

ADDENDUM TO GLOBAL BUDGET AGREEMENT OF

HOSPITAL UNDER DATE OF _____

EFFECTIVE JULY 1, 2014

Purpose:

The purpose of this Addendum is to clarify total approved revenue compliance under the GBR methodology and to establish the calendar year end approved revenue target.

Amendment 1:

Section V. "Compliance" is modified as follows:

This modification is intended to replace the overall compliance corridors enumerated in Section V. C. of the contract. Since the overall compliance corridor relates to overall compliance as enumerated in Section V. A., the HSCRC is striking Section V. C. of the agreement and amending Section V. A. to include the revised language. Section V of the agreement, as amended, is provided in its entirety herein to avoid confusion.

Section V. Compliance is hereby amended as follows:

V. Compliance

A. General and Overall Compliance

1. Each Hospital will be subject to any rate adjustments that are necessary to bring it into compliance with the Approved Regulated GBR Revenue. If the gross revenue charged by any Hospital exceeds the Approved Regulated GBR Revenue, the difference between the gross revenue charged and the Approved Regulated GBR Revenue, together with any penalties assessed, will be subtracted from the Approved Regulated GBR Revenue that would otherwise have been approved for the Hospital for the subsequent Rate Year. Conversely, if the gross revenue charged by the Hospital is less than the Approved Regulated GBR Revenue, the difference will be added to the Approved Regulated GBR Revenue of the Hospital for the subsequent Rate Year, except that undercharges below the corridors specified in this section of the Agreement and in Section B below will not be added to the Approved Regulated GBR Revenue for the subsequent Rate Year.

2. Each Hospital agrees that it will not overcharge the limits of the Total Approved Regulated Revenue, and that it will take prompt action to gain compliance. In order to assure compliance, the HSCRC staff will apply penalties for charges exceeding the overall limits of the Approved Regulated GBR revenue, and such penalty amounts will be subtracted from the

Approved Regulated GBR Revenue for the succeeding rate year as a one-time adjustment. Overcharge penalties will be applied based on the following tiers:

- For charges exceeding the limit up to .5% of the Approved Regulated GBR Revenue, there will be no penalty.
- For charges exceeding the limit from .51% up to 1%, there will be a 20% penalty applied.
- For charges exceeding the limit by more than 1%, there will be a 50% penalty applied.

The penalties will be summed and subtracted from the Approved Regulated GBR Revenue for the succeeding rate year. If the HSCRC staff determines that the Hospital intentionally overcharged, then the overcharge corridor exempting an overcharge of up to .5% will be eliminated, and a 20% penalty will be applied to the overcharge up to .5%.

3. For Non-Global Revenues that are included in the Total Approved Regulated Revenue, the Hospital must charge the same rates for Non-GBR that it charges for GBR Revenues. This may result in overall charge variations that are outside of the limits imposed by the GBR corridor. Nevertheless, the Hospital must monitor and adjust its revenues to stay within the overall limits of Total Approved Regulated Revenue. In order to ease the regulatory burden and allow for synchronizing the System, the following penalties will apply to Non-Global Revenues falling within the Total Approved Regulated Revenue for the Hospital:

- For charges exceeding the total approved revenue by more than 2%, calculated by multiplying actual units times approved rates, a 20% penalty will be applied.

Any penalty assessed will be subtracted from Total Approved Regulated Revenue for the succeeding Rate Year as a one-time adjustment.

4. Undercharges below the limit for Approved Regulated GBR Revenue will be subject to carryover limits, in order to assure the budgetary constraints of the All-Payer Model on a year-to-year basis. Undercharge limits will be applied as follows:

- For charges below the Approved Regulated GBR Revenue amount of up to .5% there will be no penalty.
- For charges below the Approved Regulated GBR Revenue amount of .51% up to 1%, 20% of the underage will not be added back to approved revenues as a one-time increase in revenues for the subsequent rate year.
- For charges below the Approved Regulated GBR Revenue amount below 1% and 2%, 50% of the underage will not be added back to approved revenues as a one-time increase in revenues for the subsequent rate year.
- For charges below the Approved Regulated GBR Revenue amount below 2%, none of the underage will be added back to approved revenues as a one-time increase in revenues for the subsequent rate year.

