

Draft Recommendation for Shared Savings Program for  
Rate Year 2016

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**Health Services Cost Review Commission  
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This is a draft recommendation to be presented at the May 13, 2015 HSCRC public meeting. Any comments may be sent to Alyson Schuster at [Alyson.schuster@Maryland.gov](mailto:Alyson.schuster@Maryland.gov) by COB on May 27, 2015.

## A. Introduction

The Commission approved a shared savings policy on May 1, 2013, which reduced hospital revenues based on risk-adjusted readmission rates using specifications set forth in the Admission-Readmission Revenue Constraint Program (ARR). The program was developed to maintain Maryland's exemption from the CMS readmission program and required a reduction of 0.3 percent of inpatient revenues in the state during FY2014. This draft recommendation proposes the continuation of the shared savings policy, but suggests aligning the measurement definition to the definitions used in the Readmission Reduction Incentive Program and implementing interim limits for hospitals with changes above a threshold in shared savings amounts and those serving a higher proportion of adult Medicaid patients.

## B. Background

### Exemption Criteria from CMS Quality-Based Payment Programs

As of federal fiscal year 2013, Section 3025 of the Patient Protection and Affordable Care Act (H.R. 3590) requires the Secretary of Health and Human Services to reduce payments to hospitals relative to excess readmissions as a means of reducing Medicare readmissions nationally. Medicare requires Inpatient Prospective Payment System (IPPS) hospitals outside of Maryland to engage in Medicare's Hospital Readmissions Reduction program. According to this IPPS rule published for FFY 2015, the Secretary is authorized to exempt Maryland hospitals from the Medicare Readmissions Reduction Program if Maryland submits an annual report describing how a similar program in the State achieves or surpasses the nationally measured results for patient health outcomes and cost savings under the Medicare program. As mentioned in other quality-based payment recommendations, the new All-Payer model changed the criteria for maintaining exemptions from the CMS programs. As part of the CMMI contract, the aggregate maximum revenue at risk in Maryland quality/performance based payment programs must be equal to or greater than the aggregate maximum revenue at risk in the CMS Medicare quality programs.

### Approved Methodology to Implement Shared Savings Program

The approved shared savings methodology the HSCRC used for the last two years calculated a case mix adjusted readmission rate based on ARR specifications (intra-hospital readmissions excluding 0-1 day stays with planned admission exclusions) for each hospital for the base period and determines a statewide required percent reduction in readmission rates to achieve the revenue for shared savings. The case mix adjustment is based on observed vs. expected readmissions, calculated using the statewide average readmission rate for each DRG SOI cell and aggregated for each hospital. HSCRC staff then applies a shared savings benchmark to the case mix adjusted readmission rate to calculate the contribution from each hospital. The shared savings benchmark is the required percent reduction in readmissions necessary to achieve the predetermined revenue for shared shavings.

## C. Assessment

### 1. Alignment of Readmission Measure

HSCRC staff is proposing to calculate risk-adjusted readmission rates of each hospital for calendar year 2014 using the measurement specifications developed for the Readmission Reduction Incentive program (RRIP) to be used as the basis of shared savings reductions, which includes readmissions to other hospitals. Staff believe that this alignment is important because hospitals need to be accountable for readmissions to other hospitals. Appendix I provides the CY 2013 case mix adjusted readmission rate under old and new methodology and the CY 2014 case mix adjusted readmission rates under the new methodology.

### 2. Proposed Required Revenue Reduction

HSCRC staff is proposing a statewide shared savings required revenue reduction of 0.6% of total hospital revenue. Because last year's statewide shared savings reduction of 0.4% is added back into rates, this represents an additional net reduction of 0.2%. Statewide required reductions in readmission rates are determined based on the proposed revenue reduction in total revenue as described in Table 1.

**Table 1: Calculation of Statewide Reduction based on 0.6% of total revenue shared savings**

FY 15 Total Approved Permanent Revenue	A	\$14,984,632,041
Percent Inpatient	B	59.9%
Approved Inpatient Revenue	$C = (A/B)$	\$8,977,162,630
Proposed Required Revenue Reduction %	F	0.60%
Proposed Required Revenue Reduction (\$)	$G=A*F$	\$89,907,792
Total Discharges Included	D	539,233
Average Approved Charge Per Case	$E=C/D$	\$16,648
Readmission as a percent of Total Discharges	H	13.29%
Total Number of Readmissions	$I = D*H$	71,664
Required Reduction in Readmissions to achieve savings	$J=G/E$	(5,401)
Required New Readmission Rate	$K=(I+J)/D$	12.29%
Required Percent Reduction in Readmission Rate	$L=K/H-1$	<b>-7.54%</b>

