MARYLAND
Department of Health

Maryland's All-Payer Hospital Model Results

Performance Year Three

Calendar Years 2014 through 2016

Report from the Health Services Cost Review Commission

March 2018

Maryland's All-Payer Hospital Model Performance Results CY2014 – CY2016[1]

Background

In 2014, the State of Maryland (the State) and the Centers for Medicare & Medicaid Services (CMS) entered into an agreement (Agreement) that limits the growth in hospital costs per capita and requires quality improvements. CMS has released the Calendar Year (CY) 2016 results, for Performance Year (PY) three of the five-year All-Payer Hospital Model (Model).

The Model utilizes a payment system that holds hospitals accountable for the total cost of hospital care on a per capita basis. The Model will be successful if it is able to enhance the quality of health care delivery, improve population health, and limit the growth in healthcare spending. The Model Agreement established a five-year period during which a series of key requirements must be met. These requirements include:

1) All-payer per capita total hospital revenue growth must be limited to 3.58 percent per year;
2) Five-year Medicare per beneficiary total hospital cost savings must equal or exceed $330 million;
3) Total Medicare spending per beneficiary growth must fall below certain national growth rates;
4) The aggregate Medicare 30-day all-cause readmission rate must be reduced to at or below the national average;
5) The rate of hospital-acquired conditions (HACs) must be reduced by 30 percent;
6) Hospital payment must transition away from volume-based payments; and,
7) Maryland must submit a plan at the end of 2016 to move beyond hospitals and limit the growth in total hospital and non-hospital Medicare spending.

In the first year of the Model, the State shifted all hospitals from volume-based reimbursement systems to global budgets tied to patient populations. The State also implemented changes in its value- and quality-based payment approaches and tied them into the Model. Hospitals, along with other providers, community organizations, consumers, and the State led the development and implementation of changes in care delivery. The State and diverse stakeholders undertook extensive planning efforts towards care delivery transformations and improvements. These delivery changes include care coordination, alignment of actors across the care continuum, consumer engagement, information technology and analytic infrastructure. In the third year of the Model, hospitals and their care partners (clinicians, nursing homes, etc.) continued to expand programs to transform care delivery, improve the quality of care and increase cost savings.

[1] Reported figures for CY14 and CY15 are slightly different than those previously released by CMS due to a change in the Medicare beneficiary files used in the calculations. This report uses the updated beneficiary files for all reporting years.

Results for CY2014-CY2016

Maryland is meeting, or on track to meet, all Model requirements through the third year.

The results for the key performance requirements are presented below:

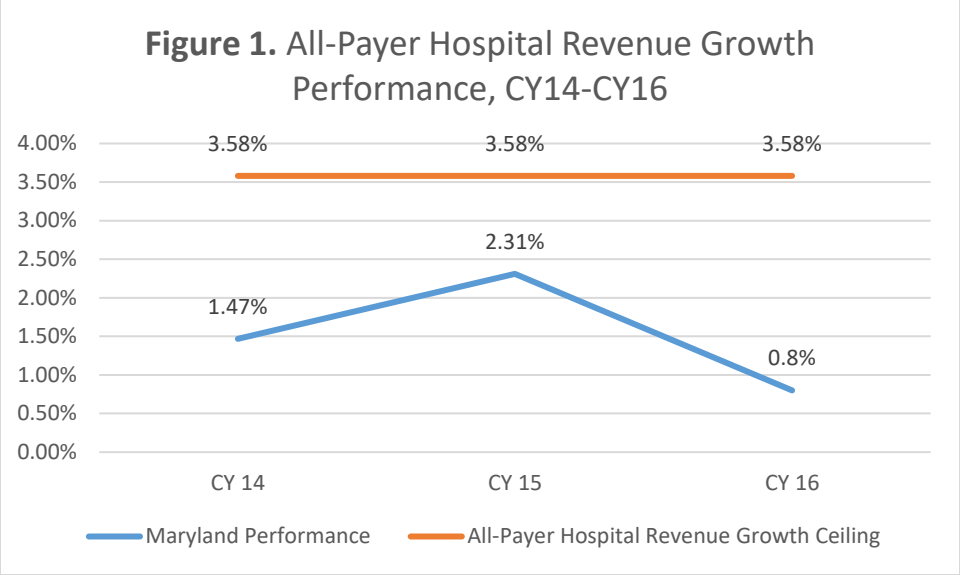
Performance Measures	Targets	2014-2016 Results	On Target
All-Payer Hospital Revenue Growth	≤ 3.58% per capita annually	1.53% average growth per capita	✓
Medicare Savings in Hospital Expenditures	≥ $330M over 5 years (Lower than national average growth rate from 2013 base year)	$586M cumulative (5.50% below national average growth)	✓
Medicare Savings in Total Cost of Care	Lower than the national average growth rate for total cost of care from 2013 base year	$461M cumulative (2.08% below national average growth)	✓
All-Payer Quality Improvement Reductions in PPCs under MHAC Program	30% reduction over 5 years	44% Reduction since 2013	✓
Readmissions Reductions for Medicare	≤ National average over 5 years	79% reduction in gap above nation since 2013	On track
Hospital Revenue to Global or Population-Based	≥ 80% by year 5	100%	✓

