



# VA HEALTH ECONOMICS BULLETIN

Volume 11, Issue 4  
November, 2011

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### Administrative Officer

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Health Economics Resource Center

VA Palo Alto Health Care System

795 Willow Road (152 MPD)

Menlo Park, CA 94025

(650) 617-2630

fax: (650) 617-2639

herc@va.gov

<http://www.herc.research.va.gov>

## HERC's Fee Basis Discussion Recap

In October, HERC hosted a conference call for researchers interested in the Fee Basis files. The purpose was to create a forum where researchers who had used the Fee Basis files could share lessons learned with others. The focus of the discussion was on the payments for outpatient and provider services. There was general agreement that there are far fewer problems with the inpatient Fee Basis data. Some of the key lessons that people agreed on were:

### **Trust the aggregate payment amounts.**

The total value of the checks that VA sends to Fee Basis providers represents correct total payments almost all of the time. The payments for specific line items (the file is organized with one record for each billed service [CPT code]) can be inconsistent with the standard payment amounts for a specific CPT code. This can occur for several reasons. For example, contracts for Fee Basis care are negotiated at many different levels, and specific providers or vendors may negotiate higher payment rates for some CPT codes in return for discounts for other CPT codes.

### **Be careful when using the volume indicator.**

This variable indicates the number of times a provider performed a specific service (CPT code); however it contains observations with errors. Common errors reported included volume indicator equal to the CPT code or the payment amount. Another common error was that for anesthesia services, the number of minutes of anesthesia was entered in the volume indicator field for many medical centers before FY 2010. These types of errors are easy to detect, but the data need to be checked carefully before making any adjustment for the volume of services; some of the volume indicators are clearly inconsistent with the payment amounts.

### **Be aware of combination of services in bills.**

For services that are provided on a regular basis (e.g., 3-times per week dialysis, some home health services, etc.), many providers will submit monthly bills, instead of bills for each separate day of service. When this occurs, it is frequently difficult to determine how many days of services were actually provided. For example, a home health agency could submit a monthly bill for 80 hours of a home health aide. While this could represent 4 hours a day, 5 days a week, it also could represent any number of other possible combinations of service.

# Changes in the DSS NDEs

**The Decision Support Organization (DSO) has made changes to the Decision Support System National Data Extracts (DSS NDEs). These changes provide researchers with new information on the cost of outpatient care and the identity of inpatient providers.**

**M**any new variables have been added in fiscal year (FY) 2011, including a new patient identification variable, the Master Patient Index (MPI). MPI is a unique identifier which is expected to ultimately replace the scrambled social security number of patients. The Outpatient (OPAT) NDE file has new variables which include variable direct cost (VAR DIR COST) and variable supply cost (VAR SUPP COST) of outpatient visits. A new flag variable, OP ADMIT FLAG, has been added to the Discharge (DISCH) and Treating Specialty (TRT) NDE files in order to identify inpatient admissions which result from previous outpatient visits.

In order to provide better information to researchers regarding discharge physicians, new variables were also added to the Discharge (DISCH) NDE file. DISCHARGE MD identifies the physician at the time of discharge, while DISCH MD PT provides the discharge physician's provider type and DISCH MD NPI provides the discharge physician's National Provider Index. Before these additions, only information about the primary care provider (PCP) and primary care provider type (PCP\_DSS) was available.

Another change made to the extracts in FY 2011 involves the replacement of some provider Internal Entry Numbers (IEN) with scrambled social security numbers. Previously, a few medical



centers used the true social security number as the provider IEN, and DSS excluded these identification numbers to protect provider information. DSO Austin Information Technology (IT) staff has replaced those provider IENs with scrambled SSNs in post-production processing. Other changes are also being made to identify separate costs of residents and trainees, and to improve cost estimates for gastrointestinal procedures. Beginning with FY 2012 processing, all the cost of residents and trainees is identified in a new variable labor cost category.

For more information about the DSS NDEs, researchers are encouraged to consult the "DSS Technical Guide, September 2011" located on the DSS intranet web site. For further information about DSS, researchers are encouraged to consult either HERC's internet web site (<http://www.herc.research.va.gov>) or the DSS or HERC intranet web sites. Researchers may write to HERC ([herc@va.gov](mailto:herc@va.gov)) for the exact URL of either the DSS or HERC intranet web sites.

## FY10 IPD and ALB Format Catalogs Available

HERC researchers have recently updated the guidebook for the Decision Support System (DSS) National Intermediate Product Department (IPD) Extract Files. The IPD files contain records for each intermediate product department for each encounter for inpatient (I-IPD) and outpatient (O-IPD) care. These files provide more detailed cost information for specific types of care. The guidebook includes updates to the variable list (FY2010 files). Any changes to FY2011 files are not covered in the current guidebook.

HERC has created a permanent SAS format library to apply labels to the IPD product department codes (IPD\_NUM). The format library can also be used to apply labels to variables in the Account Level Budgeter Cost Center (ALBCC) file including the cost center, budget object code, and service. This format library has been updated with FY2010 codes from DSS. This format file (RMTPRD.HERC.DSS.SAS.ALB.FMTS) is available for use by researchers at the Austin Information Technology Center.



## Upcoming HERC Cyber Seminars and Course

### Cyber Seminars

*HERC features presentations on a variety of health economics and health services topics.*

December 7, 2011 @ 9 a.m. PST  
Patsi Sinnott, P.T., Ph.D., M.P.H.

