

458th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

JULY 1, 2009

Chairman Young called the meeting to order at 9:02 a.m. Commissioners Trudy R. Hall, M.D., C. James Lowthers, Kevin J. Sexton, and Herbert S. Wong, Ph.D. were also present. Steven B. Larsen newly appointed Commissioner but not yet sworn in, attended as a guest of the Commission.

ITEM I
REVIEW OF THE MINUTES OF THE PUBLIC SESSION
OF JUNE 3, 2009

The Commission voted unanimously to approve the amended minutes of the June 3, 2009 Public Meeting.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Robert Murray, Executive Director, summarized some of the major initiatives and issues currently being addressed by the Commission and staff. They include: 1) continuing examination of the Maryland Hospital Acquired Conditions (MHAC) policy and how it will be applied to the FY 2011 update, as well as discussions and modeling of the inclusion of Preventable Readmissions; 2) evaluation of the Community Benefit Reports; 3) working with hospital representatives to evaluate hospital credit and collection policies and reviewing methods to incentivize charity care in the Uncompensated Care Policy; 4) focusing on the use and coding of Observation services and the frequency of one-day length of stay admissions and the effect of the CMS Recovery Audit Contract program; 5) initiating the annual Reasonableness of Charges (ROC) methodology discussion.

Mr. Murray announced that Greg Reeves has joined Commission staff as a Computer Network Specialist. With over 20 years of computer, network, and website development experience, Mr. Reeves will be focusing on updating the Commission's website.

Mr. Murray also announced that Charlotte Thompson has accepted the position of Deputy Director of Research and Methodology taking the place of John O'Brien. In total, Ms. Thompson has been a member of the Commission's staff for eight years. Ms. Thompson spent seven years with the Commission then left to work for Navigant Consulting, and has been back with the staff for a year as Associate Director-Policy Analysis and Research.

ITEM III
DOCKET STATUS CASES CLOSED

2021R – Johns Hopkins Bayview Medical Center 2025N – Johns Hopkins Hospital
2026N – McCready Memorial Hospital 2027R – Good Samaritan Hospital
2029A – Holy Cross Hospital

ITEM IV
DOCKET STATUS CASES OPEN

University of Maryland – 2028A

On May 12, 2009, University of Maryland Medical Center submitted an application requesting approval from the Commission to continue to participate in a global rate arrangement for the collection of peripheral blood stem cells from donors with the National Marrow Donor Program for a period of three years beginning July 1, 2009.

Staff recommended that the Hospital's request be approved for a period of one year beginning July 1, 2009 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be contingent on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

Peninsula Regional Medical Center – 2030R

On May 21, 2009, Peninsula Regional Medical Center submitted an application requesting that its Medical Surgical Intensive Care (MIS) and Coronary Care (CCU) units be combined effective July 1, 2009.

After reviewing the Hospital's application, staff recommended that the Commission approve the Hospital's request to combine its MIS and CCU rate centers effective July 1, 2009.

The Commission voted unanimously to approve staff's recommendation.

ITEM V
FINAL RECOMMENDATIONS FOR REVISIONS
TO THE CHARGE PER VISIT METHODOLOGY

Charlotte Thompson, Deputy Director-Research and Methodology, summarized the recommended revisions to the Charge per Visit (CPV) exclusion logic and refinements to the outpatient case mix methodology. The recommended revisions will bring approximately 80% of outpatient revenue under the CPV in FY 2010. The revisions include:

- 1) Exclusion of cycle-billed visits based on number of visits;
- 2) Continued exclusion of radiation therapy visits;
- 3) Inclusion of infusion therapy APGs based on the associated drug APGs;
- 4) Revision of the case mix methodology to reflect additional resources utilized in visits with multiple significant procedures;
- 5) Revision of the case mix methodology to include APGs and case mix weight for radiology procedures performed in the emergency room or clinic; and
- 6) Development of separate weights to reflect added resource use in visits that include Observation services.

Tracie LaValle, Assistant Vice President of Financial Policy for the Maryland Hospital Association (MHA), thanked the Commission and staff for their efforts in improving the CPV methodology and expressed her willingness to work with staff on the infusion drug revisions.

Hal Cohen, Ph.D., representing CareFirst of Maryland and Kaiser Permanente, expressed support for staff's recommendation.