5. Volume fluctuations near the end of the rate year may affect the Hospital's ability to comply with the overall corridors. The Hospital may submit a request for relief if there are

unexpected volume fluctuations in the final months of the year. The HSCRC staff will review the request and make a determination whether to grant relief from the corridor.

(Note: There is no change to the section below. It is repeated here for clarity and ease of reading.)

B. Unit Rate Flexibility

Each Hospital will be expected to monitor and adjust its unit charges on an ongoing basis to ensure that it operates within the Annual Regulated GBR Revenue that is approved by the HSCRC under the GBR model and the revenue constraints that are applicable to its services that are regulated by the HSCRC and not covered by the GBR model. In order to facilitate each Hospital's compliance with these revenue constraints, the HSCRC will relax the unit rate compliance corridors that it generally applies to hospitals (and particular revenues) that are not governed by the GBR model. Specifically, each of the Hospitals will be permitted to charge at a level up to five percent (5%) above the approved individual unit rates without penalty. This limit may be extended to ten percent (10%) at the discretion of the HSCRC staff if the Hospital System, on behalf of the Hospitals, presents satisfactory evidence that the Hospital would not otherwise be able to achieve its approved total revenue for the Rate Year. Similarly, the Hospital will be permitted to charge at a level up to five percent (5%) below the approved individual unit rates without penalty if it needs to lower its charges to meet its revenue constraints. This limit may be extended to ten percent (10%) at the discretion of the HSCRC staff if the Hospital System, on behalf of a Hospital, presents satisfactory evidence that the Hospital needs this additional flexibility to meet its revenue constraints for the Rate Year. Each Hospital will generally need to spread rate adjustments across all centers, avoiding adjustments concentrated in a few rate centers, unless it has received approval from HSCRC staff for an alternative approach. Charges beyond the corridors shall be subject to penalties as specified in HSCRC regulations in COMAR 10.37.03.05.

The following paragraph is stricken.

~~C. Overall Compliance Corridors~~

~~The overall compliance corridors (overcharge and undercharge) for the total Approved GBR Regulated Revenue and the Approved Regulated Non-GBR revenue will be .5%, with such amount subject to change from time to time in accordance with HSCRC policies. Each Hospital agrees that it will not overcharge the limits of the Total Approved Regulated Revenue, and that it will take prompt action to gain compliance within the boundaries of unit rate compliance that are specified above. Charges beyond the corridors shall be subject to penalties as specified in HSCRC regulations in COMAR 10.37.03.05.~~

Amendment 2:

Section V. Compliance is amended to add new Section C.

While the rate agreement is based on a rate year of July 1 through June 30, calendar year compliance is critical to the All-Payer agreement with CMMI, where compliance is measured on a calendar year basis. The agreement is being amended to include a December 31 target.

C. December 31 target

As indicated in Section V. A. above, each Hospital agrees that it will not overcharge the limits of the Approved Regulated GBR Revenue. In order to assure compliance with the All-Payer Model limits, each Hospital is provided a December 31 interim limit in Approved Regulated GBR Revenue of one-half of the total Approved Regulated GBR Revenue for the year, unless otherwise specified in the agreement. The Hospital agrees that it will maintain its charges at or below this limit in calculating revenue compliance for December 31 of the Rate Year.

IN WITNESS WHEREOF, the parties have caused this addendum to be executed by their duly authorized representatives as of the effective date below:

Effective Date: July 1, 2014

Attest: _____ by _____ Date _____

Chief Executive Officer
MedStar Health, Inc.

Attest: _____ by _____ Date _____

Executive Director
Health Services Cost Review Commission