

**433rd MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION
April 11, 2007
AMENDED MINUTES**

Chairman Kues called the meeting to order at 9:02 a.m. Commissioners Joseph R. Antos, Ph.D., Michael J. Eusebio, Trudy R. Hall, M.D., William H. Munn, and Kevin J. Sexton were also present.

REPORT OF THE EXECUTIVE SESSION OF APRIL 11, 2007

Steve Ports, Principal Deputy Director-Policy & Operations, summarized the minutes of the April 11, 2007 Executive session.

**ITEM I
REVIEW OF THE MINUTES OF THE EXECUTIVE AND PUBLIC SESSIONS
OF MARCH 7, 2007**

The Commission voted unanimously to approve the amended minutes of the March 7, 2007 Public Meeting and the minutes of the Executive session.

**ITEM II
DOCKET STATUS - CASES CLOSED**

1896R – Fort Washington Medical Center

**ITEM III
DOCKET STATUS - CASES OPEN**

Memorial Hospital at Easton – 1934N

On December 15, 2006, The Memorial Hospital at Easton submitted a partial rate application to the Commission requesting a new rate for inpatient Rehabilitation (RHB) services. The Hospital requested the state-wide median RHB rate effective April 1, 2007

After reviewing the Hospital's application, staff recommended:

- 1) That the projected July 1, 2007 state-wide median RHB rate of \$779.74 per patient day, be approved effective April 1, 2007;
- 2) That the Hospital may apply for any quantifiable programmatic change attributable to the RHB service in accordance with the case mix governor policy provisions; and
- 3) That the new RHB rate not be rate realigned until a full year's cost experience has been reported to the Commission.

The Commission voted unanimously to approve staff's recommendation.

University Specialty Hospital – 1938N

On February 5, 2007, the University Specialty Hospital submitted a partial rate application requesting a rate for the new service of Interventional Cardiology (IVC) in order to provide peripherally inserted central catheter lines (PICC) services. The Hospital requested the state-wide median IVC rate effective February 1, 2007.

After reviewing the Hospital's application, staff recommended:

- 1) That COMAR 10.37.10.07, requiring that rate applications be made 60 days prior to the initiation of a new service, be waived;
- 2) That the state-wide median IVC rate of \$14.52 per relative value unit be approved effective March 1, 2007;
- 3) That effective March 1, 2007, the Hospital be permitted to charge for Medical Surgical supplies associated with the insertion of central catheter lines at invoice cost plus mark-up of 1.2463; and
- 4) That the IVC rate be 100% variable in the rate setting methodology until a full year's cost experience has been reported to the Commission.

The Commission voted unanimously to approve staff's recommendation.

Johns Hopkins Health System – 1939A & 1940A

On March 13, 2007, Johns Hopkins Health System filed applications on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital requesting approval to offer revised prices under the existing global price arrangements with Aetna Health, Inc. and Life Trac for solid

organ and bone marrow transplants. The Hospitals request that the Commission conditionally approve the arrangements through April 30, 2009 and March 31, 2009 respectively.

After review of the applications, staff recommended that the Commission approve the Hospitals' requests for the period from January 1, 2007 through April 30, 2009 and March 31, 2009 respectively, contingent upon a favorable evaluation of performance. The Hospitals must file renewal applications for continued participation. In addition, staff recommended that the approvals be contingent upon execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendations.

Johns Hopkins Health System – 1941A & 1942A

On March 13, 2007, Johns Hopkins Health System filed renewal applications on behalf of its member hospitals requesting approval to continue to participate in global rate arrangements for cardiovascular services with Excel Management, Inc. and Atlantic Institute. The Hospital requests that the Commission conditionally approve the arrangements through March 31, 2009.

After review of the applications, staff recommended that the Commission approve the Hospitals' requests for the period from March 1, 2007 through March 31, 2009, contingent upon a favorable evaluation of performance. The Hospitals must file a renewal application annually for continued participation. In addition, staff recommended that the approvals be contingent upon execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendations.