All-Payer Hospital Revenue Growth

Target: Maryland must limit the All-Payer hospital revenue growth to less than 3.58 percent, per capita, per year.

Result after Three Years: This target is met.

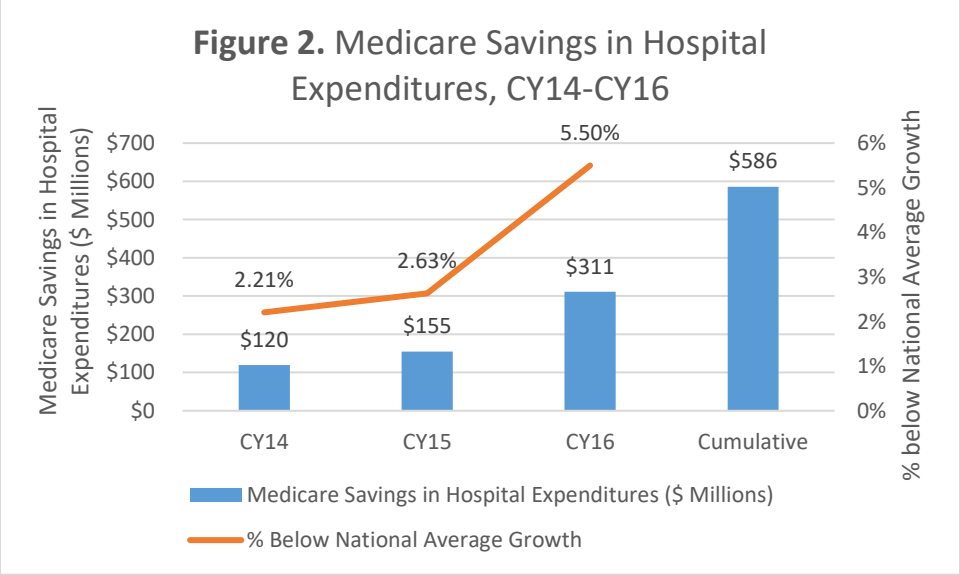
Figure 1 shows All-Payer hospital revenue growth over the first three model years, CY2014-2016 compared to the Agreement growth ceiling of 3.58 percent per capita. Overall, Maryland's hospital revenue growth has remained well below the ceiling. CY16 shows a lower growth in revenue per capita than in the prior two years, partly due to the timing difference in the hospital global revenue update cycle, which operates on a fiscal year rather than a calendar year.



Medicare Savings in Hospital Expenditures

Target: The State committed to saving at least $330 million in Medicare hospital expenditures over the five-year Model performance period, requiring that the growth rate in hospital expenditures for Maryland's Medicare beneficiaries remains below than the national average growth rate, as compared to the CY13 base.

Result after Three Years: The State has already met its five-year savings requirement. Figure 2 shows the Model's Medicare hospital savings performance for each of the first three calendar year performance periods, and the cumulative savings for the first three years totaling $586 million. Additionally, Figure 2 presents the difference in the State growth rate below the national average growth rate since 2013. The difference reached 5.5 percent below the national growth after CY16 and Medicare hospital expenditures savings exceeded the Model target.



