

**432nd MEETING OF THE  
HEALTH SERVICES COST REVIEW COMMISSION**

**March 7, 2007**

Chairman Kues called the meeting to order at 9:45 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.

**INTRODUCTION OF JOHN O'BRIEN AS NEW DEPUTY DIRECTOR-RESEARCH  
AND METHODOLOGY**

Chairman Kues introduced John O'Brien as staff's new Deputy Director, Research and Methodology. The Chairman noted that prior to joining the Commission staff; Mr. O'Brien was the Director for Health Policy Studies at the Center for Health Program Development and Management at the University of Maryland-Baltimore County. In that capacity, he managed the Center's initiatives in acute care policy; overseeing work in Medicaid managed care policy, financing and evaluation, health plan performance assessment, and encounter data collection and analysis. Mr. O'Brien also managed the evaluation of HealthChoice, Maryland's Medicaid managed care program. In addition, Mr. O'Brien was an Ian Axford Fellow in Public Policy in New Zealand. The fellowship is intended to promote policy exchange between senior policy professionals in New Zealand and the United States. Mr. O'Brien has also been a senior associate with Health Systems Research, Inc., a regulatory economist with the Maryland Department of Health and Mental Hygiene, and an administrator of two federally qualified health centers in Virginia.

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

The minutes were amended to reflect the attendance of Commissioner Eusebio. The Commission voted unanimously to approve the amended minutes of the February 7, 2007 Public Meeting and the minutes of the Executive session.

**ITEM II**  
**DOCKET STATUS – CASES CLOSED**

1935A – Johns Hopkins Health System

1936A – University of Maryland Medical Center

**ITEM III**  
**DOCKET STATUS – CASES OPEN**

**Fort Washington Medical Center – 1896R**

On October 28, 2005, Fort Washington Medical Center (FWMC) simultaneously submitted a Certificate of Need (CON) request to the Maryland Health Care Commission (MHCC) and a partial rate application to the HSCRC for \$3 million in future capital to be included in rates effective February 1, 2009. Subsequently, in August of 2006, FWMC submitted a modified CON request to the MHCC (which was approved) and modified its rate request to add \$2,729,000 to rates February 1, 2010.

In accordance with the HSCRC's Modified ICC methodology, staff recommended:

- 1) That effective July 1, 2009, or when the capital assets are available for use, \$1,395,803 be added to FWMC's rates adjusted for the actual change in EIPDs from 12/31/05 to the 12 month period prior to the completion of the project;
- 2) That an adjustment be made for any material difference between the projected interest rate and the actual interest rate secured at the time of the bond sale; and
- 3) That if the FWMC secures HUD-insured financing, that the cost of the insurance premium be included in rates so long as the total revenue provided does not exceed \$1,395,803.

Hal Cohen, representing CareFirst of Maryland and Kaiser Permanente, suggested that, if partial rate applications continue to be filed for capital during the full rate application moratorium, the Commission should decide on the changes that need to be made to the methodology for handling such applications.

The Commission voted unanimously to approve staff's recommendation.

Paul Porter, CEO of FWMC, thanked Commission and the staff for their cooperation during the rate application process.

**ITEM V**  
**Draft of the Update to the Nurse Support Program I**

Marva Tan, Associate Director-Quality Initiative, summarized staff's proposed update to the Nurse Support Program I (NSP I) (Attachment A). Ms. Tan observed that the NSP I program was introduced in July 2001 to encourage the development of hospital-based programs aimed at reducing the long and short term nursing shortage impacting Maryland hospitals. A hospital is eligible to receive the lesser of its request or 0.1% of its gross patient revenue for the previous fiscal year provided through hospital rate adjustments for approved projects that address the hospital's individual plans for nurse recruitment or retention. Ms. Tan stated that the overall goal of the program was to increase the number of bedside nurses, and that over the life of the program, approximately \$36 million in NSP I funds have been distributed to 50 acute care and specialty hospitals in Maryland. Ms. Tan also reported that over the life of the program nursing staff vacancies in Maryland decreased from 15.6% in 2001 to 10% in 2005. Ms. Tan reported that although the gap between the supply and demand of nurses in Maryland, as projected in 2003, has closed somewhat, there is still a serious gap.

