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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

III. Payments Inpatient Hospital Services (Continued)

2. Relative Weights

Relative weights were assigned to each DRG in the CMS MS-DRG Grouper Version 2933.0 based on Vermont hospital costs. The relative weight is the average cost of the inlier claims grouped into the DRG divided by the average cost of all inlier claims in the base period.

Before calculating the relative weight for a DRG, tests were conducted to ensure that there was sufficient volume and conformity among the cases in the DRG to set a stable relative weight. A DRG was found to have sufficient sample size to compute a relative weight if: (a) There was a minimum of 10 claims across the ~~two~~four years of data; and (b) There were sufficient claims to pass this statistical test: The standard error of the claims' costs is within 25% of the mean with a 90% level of confidence.

Before running the statistical test, low-cost and high-cost outliers were removed from each DRG, which are defined as any claim that was outside +/- two standard deviations from the geometric mean cost of the DRG.

This test yielded 228317 stable DRGs, ~~403-439~~ unstable DRGs, and ~~11966~~ empty DRGs (no Vermont claims volume in the base period utilized). The 522505 unstable and empty DRGs were then collapsed into 12 tier groups based on the Medicare relative weight for each DRG. After the claims were collapsed into these categories, a new average cost was computed for the claims in each tier and a relative weight was set.

Effective with dates of admission on or after October 1, 2016~~2~~, all DRGs that were collapsed into a tier will share the same relative weight.

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