

Medical Cost Tool FAQ

What is the Medical Cost Tool?

The MDGuidelines Medical Cost Tool provides cost information for inpatient and outpatient healthcare services. Users can explore costs by diagnosis codes (ICD-10) or procedure codes (CPT) to understand typical expenses and compare them to national benchmarks.

Who should use the Medical Cost Tool?

Clinical teams or case managers should use the inpatient tool to learn more about how long a person might be in the hospital and about the average cost. Clinicians and case managers can use the outpatient tool to explore procedure expenses, determine price drivers, and make cost-informed decisions. Program evaluators and utilization reviewers should use this tool to compare their own data to national averages.

What types of costs are included?

For inpatient data, all expenses incurred while a patient was staying in the hospital are included, such as wages for healthcare providers, supplies needed for medical care, and utilities. It includes both direct and indirect costs that are billed to the patient for their hospital stay, regardless of payer.

For outpatient data, expenses included billable medical procedures such as surgeries, physical therapy, office visits, imaging, and injections. These costs are divided into facility charges, which cover the care setting (such as hospitals or outpatient facilities), and professional charges, which cover services provided by healthcare professionals.

Where does the cost data come from?

This data is from the healthcare cost and utilization project (HCUP) hosted by the US Department of Health & Human Services' Agency for Healthcare Research and Quality. It includes the largest collection of longitudinal hospital care data in the United States. You can read more about the methodology here: <https://hcup-us.ahrq.gov/>

Outpatient procedure costs were derived from a large database of de-identified, adjudicated claims for services provided in outpatient settings to individuals covered by employer-sponsored commercial insurance plans.

What is the difference between facility and clinical services?

Facility charges are charges associated with the care setting, such as a hospital, ambulatory surgery center, or outpatient facility. These costs may include the use of equipment, supplies, operating rooms, recovery rooms, and other facility resources.

Clinical services are charges billed by healthcare professionals for providing medical care. These may include services performed by physicians, surgeons, physical therapists, anesthesiologists, or other clinicians involved in a patient's treatment.

How can I use this information?

The Medical Cost Tool can help you identify high-cost diagnoses and procedures, benchmark costs against national averages, understand cost variation across medical services, support claim reviews and healthcare decision-making, and inform reserve-setting and financial planning activities.

What cost measures are displayed?

The tool provides multiple cost measures, including average costs and cost ranges. Users can also view quartiles and percentile values to better understand how costs vary across patients and services.

What does log-transformed mean?

Some types of data, like cost data, are easier to understand if it is log-transformed because it reduces skewness and makes it simpler to understand in a graph. This is a mathematical way to normalize data.

How are outliers addressed within the cost data?

To reduce the influence of extreme values, outliers were removed using the interquartile range (IQR) method. For each procedure code, claims with total costs below the lower bound or above the upper bound were excluded. Cost statistics were then recalculated using the remaining claims.

How often is the cost data updated?

The Medical Cost Tool is updated annually, following the release of the latest calendar year of adjudicated claims after processing and quality review have been completed. Refer to product release notes and MDGuidelines communications for information on major data updates and enhancements.