Ms. Tan stated that in April of 2006, the Commission extended the NSP I program for one year, through July 30, 2007, in order to provide the opportunity for staff to evaluate and update the program to improve accountability, uniform reporting, and the funding of programs with the best outcomes. Ms. Tan stated that in addition to the history of the program, the draft proposal contained recommendations for updating the program. 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 stated that comments would be received until April 3, 2007 and that the final staff recommendation will be presented at the April 11, 2007 public meeting.

Ms. Tan acknowledged the contribution of the late Brian Jacque in providing much of the ground work of the evaluation. Ms. Tan observed that much of the draft proposal was based on his work.

Ms. Catherine M. Crowley, Assistant Vice President of the Maryland Hospital Association, introduced a panel consisting of: Ms. Paula Bruening, Vice President for Patient Care Services-Doctors Community Hospital, Ms. Diane Davis, Director of Nursing Education-Doctors Community Hospital, and Ms. Jeanne DeCosmo, Director of the Learning Center-Carroll Hospital Center, to provide comments on staff's draft proposals, provide a snapshot of the status of the nursing shortage, and to showcase some of the projects.

The principal comments on the draft proposal addressed: 1) the lack of hospital nurse representatives on the Evaluation Committee; 2) the inadvertent narrowing of the types

of proposals to be considered; 3) the commitment by MHA to provide guidance to its members on grant development and evaluation; and 4) administrative aspects of the program such as the application process, the timeline for submitting applications, dissemination of information concerning the proposals and outcomes, and the duration of the program.

Concerning the status of the nursing shortage, Ms. Crowley noted that from 2000 to 2005, the demand for hospital RNs increased 27.4% and RN vacancy rates declined from 13.9% to 10.0%. RN turnover rates declined from 15.4% in 1999 to 12.3% in 2005. In addition, Ms. Crowley observed that if the problem with the shortage of nursing faculty is not resolved, by 2016 there is projected to be 15% vacancy rate or 9,900 nursing vacancies. Ms. Crowley noted that in the past when there was a 15% nursing shortage, beds were closed, hospital emergency rooms were on red alert, and overtime and agency nurse use were off the chart. Hospitals are working very hard not to allow such a shortage occur again.

Ms. Crowley and her colleagues reported on three projects. The first was Johns Hopkins Hospital's "Spring" project, which focuses on the retention of new nursing graduates. This project has become a "best practice" that will be presented, along with its outcomes, to the American Association of Nurse Executives next month in Washington D.C.

Ms. DeCosmo described the success of Carroll Hospital Center's "Mentor" program, which was developed to reduce the use of agency nurses and to help the Hospital retain its nurses.

Ms. Bruening summarized Doctors Community Hospital's "Visiting Professorship" project which, by sponsoring nursing educators at two local community colleges, has resulted in an increase in the number of nursing enrollments.

Commission Hall asked whether the Visiting Professorship program could be adopted by other hospitals.

Ms. DeCosmo stated that she had applied for just such a program under NSP II.

Ms. Crowley reported that another initiative under NSP I is the Nurse Managers Leadership Institute. This project, conducted under a collaborative grant, has trained between 400 and 500 nurse managers.

In closing, Ms. Crowley urged the Commission to approve NSP I.

Commissioner Munn suggested that greater emphasis be placed on providing funding for more nurse educators.

Robert Murray, Executive Director, noted that mission the of NSP II is to increase nurse education faculty in order to increase the number of trained bedside nurses.

Ms. Tan reported that the second round of RFPs for NSP II was published in December 2006, and applications are now coming in.

Ms. Crowley noted that MHA has established a multi-disciplinary group, the Business Case Workgroup, which meets monthly to ascertain what hospitals can do to address particular faculty shortages and to develop a business for doubling the size of the nursing enrollments starting in 2008. If by 2010 the number of nursing graduates can be increased by 1,500 a year, the projected nursing vacancy gap of 15% can be reduced to between 7% and 8%.

The Chairman asked how Maryland's nursing situation compared with the nation.

Ms. Crowley stated that although very little national data are published, three years ago vacancy rates nationally were in line with Maryland's, about 12%.