The Commission voted unanimously to approve staff's recommendation.

ITEM VI
FINAL RECOMMENDATIONS TO MODIFY THE CASE MIX
METHODOLOGY FOR INVOLUNTARY PSYCHIATRIC ADMISSIONS, AND
FY 2010 CASE MIX
ADJUSTMENTS

Andy Udom, Associate Director-Research and Methodology, presented staff's recommendation to split the twelve psychiatric APR-DRGs into various diagnosis groups based on whether the admission was voluntary or involuntary in order to more appropriately match hospital payment to resource utilization under the Charge-per Case system. Staff also recommended that for FY 2010, in instances where involuntary cell weights are less than voluntary cell weights, that those weights be made equal to the voluntary cell weights to allow time for hospitals to bring their classification of these cases up to speed.

Mr. Udom also presented staff's final recommendations for calculating the adjustment for case mix growth in FY 2010. Staff recommended that if state-wide case mix growth is less than 0.5%,

then there be no adjustment. However, if case mix growth exceeds 0.5%, staff recommends that the following steps be used to calculate the adjustment: 1) that the first 0.6% of case mix growth be treated as equal to zero because it represents the 0.5% included in the rate base for case mix growth, adjusted for volume (85%); 2) if step 1 does not achieve the desired case mix growth target of 0.5%, staff recommends that steps 3 and 4 be utilized; 3) calculate a proportional adjustment factor to achieve the target of 0.5%; and 4) calculate each hospital's allowed case mix based on its individual experience.

The Commission voted unanimously to approve staff's recommendations.

ITEM VII **UPDATE ON MARYLAND HOSPITAL ACQUIRED CONDITIONS VETTING** **SESSIONS**

Diane Feeney, Associate Director-Quality Initiative, reported that the first session to initiate the vetting process on June 26, 2009 was held via conference call with more than 100 people participating. At the session, staff described the MHAC rate based methodology, the exclusion logic, and began to review input received from MHA on four potentially preventable conditions (PPCs).

Ms. Feeney announced that staff is in the process of collecting and cataloging input from the industry in order to facilitate a robust discussion of the clinical attributes and rationale for staff's decisions on PPCs at the forthcoming July 10, 2009 session. Ms. Feeney indicated that to date 55 people had registered for the July 10th meeting with those unable to attend participating by conference call. Ms. Feeney noted that by July 15th, staff will have completed the work preparing a document which catalogs the comments from the industry, staff's decisions, as well as the rationale for the decisions. Ms. Feeney stated that the outcome of the July 10th session will be reported to the Commission at its August 5th public meeting.

Ms. Feeney reported that with the assistance of MHA, a work group with clinical expertise will be convened in the fall to assist further refining the MHAC PPCs going forward.

Beverly Miller, Senior Vice President-Professional Services of MHA, reported that MHA had informed the Commission of the difficulties experienced by many hospital representatives in participating in the discussion held at the June 26th session because of the number of people involved in the conference call. Ms. Miller expressed the hope that since the July 10th meeting is face-to-face; more people will be able to participate in the discussion. Ms. Miller stated that she looked forward to receiving the document cataloging the industry inputs, as well as the clinical basis for staff's decisions. Ms. Miller noted that MHA's primary recommendation was to form a work group that will be able to address the clinical issues on an on going basis.

Mr. Murray presented a simplified case study outlining the potential return on investment to be derived from the implementation of the MHAC program. Mr. Murray concluded that based on the study, beyond the benefits associated with improved patient care, hospitals could realize substantial cost reductions by focusing on reducing preventable complications.

Mary Mussman, M.D., of the Maryland Medicaid Program and Physician Advisor to the Secretary of DHMH, expressed the support of DHMH for the MHAC program and presented an anecdotal incident involving her daughter that illustrated the deleterious effect of PPCs on an individual patient.

ITEM VIII

DRAFT RECOMMENDATION ON HANDLING CHARITY CARE IN THE UNCOMPENSATED CARE PROVISION AND THE REPORT ON THE RESULTS OF THE UNCOMPENSATED CARE POLICY FOR FY 2010

Mr. Udom announced that the draft recommendation on the handling of charity care in the uncompensated care (UCC) provision was being withdrawn from consideration at today's meeting pending the deliberations of a task force that is to meet within the next week to discuss this issue.