ITEM IV **DISCUSSION OF FISCAL YEARS 2008 AND 2009 UPDATE FACTORS**

Chairman Kues observed that there has been some difficulty in managing the current 3 year rate plan. Much of this difficulty revolves around methodology issues. The Commission has been dealing with these issues for several months. There has been extended testimony from all parties and the Commission has had many discussions on the issues as well as on the 3 year rate arrangement. Despite the difficulties in managing the arrangement, the Chairman noted that it is important to point out that we are in a very favorable position. Maryland hospitals are 4% below the nation in terms of revenue, 4% below the nation in terms of costs, and hospital profits have improved.

The Chairman stated that: 1) in order to get beyond the current issues, which require more analysis; 2) to maintain our favorable position in relation to the nation; and 3) to start directing our effort toward the preparations for the next 3 year rate arrangement, it is important to set the update factors for fiscal years 2008 and 2009.

The Chairman offered a motion as follows: 1) set the inpatient update factor for fiscal year 2008 and 2009 at 6.25%, and outpatient update factors based on the current policy of market basket index plus a .2% adjustment; 2) the Commission may initiate a study to examine the accuracy of the Global Insight market basket index for fiscal year 2009 if determined to be necessary; 3) realignment and reconciliation would be performed every year for every hospital; 4) that although the update factors would be fixed amounts, all current waiver safe guards would continue to apply; 5) that the Commission would perform a major financial condition study that would include input from banks, bond rating agencies, and the Maryland Health and Higher Educational Facilities Authority; and 6) that the Commission would commit to maintaining the concept of a revenue target level relative to the nation for the next 3 year plan (FY 2010-2012).

Commissioner Sexton seconded the motion.

The Commission voted to approve the Chairman's motion. Commissioner Antos voted against the motion. Commissioner Brusca who was absent voted in favor of the motion by proxy.

The Chairman announced that any questions or comments on the motion should be submitted to the Commission in writing.

ITEM V
FINAL RECOMMENDATIONS FOR UPDATES TO THE NURSE SUPPORT PROGRAM

Marva Tan, Associate Director-Quality Initiative, stated that draft recommendations were presented at the March 7th public meeting. She noted that during the comment period both prior to and after the public meeting¹⁷, written comments were received in addition to several telephone calls and emails from NSP coordinators and nurse executives expressing their support for NSP I and their interest in continuing the program. Ms. Tan reviewed the final recommendations. The principal recommendations were: 1) redefine categories of initiatives eligible for funding; 2) establish categories of initiatives not eligible for funding; 3) revise the review and evaluation process for initiative approvals and renewals; 4) conduct ongoing review of the funding mechanism; and 5) standardize quantitative annual reports.

Ms. Tan reported that the following modifications were made to the draft recommendations in response to comments received: 1) the Educational Attainment category of initiatives was modified to allow requests for funding of specific computer hardware and software dedicated for use in nursing education to be considered on an individual basis; 2) the Improved Nurse Practice Environment category of initiatives was expanded to include initiatives from hospitals that do not currently plan to work on achieving Magnet Status; 3) the Other Creative Initiatives category was further defined and expanded; 4) a new recommendation was added converting the RFP process to an application process; and 5) a separate NSP I Evaluation Committee was established to review applications. In addition, modifications were made to the Standardized Reporting forms as a result of comments.

Ms. Tan stated that pending Commission approval of the updated recommendations and a new funding cycle, staff proposed to issue a call for applications to be filed by May 11, 2007 with recommendations to be made to the Commission at the June 6, 2007 public meeting. The new funding cycle will begin July 1, 2007.

Ms. Tan stated that the Evaluation Committee for NSP II, the program directed at building nursing education capacity, is in the process of reviewing 23 new proposals with the plans to provide its recommendations to the Commission at the May 2, 2007 public meeting.