Once the overall required reduction in readmission rates is determined, the hospital specific reduction as a percent of total revenue is calculated using the following formula:

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*Inpatient revenue percent reduction = Hospital Risk-Adjusted Readmission Rate \* Statewide required reduction in readmission rate*

The conversion to reduction as a percent of total revenue is calculated as follows:

*Total revenue percent reduction = Inpatient percent revenue reduction \* proportion of total revenue from inpatient.*

The existing shared savings reductions policy has a number of advantages:

- Every hospital contributes to the shared savings; however, the shared savings are distributed in proportion to each hospital's case mix adjusted readmission rates in the base year.
- The shared savings amount is not related to actual reduction in readmissions during the rate year, hence providing an equitable reduction for quality improvement related to readmissions reductions across all hospitals. Hospitals that reduce their intra-hospital readmission rates beyond the shared savings benchmark during the rate year will retain 100 percent of the difference between their actual reduction and the shared savings benchmark.
- When applied prospectively, the HSCRC sets and may adjust the targeted dollar amount for shared savings, thus guaranteeing a fixed amount of shared savings.

### 3. Hospital Protections

HSCRC staff is proposing two adjustments to the hospital-specific shared savings reductions:

- **Reduce the shared savings amounts for hospitals with changes above a threshold in shared savings penalty due to the change in the readmission measure.** Specifically, hospitals with an increase in the shared savings penalty of greater than 0.3% and had an improvement in readmissions from CY 2013 to CY 2014, will have the shared savings penalty capped at 0.3% of hospital total revenue for this year and will return to the full shared savings amount in subsequent years.
- **Reduce the shared savings penalty for hospitals with a higher proportion of adult Medicaid patients.** The HSCRC staff is concerned about ensuring hospitals that treat a higher proportion of disadvantaged patients have the needed resources for care delivery and care improvement, while not excusing poor quality of care or care coordination because of higher deprivation. The HSCRC has convened a subgroup to discuss risk-adjusting readmissions for socio-demographic factors, which had its kickoff meeting on May 1<sup>st</sup> and staff anticipate completing this work by fall. In the meantime, the staff is proposing that hospitals that are above the 75<sup>th</sup> percentile on the percentage of Medicaid discharges for those over age 18 should have shared savings reductions capped at the Statewide average of 0.6%. Discharges for adults were chosen in part due to the low readmission rates for children.

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Appendix II provides the results of shared savings policy based on proposed 0.6% reduction in total patient revenues with and without these protections. In total the Statewide reduction is reduced to 0.58% with these protections.

### D. Recommendations

The Staff is providing the following recommendations to the Commission for the Shared Savings for RY 2016:

- Align the shared savings readmission rate to the measure specified in RY 2017 Readmission Reduction Incentive Program.
- Set the value of the shared savings amount to 0.6 % of total permanent revenue in the state.
- Reduce hospital-specific shared savings reductions for hospitals with large changes from last year and those with higher proportion of adult Medicaid patients:
  - Hospitals with an increase in the shared savings penalty of greater than 0.3% and had an improvement in readmissions from CY 2013 to CY 2014, will have the shared savings penalty capped at 0.3% for this year and will return to the full shared savings amount in subsequent years.
  - Hospitals that are above the 75<sup>th</sup> percentile on the percentage of Medicaid discharges for those over age 18 should have shared savings reductions capped at the Statewide average of 0.6%.

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Appendix I: Case Mix Adjusted Readmission Rates, CY 2013 and CY 2014