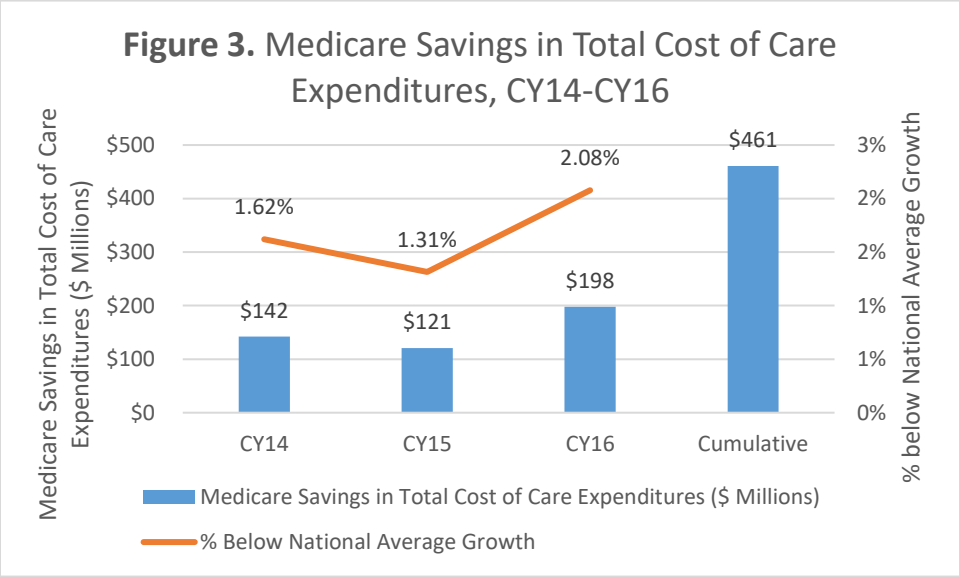
Medicare Savings in Total Cost of Care

Requirement: The Medicare total cost of care savings is not a target, but rather a limit of the Model Agreement. Maryland must keep the total cost of care growth down while it meets the hospital savings requirements. This limit is measured by calculating Maryland's growth rate for hospital and non-hospital Medicare expenditures relative to

national growth rates. Maryland converts the growth difference into savings in a similar manner to the computation of hospital savings.

Results after Three Years: The growth rate in Medicare total cost of care is lower in Maryland compared to the nation.

Figure 3 shows how the Model produced savings in Maryland's total Medicare expenditures.



Readmissions Reductions for Medicare

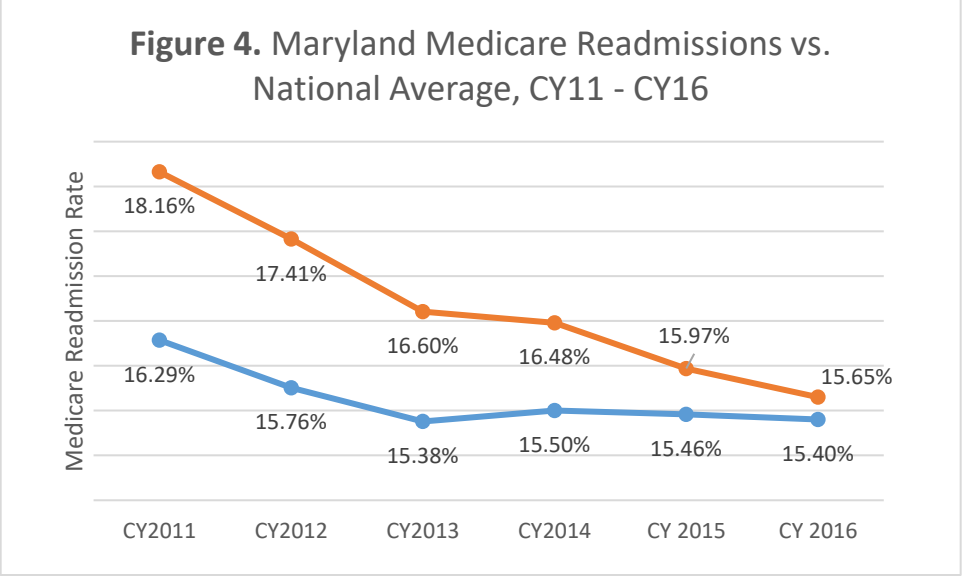
Target: Maryland must reduce hospital readmissions for Medicare beneficiaries to at, or below, national levels by the final year of the five-year Agreement. CMS provides the HSCRC with the unadjusted Medicare-specific readmission rates for both Maryland and national levels.

Results after Three Years: Maryland is on track to meet the target.

Since the base year of CY2013, hospitals have steadily reduced Medicare readmissions under the Model more quickly than the nation (Figure 4) to help close the gap of Maryland readmissions above the nation. Through CY16, the readmissions gap was closed by 79 percent, indicating that Maryland is on course to close the gap by the fifth performance year.