Ms. Tan thanked the MHA for its expert input and all the individuals who provided thoughtful review and comment.

The Commission voted unanimously to approve staff's recommendation.

ITEM VI
DRAFT RECOMMENDATION ON FUNDING FOR THE MARYLAND PATIENT
SAFETY CENTER

Steve Ports presented historical background information and a summary of staff's draft recommendations for funding the Maryland Patient Safety Center (MPSC) (Attachment A). The principal recommendations were: 1) that the Commission continue to be a funding partner of the MPSC; 2) that the MPSC update the Commission on health outcomes and expected savings resulting from its programs; 3) that the MPSC work with the Department of Health and Mental Hygiene (DHMH) and other stakeholders to develop a new leadership structure for both organizational and financial sustainability into the future; and 4) that "seed" funding be provided from the "all payer" system in the amount of \$1.3 million in FY 2008, and, subject to further review, FY 2009.

William F. Minague, M.D., FACP, Director of the MPSC, thanked the Commission for providing funding, which has allowed the MPSC to implement all of the recommendations of the Institute of Medicine's report "To Err is Human" as well as its "Quality Chasm" report.

No Commission action was required. Comments are to be submitted to the Commission by April 24, 2007.

ITEM VII
DRAFT UNCOMPENSATED CARE POLICY PAPER

Andy Udom, Associate Director- Research & Methodology, summarized staff's draft recommendation on changes to the Commission's Uncompensated Care (UCC) Policy (Attachment B). The principal change was to incorporate outpatient data in the regression methodology used to calculate UCC built into rates for Maryland Hospitals.

No Commission action was required. Comments are to be submitted to the Commission by April 25, 2007.

Chairman Sexton asked why these particular new outpatient data elements were chosen.

Mr. Odum stated that these outpatient elements were chosen because they were the best predictors of hospital UCC.

Hal Cohen, PhD., representing CareFirst of Maryland and Kaiser Permanente, asserted that UCC care provided by the proposed policy would not provide hospitals prospectively with the amount of UCC actually experienced in the last year of available data. Dr. Cohen pointed out the policy would provide the same percentage of UCC but the amount of UCC would be greater because of the increases in volumes and rates.

ITEM VIII
LEGISLATIVE UPDATE

Valerie Overton, Associate Director-Policy Analysis and Research, presented an update on legislation of interest to the Commission (Attachment C). The most significant health care legislation HB 754, which involves the proposed "redeployment" of hospital uncompensated care revenue to increase coverage of the medically uninsured, did not pass. Ms Overton noted DHMH's budget did not include Medicaid Day Limits; however, the General Assembly authorized their continuation in the amount of \$34.4 million for FY 2008.

ITEM IX
LEGAL REPORT

Regulations

Proposed

Rate Application and Approval Procedures – COMAR 10.37.10.07

The purpose of this regulation is to set forth the process by which a hospital receives a determination from Commission or its staff as to whether or not an outpatient service is provided at the hospital and, therefore, is subject to rate regulation.

The Commission voted to approve the distribution of the proposed regulation for comment. Comments are to be received at the Commission's offices on or before March 23, 2007.

ITEM X
HEARING AND MEETING SCHEDULE

May 2, 2007	Time to be determined, 4160 Patterson Avenue HSCRC Conference Room
June 13, 2007	Time to be determined, 4160 Patterson Avenue HSCRC Conference Room

INTRODUCTION OF NEW STAFF MEMBERS

Robert Murray, Executive Director, introduced Oscar Ibarra and William Hoff, new Chief of Program Administration & Information Management and Rate Analyst II respectively.

Mr. Murray noted that Mr. Ibarra was formally Technical Project and Programmer Analyst at Johns Hopkins Bayview Medical Center and that Mr. Hoff was formerly supervisor of the Medicare and Blue Cross reimbursement teams at MedStar Health.

There being no further business, the meeting was adjourned at 10:04 a.m.