Hospital ID	Hospital Name	CY2013		CY2014 Using RRIP Definition					
		CY2013 Case Mix Adjusted Rate using old ARR Definition	CY2013 Case Mix Adjusted Rate using new RRIP Definition	Total Admissions in Denominator	Expected Readmissions *	Observed Readmissions	Observed Rate	Readmission Ratio	Case Mix Adjusted Rate
		--	--	A	B	C	D = C/A	E=C/B	F = E*Total D
210001	MERITUS	7.13%	12.48%	15,597	2080.1	1,907	12.23%	0.9168	12.71%
210002	UNIVERSITY OF MARYLAND	5.63%	15.27%	26,895	4213.8	4,559	16.95%	1.0819	14.99%
210003	PRINCE GEORGE	8.30%	11.54%	10,990	1532.9	1,181	10.75%	0.7704	10.68%
210004	HOLY CROSS	8.26%	12.34%	27,170	2939	2,753	10.13%	0.9367	12.98%
210005	FREDERICK MEMORIAL	6.72%	11.42%	14,737	2027.3	1,691	11.47%	0.8341	11.56%
210006	HARFORD	8.25%	12.41%	4,073	682.59	592	14.53%	0.8673	12.02%
210008	MERCY	7.85%	15.57%	13,594	1427.2	1,453	10.69%	1.0181	14.11%
210009	JOHNS HOPKINS	9.12%	15.43%	45,570	7033.6	7,816	17.15%	1.1112	15.40%
210010	DORCHESTER	6.55%	12.56%	2,340	406.42	367	15.68%	0.9030	12.51%
210011	ST. AGNES	6.48%	14.90%	15,436	2147.5	2,076	13.45%	0.9667	13.40%
210012	SINAI	7.90%	15.14%	21,301	3028.2	3,071	14.42%	1.0141	14.05%
210013	BON SECOURS	7.87%	20.43%	4,175	823.39	1,033	24.74%	1.2546	17.39%
210015	FRANKLIN SQUARE	6.70%	14.03%	20,820	2961.6	2,945	14.15%	0.9944	13.78%
210016	WASHINGTON ADVENTIST	6.97%	12.11%	10,946	1533.1	1,404	12.83%	0.9158	12.69%
210017	GARRETT COUNTY	6.90%	7.72%	1,821	215.27	113	6.21%	0.5249	7.28%
210018	MONTGOMERY GENERAL	7.26%	13.44%	7,837	1172.5	1,047	13.36%	0.8930	12.38%
210019	PENINSULA REGIONAL	7.20%	11.90%	16,879	2311.4	2,035	12.06%	0.8804	12.20%
210022	SUBURBAN	6.25%	12.13%	12,915	1866.3	1,598	12.37%	0.8562	11.87%
210023	ANNE ARUNDEL	9.35%	12.97%	24,086	2536.9	2,291	9.51%	0.9031	12.52%
210024	UNION MEMORIAL	8.70%	15.25%	11,770	1798.1	1,786	15.17%	0.9933	13.77%
210027	WESTERN MARYLAND HEALTH SYS	6.90%	13.14%	10,884	1536.3	1,447	13.29%	0.9419	13.05%
210028	ST. MARY	7.09%	13.40%	6,503	875.99	710	10.92%	0.8105	11.23%
210029	HOPKINS BAYVIEW MED CTR	8.22%	16.32%	18,062	2642.4	2,914	16.13%	1.1028	15.28%
210030	CHESTERTOWN	6.38%	14.75%	1,766	288.43	271	15.35%	0.9396	13.02%
210032	UNION HOSPITAL OF CECIL COUN	7.79%	10.88%	4,959	747.22	579	11.68%	0.7749	10.74%
210033	CARROLL COUNTY	0.85%	12.91%	10,147	1414.3	1,289	12.70%	0.9114	12.63%
210034	HARBOR	7.94%	13.94%	6,787	898.36	876	12.91%	0.9751	13.51%
210035	CHARLES REGIONAL	6.46%	12.93%	7,041	984.56	940	13.35%	0.9547	13.23%
210037	EASTON	7.26%	11.54%	7,109	906.18	865	12.17%	0.9546	13.23%
210038	UMMC MIDTOWN	7.57%	17.71%	5,285	1052.1	1,266	23.95%	1.2033	16.68%
210039	CALVERT	6.29%	10.57%	5,273	733.93	482	9.14%	0.6567	9.10%
210040	NORTHWEST	6.81%	16.03%	10,216	1729.4	1,798	17.60%	1.0397	14.41%
210043	BALTIMORE WASHINGTON MEDICA	7.86%	15.26%	16,597	2528.5	2,674	16.11%	1.0575	14.66%
210044	G.B.M.C.	6.24%	11.90%	15,809	1764.6	1,426	9.02%	0.8081	11.20%
210045	MCCREADY	7.07%	13.03%	314	52.871	40	12.74%	0.7566	10.49%
210048	HOWARD COUNTY	6.81%	12.90%	15,465	1957.1	1,744	11.28%	0.8911	12.35%
210049	UPPER CHESAPEAKE HEALTH	6.24%	12.68%	10,784	1463.5	1,360	12.61%	0.9293	12.88%
210051	DOCTORS COMMUNITY	7.61%	13.89%	8,396	1423.9	1,221	14.54%	0.8575	11.88%
210055	LAUREL REGIONAL	6.86%	14.91%	4,263	609.21	603	14.14%	0.9898	13.72%
210056	GOOD SAMARITAN	8.15%	15.15%	10,078	1736.9	1,808	17.94%	1.0409	14.43%
210057	SHADY GROVE	6.09%	11.87%	18,632	2200.8	1,788	9.60%	0.8124	11.26%
210058	REHAB & ORTHO	7.82%	12.70%	2,449	287.39	262	10.70%	0.9117	12.63%
210060	FT. WASHINGTON	5.50%	13.87%	2,114	316.57	322	15.23%	1.0172	14.10%
210061	ATLANTIC GENERAL	4.97%	13.00%	3,093	492.89	435	14.06%	0.8825	12.23%
210062	SOUTHERN MARYLAND	6.22%	12.74%	12,269	1869.3	1,647	13.42%	0.8811	12.21%
210063	UM ST. JOSEPH	4.56%	12.67%	15,986	1947.4	1,645	10.29%	0.8447	11.71%
	<b>TOTAL</b>	<b>7.36%</b>	<b>13.86%</b>	<b>539,233</b>	<b>75,197</b>	<b>72,130</b>	<b>13.38%</b>	<b>0.9592</b>	<b>13.29%</b>