The Chairman asked where nurses typically go when they leave hospitals. Do they go to other hospitals, or do they drop out of the nursing profession?

Ms. Crowley stated that it was difficult to identify the reason for nursing turnover; however, although it is not technically nursing turnover, nurses moving from full to part time status substantially impact nursing vacancies.

## **ITEM VI** **LEGISLATIVE UPDATE**

Steve Ports, Principal Deputy Director, presented an update on legislation of interest to the HSCRC. The most significant health care legislation is HB 754, submitted by Delegate Peter Hammen, which involves the proposed "redeployment" of hospital uncompensated care revenue to increase coverage of the medically uninsured. Mr. Ports noted that staff supports the bill and considers the expansion of MHIP and Medicaid eligibility to be in the best interest of the citizens of Maryland.

Mr. Murray noted that the level of Medicaid eligibility in Maryland is very low for segments of the population, given the fact that Maryland is a relatively high income State. Maryland has the ability to raise the Medicaid eligibility limits and insure a significant number of people who are now uninsured.

Mr. Murray stated that if HB 754 passed resulting in redeployment of hospital uncompensated care to expand Medicaid coverage, several general principles must be

observed: 1) a long term funding source must be tied directly to Medicaid expansion; 2) the redeployed uncompensated care must be reconciled on a hospital specific basis; and 3) savings must accrue to the payer community that has funded uncompensated care equitably over the years.

Ms. Pegeen Townsend, MHA Senior Vice President-Legislative Policy, described briefly MHA's current legislative efforts to expand access to health care coverage in Maryland. This effort has two goals: 1) to increase health insurance coverage for the growing number of uninsured in Maryland; and 2) to achieve some cost containment for the 85% of the population that has insurance.

Ms. Townsend stated that in order to accomplish those goals, MHA has developed a four prong approach: 1) to raise the Medicaid eligibility level to 100% of the federal poverty level; 2) to assist small businesses with low wage workers to provide insurance coverage; 3) to encourage the uninsured with incomes of four or five times the poverty level to obtain coverage or lose their personal tax exemption; and 4) to generate funding through the enactment of a tobacco tax. MHA proposes that tobacco tax revenues be used to fund the expansion of coverage for the first three years without redeployment of hospital uncompensated care. This would give the Commission actual data by individual hospital on the decline of, or averted uncompensated care based on expanded coverage. In the third year, MHA proposes redeploying uncompensated care - - 50% of the averted uncompensated care to funding, and 50% to be returned to first party payers by reducing the cost of health care.

Ms. Townsend noted that the Commission must ensure that redeployment of uncompensated care does not violate either federal law or the Medicare waiver. In addition, MHA is concerned about the provision of HB 754 that relies on taking money from the Physician Rate Stabilization Fund. MHA does not think it prudent to divert money dedicated to increasing Medicaid physician fees to expanding coverage, since providing for enough physicians to serve Medicaid patients has such powerful access implications.

Hal Cohen expressed the support of his clients, CareFirst of Maryland and Kaiser Permanente, for HB 754.

## **ITEM VII** **LEGAL REPORT**

### **Regulations**

### **Proposed**

**Uniform Accounting and Reporting System for Hospitals and Related Institutions  
- COMAR 10.37.01.06**

The purpose of this regulation was to delete the requirement of reporting the home address of Trustees, Directors, and Officers of non-profit hospitals to the Commission.

The Commission voted unanimously to forward the proposed regulations to the Committee for review and publication in the Maryland Register.

**Draft**

**Rate Application and Approval Procedures – COMAR 10.37.10.07**

The purpose of this regulation is to clarify the requirement that hospitals obtain a determination from Commission’s staff as to whether or not an outpatient service provided in a building on the campus of a hospital is considered provided “at the Hospital” and, therefore, subject to rate regulation (Attachment C).

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 VIII**  
**HEARING AND MEETING SCHEDULE**

April 11, 2007	Time to be determined, 4160 Patterson Avenue HSCRC Conference Room
May 12, 2007	Time to be determined, 4160 Patterson Avenue HSCRC Conference Room

There being no further business, the meeting was adjourned at 11:00 a.m.