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**TO:** Maryland Hospital Chief Financial Officers

**CC:** Case Mix Liaisons Contacts

**FROM:** Mary Beth Pohl, Deputy Director

**SUBJECT:** Feedback on FY11 Quarter 1 and 2 Final Rate Reconciliation Schedule Submissions

Commission Staff has reviewed the completed final Rate Reconciliation Schedules for FY2011 Quarter 1 and Quarter 2 that were due on May 20, 2011. This memo discusses our general findings and provides suggestions for future reconciliation submissions. We also discuss fines.

### **Findings from HSCRC Staff Review of Completed Schedules**

Overall, HSCRC Staff found vast improvement in the reconciliations. We will contact specific hospitals individually where we continue to find significant deficiencies in the completed Rate Reconciliation Schedules.

We continue to suggest that hospital staff use the adjustment columns (e.g., in house begin and ending, re-class among centers, all other adjustments) to quantify known differences between the financial and case mix numbers. Hospital staff should strive to reduce the number of rate centers with variances +/- 2 percent by making use of these adjustment columns.

For example, a hospital finds that the CAT rate center's outpatient financial revenue and case mix revenue have a 4.7 percent variation. Hospital staff research the reason for the variation and determine that a case presenting in the ED and requiring a CAT scan was later admitted, resulting in a outpatient to inpatient flip for the charges associated with the CAT scan. When completing the Rate Reconciliation Schedule, hospital staff's would list the dollar amount of the flip in the "all other adjustments" columns (with negative dollars in the outpatient column and positive dollars in the inpatient column). This quantification of the known difference will reduce the variation in the CAT center to under +/- 2 percent.

## **Fines**

The Commission is assessing fines for hospitals with late submissions of the Rate Reconciliation Schedules.

Beginning with the Quarter 3 Final Reconciliation Schedule submission (due June 28, 2011), The Commission will begin assessing fines for variation outside the +/- 2 percent corridor when hospitals fail to provide sufficient justification for the variation. Again, please begin to make greater use of the adjustment columns in the Rate Reconciliation Schedules to quantify known differences between the financial and case mix numbers to reduce the number of rate centers with variation outside of +/- 2 percent.

If you have any questions or concerns about Rate Reconciliation, please contact Oscar Ibarra, Chief, Information Management and Program Administration, at 410-764-2566.