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Appendix II: Proposed Shared Savings Policy Reductions for Rate Year 2016

Hospital ID	Hospital Name	CY14 Risk Adjusted Rate	Inpatient Revenue Reduction	Proportion of Total Revenue from Inpatient	Percent Reduction in Total Revenue For RY 2016	Medicaid Adult Percentage	FY2015 Adjustment	Difference from FY15	Percent Reduction in Total Revenue for FY16 w/Adjustments
A	B	C	D=C*Reduction	E	F=D*E	G	H	I	J
210001	MERITUS	12.71%	-0.96%	62.80%	-0.60%	19.22%	-0.47%	-0.13%	-0.60%
210002	UNIVERSITY OF MARYLAN	14.99%	-1.13%	68.95%	-0.78%	30.54%	-0.44%	-0.34%	-0.60%
210003	PRINCE GEORGE	10.68%	-0.80%	69.39%	-0.56%	41.92%	-0.35%	-0.21%	-0.56%
210004	HOLY CROSS	12.98%	-0.98%	69.47%	-0.68%	20.33%	-0.44%	-0.24%	-0.68%
210005	FREDERICK MEMORIAL	11.56%	-0.87%	57.44%	-0.50%	15.44%	-0.29%	-0.21%	-0.50%
210006	HARFORD	12.02%	-0.91%	46.61%	-0.42%	19.32%	-0.40%	-0.03%	-0.42%
210008	MERCY	14.11%	-1.06%	49.01%	-0.52%	25.25%	-0.26%	-0.26%	-0.52%
210009	JOHNS HOPKINS	15.40%	-1.16%	62.52%	-0.73%	23.07%	-0.48%	-0.25%	-0.73%
210010	DORCHESTER	12.51%	-0.94%	44.50%	-0.42%	27.44%	-0.29%	-0.13%	-0.42%
210011	ST. AGNES	13.40%	-1.01%	59.59%	-0.60%	19.94%	-0.39%	-0.21%	-0.60%
210012	SINAI	14.05%	-1.06%	62.60%	-0.66%	24.93%	-0.45%	-0.21%	-0.66%
210013	BON SECOURS	17.39%	-1.31%	61.90%	-0.81%	55.27%	-0.40%	-0.41%	-0.60%
210015	FRANKLIN SQUARE	13.78%	-1.04%	60.41%	-0.63%	26.71%	-0.43%	-0.20%	-0.60%
210016	WASHINGTON ADVENTIST	12.69%	-0.96%	65.05%	-0.62%	32.02%	-0.37%	-0.25%	-0.60%
210017	GARRETT COUNTY	7.28%	-0.55%	43.65%	-0.24%	20.03%	-0.17%	-0.07%	-0.24%
210018	MONTGOMERY GENERAL	12.38%	-0.93%	53.65%	-0.50%	13.24%	-0.35%	-0.15%	-0.50%
210019	PENINSULA REGIONAL	12.20%	-0.92%	57.61%	-0.53%	17.42%	-0.41%	-0.12%	-0.53%
210022	SUBURBAN	11.87%	-0.89%	64.95%	-0.58%	6.87%	-0.40%	-0.18%	-0.58%
210023	ANNE ARUNDEL	12.52%	-0.94%	57.36%	-0.54%	10.89%	-0.41%	-0.13%	-0.54%
210024	UNION MEMORIAL	13.77%	-1.04%	59.77%	-0.62%	22.62%	-0.36%	-0.26%	-0.62%
210027	WESTERN MARYLAND HEA	13.05%	-0.98%	59.25%	-0.58%	19.91%	-0.49%	-0.09%	-0.58%
