bottom two providers' percents are at or below the 20th percentile (for areas at risk for undercoding only).

91%

90% — 80th percentile

88%

83%

79%

73%

71%

68%

59% — 20th percentile

32%

How are Providers at Risk Identified?

- 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:
  - at or above the national 80th percentile for the target area
  - at or below the national 20th percentile for the target area (areas at risk for undercoding only)