

Balanced Update Model for Discussion

Components of Revenue Change Linked to Hospital Cost Drivers/Performance

		Weighted Allowance
Adjustment for Inflation		1.72%
- Allowance for High Cost New Drugs		0.20%
Gross Inflation Allowance	A	1.92%
Implementation for Partnership Grants	B	0.25%
Care Coordination		
-Rising Risk With Community Based Providers		
-Complex Patients With Regional Partnerships & Community Partners		
-Long Term Care & Post Acute		
	C	
Adjustment for volume	D	0.52%
-Demographic Adjustment		
-Transfers		
-Categoricals		
Other adjustments (positive and negative)		
- Set Aside for Unknown Adjustments	E	0.50%
- Workforce Support Program	F	0.06%
- Holy Cross Germantown	G	0.07%
- Non Hospital Cost Growth	H	0.00%
Net Other Adjustments	I = Sum of E thru H	0.63%
-Reverse prior year's PAU savings reduction	J	0.60%
-PAU Savings	K	-1.25%
-Reversal of prior year quality incentives	L	-0.15%
-Positive incentives & Negative scaling adjustments	M	0.27%
Net Quality and PAU Savings	N = Sum of J thru M	-0.53%
Net increase attributable to hospitals	O = Sum of A + B + C + D + I + N	2.80%
Per Capita	P = $(1+O)/(1+0.52\%)$	2.27%

Components of Revenue Change with Neutral Impact on Hospital Financial Statements

-Uncompensated care reduction, net of differential	Q	-0.49%
-Deficit Assessment	R	-0.15%
Net decreases	S = Q + R	-0.64%
Net revenue growth	T = O + S	2.16%
Per capita revenue growth	U = $(1+V)/(1+0.52\%)$	1.63%

Maximum Increase that Can Produce Medicare Savings**Medicare**

Medicare Growth CY 2016	A	1.20%
Savings Goal for FY 2017	B	-0.50%
Maximum growth rate that will achieve savings (A+B)	C	<u>0.70%</u>

Conversion to All-Payer

Actual statistic between Medicare and All-Payer	D	0.89%
Conversion to All-Payer growth per resident $(1+C)*(1+D)-1$	E	<u>1.60%</u>
Conversion to total All-Payer revenue growth $(1+E)*(1+0.52\%)-1$	F	<u>2.12%</u>

Comparison of Medicare Savings Requirements to Model Results

	All-Payer Maximum to Achieve Medicare Savings	Modeled All-Payer Growth	Difference
Comparison to Modeled Requirements			
Revenue Growth	2.12%	2.16%	0.03%
Per Capita Growth	1.60%	1.63%	0.03%

Maximum Increase that Can Produce Medicare Savings**Medicare**

Medicare Growth (CY 2016 + CY 2017)/2	A	1.75%
Savings Goal for FY 2017	B	-0.50%
Maximum Growth Rate that will Achieve Savings (A+B)	C	<u>1.25%</u>

Conversion to All-Payer

Actual Statistic between Medicare and All-Payer	D	0.89%
Conversion to All-Payer Growth per Resident $(1+C)*(1+D)-1$	E	<u>2.15%</u>
Conversion to Total All-Payer Revenue Growth $(1+E)*(1+0.52\%)-1$	F	<u>2.68%</u>

Comparison of Medicare Savings Requirements to Model Results

	All-Payer Maximum to Achieve Medicare Savings	Modeled All-Payer Growth	Difference
Comparison to Modeled Requirements			
Revenue Growth	2.68%	2.16%	-0.53%
Per Capita Growth	2.15%	1.63%	-0.52%