*Health Economist, Health Economics Resource Center (HERC)*  
Update on the VA Fee Basis Files

January 18, 2012 @ 11 a.m. PST  
David Mohr, Ph.D.

*Investigator, Center for Organization, Leadership, and Management Research (COLMR), Boston VAMC*

### “Conducting Cost-Effectiveness Analyses with VA Data” Course

*This course is primarily designed for VA researchers who wish to learn more about cost-effectiveness analyses. The lectures are held on Wednesdays and each hourly session begins at 11 a.m. Pacific or 2 p.m. Eastern time.*

November 30, 2011 – Abra Jeffers, M. Phil.  
Creating a Decision Model: Cost-Effectiveness Analysis

December 14, 2011 – Patsi Sinnott, P.T., Ph.D., M.P.H.  
Introduction to Effectiveness, Patient Preferences and Utilities

January 11, 2012 – Vilija Joyce, M.S.  
Modeling Health-Related Quality of Life over Time

January 25, 2012 – Patsi Sinnott, P.T., Ph.D., M.P.H.  
Budget Impact Analysis

The schedule of upcoming cyber seminars and courses, and information on the archives, are available at  
<http://www.herc.research.va.gov>.

To register for these seminars and courses, visit  
[http://www.hsrcd.research.va.gov/for\\_researchers/cyber\\_seminars/catalog-upcoming.cfm](http://www.hsrcd.research.va.gov/for_researchers/cyber_seminars/catalog-upcoming.cfm).

## WellPoint Assesses Provider Efficiency

WellPoint, the largest health plan in the Blue Cross Blue Shield association, is using efficiency measures to select providers for its preferred networks. The most efficient providers were selected for preferred provider networks, including a new network of especially efficient providers that is part of a lower cost health plan. David Redfearn, a senior consultant with WellPoint, told HERC's August cyber seminar attendees how WellPoint analyzes claims data to evaluate provider efficiency.

Redfearn described how he analyzes claims data from WellPoint members in California by using a commercial episode grouping software. He assigns care into Episode Treatment Groups using a proprietary software sold by Ingenix. An episode is a treatment for a specific condition, and a given patient may have more than one concurrent episode. The cost of specific episodes are used to rate providers' efficiency.

“Providers want to be compared to their peers,” Redfearn told the attendees, also stating that ratings do not have credibility if providers are not comparable. Aside from the complexities involved in constructing and defining episodes, the provider efficiency ratings require sufficient data to make accurate comparisons. He also described his method of determining which provider is responsible for each episode, which is an especially important consideration as the most expensive episodes involve multiple providers.

Redfearn has a Ph.D. in Social Psychology from UCLA, with a specialization in evaluation research and research design. He now serves on the resource measures panel of the National Quality Forum, a non-profit consortium of health plans, provider organizations, and employers, which endorses measures used in health care evaluation. Those who missed his seminar can view the complete talk at the HSR&D Cyber Seminar archive web page: [http://www.hsrcd.research.va.gov/for\\_researchers/cyber\\_seminars/catalog-archive.cfm](http://www.hsrcd.research.va.gov/for_researchers/cyber_seminars/catalog-archive.cfm).

## Featured Health Economics Expert



**Santanu Datta**  
MBA, PhD

*Health Economist  
Center for Health Services  
Research in Primary Care,  
Durham VA Medical Center*

**D**r. Santanu K. Datta is a health economist at the Center for Health Services Research in Primary Care at the Durham VA Medical Center and an Assistant Professor in the Division of General Internal Medicine at the Duke University School of Medicine. His research is motivated by the need to provide decision makers with information regarding intervention costs, cost-effectiveness analysis, and budgetary impact so that they may make better informed intervention or clinical practice implementation decisions. His particular research focus is on intervention strategies that improve outcomes and access at reasonable cost by utilizing technology and provider alternatives outside of traditional clinical practice. He has conducted economic analyses of interventions related to telemedicine for dermatology referrals, diabetic retinopathy screening, genetic counseling, and smoking cessation and nurse-guided, telephone-based care and/or group-visits for diabetes, blood pressure, and cholesterol control, and osteoarthritis self-management.

Dr. Datta holds a Bachelor's degree in Chemistry, MBA in Finance, and Masters degree in Economics from Florida State University and a Ph.D. in Health Policy and Administration from the School of Public Health at UNC Chapel Hill. He

joined Duke University in 1993 while in graduate school and the Durham VA Medical Center in 2003.

Dr. Datta's free time is mostly spent raising his three sons, but he can also be seen on occasion on tennis courts and golf courses and rooting for his beloved Seminoles!

## Health Economics Experts List

To help build a community of health economists, HERC maintains a list of health economics experts by geographic locations and areas of expertise. The list features more than forty VA staff who can offer advice on a variety of topics in cost and cost-effectiveness research. Researchers who are planning a study can use this list to find a health economist to include in their funding proposal. Interested in being added to the list? Write to us at [herc@va.gov](mailto:herc@va.gov). The current list of HERC experts is available on the HERC Experts web page at <http://www.herc.research.va.gov/resources/experts.asp?search=%25>.

## *Congratulations to Jim Jackson On His Retirement*



HERC would like to gratefully acknowledge Jim Jackson for his advice and assistance on all things DSS. He previously served as a valuable member on HERC's DSS Technical Advisory Committee. Jim worked for the VA for 34+ years and he recently retired. He was a tireless champion of operational improvements and was firmly committed to making DSS data reliable and accurate. We wish him well in his pursuits of rest and relaxation.