# SPARCS Hospital Inpatient Cost Transparency

Overview

New York State Department of Health Office of Quality and Patient Safety Bureau of Health Informatics November 2013

Health Data NY

### **SPARCS Background**

The New York Statewide Planning and Research Cooperative (SPARCS) is a comprehensive all payer data reporting system established in 1979 as a result of cooperation between the health care industry and government. Initially created to collect information on discharges from hospitals, SPARCS currently collects patient level detail on patient characteristics, diagnoses and treatments, services, and charges for every hospital discharge, ambulatory surgery and emergency department visit in New York State.

The enabling legislation and regulations for SPARCS are located under Section 28.16 of the Public Health Law (PHL), Section 400.18 of Title 10 (Health) of the Official Compilation of Codes, Rules, and Regulations of the State of New York (NYCRR).

More information on SPARCS may be found on the New York State Department of Health's website at the following direct link: http://www.health.ny.gov/statistics/sparcs/.

## **Converting Charges to Costs**

Estimates of facility costs were calculated using hospital discharge data from SPARCS and Institutional Cost Report (ICR) data. ICR's include data on cost for each facility as well as ratios of Cost to Charges (RCCs) RCCs are certified, calculated and reported by facilities and are subject to external audit. For example, if hospital charge is \$20,000 and the RCC is 50%, the estimated cost is \$10,000. As with charges, cost data are hospital-specific, by All Patient Refined Diagnosis Related Groups (APR-DRGs) and Severity of Illness (SOI) so the data can be compared across hospitals.

Cost data presented in this dataset was calculated using facility specific 2010 audited RCCs file.

The file contains information on the volume of discharges, All Payer Refined Diagnosis Related Group (APR-DRG), the severity of illness level (SOI), medical or surgical classification, the median charge, median cost, average charge and average cost per discharge.

### **Caveats to Interpreting the Data**

When interpreting New York's data, it is important to keep in mind that variations in cost may be attributed to many factors. Some of these include overall volume, teaching hospital status, facility specific attributes, geographic region and quality of care provided. Additionally, costs derived from billing data are based upon a ratio that is submitted by a facility to the state and may not necessary reflect a final price of the service delivered.

Health care facilities determine what they will charge for items and services provided to patients and these charges are the amount the facility bills for an item or service ('charge master'). Many patients are not directly impacted by variations in billing, as insurance covers much of these costs. However, more patients in the future will be subjected to this variation in price as the movement to high-deductible plans and higher cost sharing is happening.

### **Data Collection Process**

<u>SPARCS</u>: Any facility certified to provide Article 28 inpatient services, ambulatory surgery services, emergency department services or outpatient services is required to submit data to SPARCS via the Health Commerce System (HCS). The HCS provides an efficient and secure data transmission option using the powerful Internet Secure Sockets Layer (SSL) encryption technology.

Submitting facilities include New York State Hospitals and Diagnostic and Treatment Centers (D&TC's, commonly known as clinics). This includes both hospital owned and operated, as well as free-standing D&TC facilities. Regardless of their ownership, each facility must report data for each specific facility.

More information on how SPARCS data is collected may be found at the following direct link: http://www.health.ny.gov/statistics/sparcs/data\_collection.htm.

<u>ICR</u>: The Institutional Cost Report (ICR) is a uniform report completed by New York hospitals to report income, expenses, assets, liabilities, and statistics to the Department of Health (DOH). Under DOH regulations, (Part 86-1.2), Article 28 hospitals are required to file financial and statistical data with DOH annually. The data filed is part of the ICR and is received electronically through a secured network.

# **Contact Information**

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