Mr. Udom presented the results of the uncompensated care policy for FY 2010. Mr. Udom noted that the methodology used to produce the UCC provisions utilized a 50/50 blend of a three-year average of each hospital's actual UCC experience and the predicted level of UCC from the new regression methodology.

ITEM IX

SUMMARY OF FY 2008 DISCLOSURE OF FINANCIAL AND STATISTICAL DATA

Mr. Murray summarized the results of the annual disclosure of financial and statistical data for Maryland hospitals. The major highlights of the report were: 1) growth in Maryland hospitals' cost per adjusted admission was 1.4% below the national average (4.1% versus 5.5%); 2) growth in Maryland hospitals net revenue per adjusted admission was 1.5% below the national average (4% versus 5.5%); 3) Maryland hospitals' operating profits on regulated services were 5.2%, down 0.2% from FY 2007; 4) Maryland hospitals' total profits were 1.4%, down substantially from 3.8% in FY 2007; and 5) Maryland hospitals provided more than \$1 billion of UCC in FY 2007.

Mr. Murray noted that was good news of Maryland's returning to the position of outperforming the nation in both cost per admission and net revenue per admission.

Mr. Murray observed that although operating profits on regulated services are quite healthy at 5.2%, substantial losses on unregulated services, largely losses on physicians' practices, have resulted in a significant decline in overall operating profits.

Mr. Larsen asked whether it might be more informative to include in the press release the value of the saving achieved as result of constraining the rate of growth in hospital costs and what

patients pay hospitals in Maryland compared with the rest of the nation. Mr. Murray expressed agreement with Mr. Larsen and directed staff to make the appropriate revision.

ITEM X **LEGAL REPORT**

Regulations

Proposed

Uniform Accounting and Reporting System for Hospitals and Related Institutions – COMAR 10.37.01.03

The purpose of this action is to correct erroneous references to “quarterly” reporting requirements when, in fact, these requirements are, and have been, monthly in nature.

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

FUNDING OF MEDICAID COVERAGE EXPANSION

Mr. Murray presented a letter from John Colmers, Secretary of DHMH, which stated that because the enrollment levels were significantly higher than initially projected the FY 2009 hospital assessment did not accurately reflect the averted UCC resulting from the Medicaid coverage expansion. As a result, Mr. Colmers requested that the Commission increase the hospital assessment for FY 2010 by \$11.3 million.

Mr. Murray stated that staff would review the proposed adjustment with hospital and payer representatives; however, if the information presented by Mr. Colmers is accurate, \$11.3 million would be added on to hospitals’ FY 2010 Health Care Coverage assessment. Mr. Murray notified the Commission that a settle-up will be made in 2011 between the estimated UCC and the actual UCC experienced by hospitals resulting from the expansion of Medicare coverage.

ITEM XI **HEARING AND MEETING SCHEDULE**

August 5, 2009	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
September 2, 2009	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 10:12 a.m.

Executive Session Minutes

Health Services Cost Review Commission July 1, 2009

Following motion made at the conclusion of the Public Session, Chairman Young called the Executive Session to order at 10:30 a.m.

The Meeting was held under the authority of Section 10-508 of the State Government Article.

In attendance, in addition to Dr. Young, were Commissioners Hall, Larsen, Lowthers, Sexton, and Wong.

Jamie Bennett, Assistant U. S. Attorney with the U.S. Department of Justice and Dr. Tracey Goessel, Chief Executive Officer with FairCode Associates were in attendance.

Robert Murray, Steve Ports, Gerard Schmith, Char Thompson, Andy Udom, and Oscar Ibarra attended representing Commission staff. Dr. Graham Atkinson, HSCRC consultant, also attended. John O'Brien, former HSCRC Deputy Director, participated via conference call.

Also attending were Leslie Schulman and Stan Lustman, Commission Counsel.

Item I

The Commission heard from Ms. Bennett and Dr. Goessel on the recently concluded federal investigation involving Johns Hopkins Bayview Medical Center and inappropriate coding practices.

Ms. Bennett also advised the Commission on on-going activities of her office as they pertain to Maryland hospitals under the jurisdiction of the HSCRC.

The Executive Session was adjourned at 11: 30 a.m.