



CMS and Maryland Announce Joint Initiative to Modernize Maryland’s Health Care System to Improve Care and Lower Costs

Today, the Centers for Medicare & Medicaid Services (CMS) and the state of Maryland jointly announced a new initiative to modernize Maryland’s unique all-payer rate-setting system for hospital services aimed at improving patient health and reducing costs. This initiative will replace Maryland’s 36-year-old Medicare waiver to allow the state to adopt new policies that reduce per capita hospital expenditures and improve health outcomes as encouraged by the Affordable Care Act. Under this model, Medicare is estimated to save at least \$330 million over the next five years.

“Today’s announcement is an encouraging step to ensure that Maryland’s unique health care delivery system can also be aligned with the goals of lowering cost and improving health outcomes for our citizens,” said CMS Administrator Marilyn Tavenner. “This is an example of how CMS works with states to achieve the shared goals of creating a more efficient health system that also delivers improved care for the American people.”

“By shifting away from traditional fee-for-service payment, Maryland’s new model encourages collaboration between hospitals and physicians to improve patient care, promotes innovative approaches to prevention, and accelerates efforts to avoid unnecessary admissions and readmissions,” said Dr. Joshua M. Sharfstein, Secretary of Maryland’s Department of Health and Mental Hygiene. “We appreciate the support of CMS for creative approaches to addressing the challenges of the health care system.”

Maryland operates the nation’s only all-payer hospital rate regulation system based on a 36-year-old Medicare waiver. The new model, developed jointly by the State and CMS, will allow Maryland to implement its all-payer payment system and transform the state’s health care delivery system in a manner that promotes CMS and Maryland’s joint goals of improving quality and reducing costs.

Under the new model announced today, Maryland hospitals will commit to achieving significant quality improvements, including reductions in Maryland hospitals’ 30-day hospital readmissions rate and hospital acquired conditions rate. Maryland will limit all-payer annual per capita hospital growth, including inpatient and outpatient care, to 3.58 percent, below historical trends. Maryland will also limit annual Medicare per capita hospital cost growth to a rate lower than the national annual per capita growth rate per year for 2015-2018. This opportunity is available through the authority of the Innovation Center, which was created by the Affordable Care Act to test payment and service delivery models. For further information, including a fact sheet, please visit: <http://innovation.cms.gov/initiatives/Maryland-All-Payer-Model/>.

Centers for Medicare & Medicaid Services (CMS) has sent this update. To contact Centers for Medicare & Medicaid Services (CMS) go to our [contact us](#) page.