Table 1. Maryland's All-Payer Model Reduction in Medicare Readmissions Gap Above Nation

	CY2013	CY2014	CY2015	CY2016
MD Reduction in Medicare Readmissions Gap Above Nation	n/a	19%	58%	79%

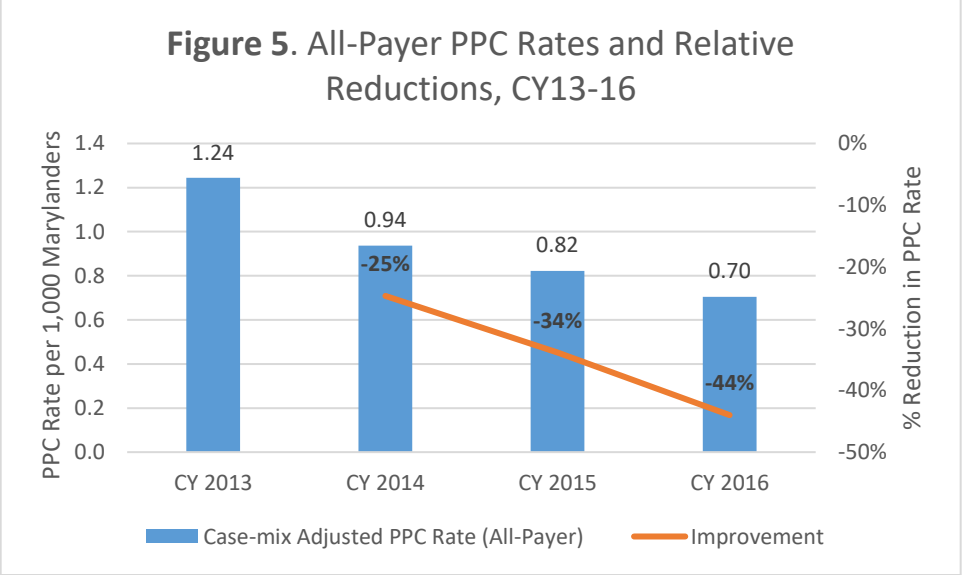


All-Payer Quality Improvement Reductions in Potentially Preventable Conditions (PPCs) under MHAC

Target: Hospitals must reduce all-payer potentially preventable conditions under the Maryland All-Payer Hospital Acquired Conditions Program (MHAC) by 30 percent or more over the Model's five-year performance. Potentially Preventable Complications (PPCs) are defined as harmful events or negative outcomes that may result from the process of care and treatment rather than from a natural progression of an underlying disease.

Result after Three Years: This target has been met.

Since the base year of CY2013, the Model has helped to produce a reduction in PPCs of 44 percent by CY16, exceeding the Model requirements. Figure 5 outlines the year over year reductions from the 2013 base year.



Hospital Revenue to Global or Population-Based

Target: Maryland must move 80 percent of Maryland hospital revenues to global or population-based methods by year five of the Model.

Results after Three Years: This target has been met.

As outlined in Table 2, the Model moved 95 percent of hospital revenues to global budgets in the first performance year. By the end of CY16, 100 percent of Maryland hospital revenue moved under the global budget system.

Table 2. Portion of Maryland Hospital Revenues under Global or Population-Based Budgets

	CY2013	CY2014	CY2015	CY2016
Portion of Maryland Hospital Revenues	n/a	95%	96%	100%

Develop Total Cost of Care Model

Requirement: Maryland must file a plan with the federal government by December 2016 to limit the growth in costs beyond hospitals across the State for Medicare beneficiaries.

The State submitted a Total Cost of Care Model proposal that builds upon Maryland's Hospital Per-Capita Model by expanding to align hospitals, physicians, and other providers in delivery system reforms that improve outcomes, engage patients, and contain costs. Governor Hogan submitted this proposal, known as the "Progression Plan," to the Department of Health and Human Services (HHS) and CMS on December 16, 2016. Draft terms have been developed and reviewed with CMS. The Model is currently continuing through federal review processes.

Summary

By the end of performance year three, the Maryland Model is on track to meet the targets of the All-Payer Model Hospital Agreement with CMS. Provider-led delivery system transformation has continued to accelerate over time. The State aims to improve beyond these results and continue to reduce costs while improving quality of care in Maryland through the completion of the current model term, and continue under a new Total Cost of Care Model.