210028	ST. MARY	11.23%	-0.85%	44.55%	-0.38%	17.46%	-0.33%	-0.05%	-0.38%
210029	HOPKINS BAYVIEW MED C	15.28%	-1.15%	60.26%	-0.69%	31.84%	-0.45%	-0.25%	-0.60%
210030	CHESTERTOWN	13.02%	-0.98%	49.52%	-0.49%	14.18%	-0.37%	-0.11%	-0.49%
210032	UNION HOSPITAL OF CEC	10.74%	-0.81%	44.83%	-0.36%	26.43%	-0.32%	-0.05%	-0.36%
210033	CARROLL COUNTY	12.63%	-0.95%	56.27%	-0.54%	15.10%	-0.40%	-0.13%	-0.54%
210034	HARBOR	13.51%	-1.02%	61.91%	-0.63%	33.54%	-0.34%	-0.29%	-0.60%
210035	CHARLES REGIONAL	13.23%	-1.00%	54.07%	-0.54%	17.02%	-0.39%	-0.15%	-0.54%
210037	EASTON	13.23%	-1.00%	51.99%	-0.52%	17.66%	-0.31%	-0.21%	-0.52%
210038	UMMC MIDTOWN	16.68%	-1.26%	62.77%	-0.79%	47.03%	-0.31%	-0.48%	-0.60%
210039	CALVERT	9.10%	-0.69%	48.73%	-0.33%	18.92%	-0.27%	-0.06%	-0.33%
210040	NORTHWEST	14.41%	-1.09%	58.28%	-0.63%	21.17%	-0.48%	-0.15%	-0.63%
210043	BALTIMORE WASHINGTON	14.66%	-1.10%	58.00%	-0.64%	16.90%	-0.27%	-0.37%	0.30%
210044	G.B.M.C.	11.20%	-0.84%	48.29%	-0.41%	8.53%	-0.43%	0.03%	-0.41%
210045	MCCREADY	10.49%	-0.79%	24.60%	-0.19%	15.29%	-0.11%	-0.09%	-0.19%
210048	HOWARD COUNTY	12.35%	-0.93%	61.11%	-0.57%	13.64%	-0.41%	-0.16%	-0.57%
210049	UPPER CHESAPEAKE HEAL	12.88%	-0.97%	50.00%	-0.49%	10.24%	-0.31%	-0.17%	-0.49%
210051	DOCTORS COMMUNITY	11.88%	-0.90%	62.83%	-0.56%	17.07%	-0.43%	-0.13%	-0.56%
210055	LAUREL REGIONAL	13.72%	-1.03%	64.81%	-0.67%	27.55%	-0.43%	-0.24%	-0.60%
210056	GOOD SAMARITAN	14.43%	-1.09%	61.85%	-0.67%	17.08%	-0.39%	-0.28%	-0.67%
210057	SHADY GROVE	11.26%	-0.85%	62.23%	-0.53%	16.77%	-0.39%	-0.14%	-0.53%
210058	REHAB & ORTHO	12.63%	-0.95%	59.98%	-0.57%	19.35%	-0.05%	-0.52%	0.30%
210060	FT. WASHINGTON	14.10%	-1.06%	39.21%	-0.42%	14.15%	-0.25%	-0.17%	-0.42%
210061	ATLANTIC GENERAL	12.23%	-0.92%	38.88%	-0.36%	9.67%	-0.23%	-0.13%	-0.36%
210062	SOUTHERN MARYLAND	12.21%	-0.92%	63.74%	-0.59%	22.35%	-0.39%	-0.20%	-0.59%
210063	UM ST. JOSEPH	11.71%	-0.88%	60.98%	-0.54%	10.93%	-0.34%	-0.19%	-0.54%
Statewide	Total	13.29%	-1.00%	59.91%	-0.60%	21.14%	-0.40%	-0.20%	0.58%

\*75th Percentile for Medicaid +18 was 25.17%

Adj. due to >0.3% change  
Eligible for Medicaid Adj.