SUMMARY OF REVISIONS TO HSCRC REASONABLENESS OF CHARGES (ROC) METHODOLOGY
Draft Recommendations January 14, 2009

Comparison of Reasonableness of Charges (ROC) Methodology: Previous vs Revised

	1	2	3	4	5
	Approved Charges	**Mark-up**	**Direct Strips**	**Labor Market Adjustment**	**Case Mix Adjustment**
Previous ROC Methodology	Hospital Approved Inpatient Charge Per Case (CPC) for FY 2009. Trim points are hospital and APR-DRG specific.	The Commission determined hospital specific adjustment to rates, reflects specific rate allowances for uncompensated care and payer mix among others.	Specific dollars amounts removed from the calculation of a hospital's ROC position. There are three direct strips: 75% of the cost of resident salaries; Nursing education costs; and trauma costs	Adjustment based on a survey of hospital wages by category and zip code.	Inpatient Hospital Case Mix relative to the statewide average using the APR-DRG grouper and Maryland specific weights.
Revised ROC Methodology	Hospital Comprehensive Charge Target (CCT). The CCT blends the hospital's approved CPC and approved Charge Per Visit (CPV). targets into a single combined target. Trim point policy is unchanged.	**Unchanged**	**Unchanged,** except increase to 100% of the cost of resident salaries.	**Unchanged**	Overall hospital Case Mix relative to the statewide average using the APR-DRG and EAPG groupers and Maryland specific weights.

	6	7	8	Other ROC Considerations	
	Capital Adjustment	**Indirect Medical Expenses**	**Disproportionate Share Adjustment**	**Peer Groups**	**Scaling/Spenddowns**
Previous ROC Methodology	Adjustment of one half hospital capital costs plus one half the peer groups average capital costs. The adjustment was done after all other adjustments were applied.	Estimate based on a regression that used the number of allowed residents per occupied bed to estimate IME effect.	**Not Done**	Hospital ROC position determined by comparison to one of five "peer groups".	Hospitals >3% above peer group subject to spenddowns. Portion of update factor allocated to scaling.
Revised ROC Methodology	Convert to an index based on one half the hospital's capital costs plus one half the statewide average capital cost. Adjustment done prior to estimating the effect of IME and DSH.	Estimate IME and DSH simultaneously in a regression. The IME variable to use risk adjusted discharges and trainees in ACGME programs involved in patient care. The DSH variable to include Inpatient and outpatient charges for Medicaid and self/charity pay, as well as inpatient charges where Medicare is primary and Medicaid is secondary payer.		**Unchanged.** BUT, recommend a careful review of peer groups and consideration of going to a single, statewide comparison.	No spenddowns based on upcoming ROC. Scaling applied to FY10 update to be continuous between 1/2 and 1 standard deviation, with maximum scaling 33% of update factor.