



# Maryland Health Services Cost Review Commission

**New All-Payer Model for Maryland  
Population-Based and Patient-Centered Payment  
Systems  
January 2015**



# Outline of Presentation

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- ▶ Introductions
- ▶ Overview of New Maryland All-Payer Model and Global Budgets
- ▶ Opportunities for Success
- ▶ Public Engagement

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# Overview of New All-Payer Model and Global Budgets

# Approved New All-Payer Model

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- ▶ Maryland is implementing a new All-Payer Model for hospital payment
  - ▶ Updated application submitted to Center for Medicare and Medicaid Innovation in October 2013
  - ▶ Approved effective January 1, 2014
- ▶ Focus on new approaches to rate regulation
- ▶ Moves Maryland
  - ▶ From **Medicare, inpatient, per admission** test
  - ▶ To an all payer, total hospital payment per capita test
    - ▶ Shifts focus to population health and delivery system redesign

# New All-Payer Model for Maryland

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- ▶ Focus shifts to the patient and improvement of care
- ▶ Align payment with new ways of organizing and providing care
- ▶ Contain growth in total cost of hospital care in line with requirements
  - ▶ Evolve value payments around efficiency, health and outcomes

**Better care**

**Better health**

**Lower cost**

# Approved Model Timeline

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- ▶ **Phase 1 - 5 Year Hospital Model**
  - ▶ Maryland all-payer hospital model
  - ▶ Developing in alignment with the broader health care system
  
- ▶ **Phase 2 – Total Cost of Care Model**
  - ▶ Phase 1 efforts will come together in a Phase 2 proposal
  - ▶ To be submitted in Phase 1, End of Year 3
  - ▶ Implementation beyond Year 5 will further advance the three-part aim

# Approved Model at a Glance

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- ▶ **All-Payer total hospital per capita revenue growth ceiling** for Maryland residents tied to long term state economic growth (GSP) per capita
  - ▶ 3.58% annual growth rate
- ▶ **Medicare payment savings** for Maryland beneficiaries compared to dynamic national trend. Minimum of \$330 million in savings
- ▶ **Patient and population centered-measures** and targets to promote population health improvement
  - ▶ Medicare readmission reductions to national average
  - ▶ 30% reduction in preventable conditions under Maryland's Hospital Acquired Condition program (MHAC) over a 5 year period
  - ▶ Quality revenue at risk to equal or exceed national Medicare programs

# Focus Shifts from Rates to Revenues

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## Old Model

### Volume Driven

Units/Cases



Rate Per  
Unit or Case

Hospital Revenue

Unknown at the beginning of  
year. More units/more revenue

## New Model

### Population and Value Driven

Revenue Base Year



Updates for Trend,  
Population, Value

Allowed  
Revenue Target Year

Known at the beginning of year.  
More units does not create more  
revenue

# Global Budget Agreement Consumer Friendly Provisions

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- ▶ Quality monitoring and payment provisions
- ▶ Adjustments for potentially avoidable utilization
- ▶ Efficiency adjustments
- ▶ Quality adjustments
- ▶ Corridors to examine volume changes
- ▶ Market share adjustment

# Challenge for Integration of Efforts

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Medical Homes  
Accountable Care  
Organizations

Health Enterprise  
Zones (HEZ)

Enrollment  
Expansion  
-Medicaid  
-Private

Health Information  
Exchange--CRISP

State Health  
Improvement  
Process--Public  
Health

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# Opportunities for Success Under the New All-Payer Model



# Opportunities for Success

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## Model Opportunities

- Global revenue budgets providing stable model for transition and reinvestment
- Lower use—reduce avoidable utilization with effective care management and quality improvement
- Focus on reducing Medicare cost
- Integrate population health approaches
- Control total cost of care
- Rethink the business model/capacity and innovate
- Align with physicians and other providers

## Delivery System Objectives

- Improved care and value for patients
- Sustainable delivery system for efficient and effective hospitals
- Alignment with physician delivery and payment model changes

# Reduce Avoidable Utilization By Improving Care

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## ▶ Examples:

- 30- Day Readmissions/Rehospitalizations
- Preventable Admissions (based on AHRQ Prevention Quality Indicators)
- Nursing home residents—Reduce conditions leading to admissions and readmissions
- Maryland Hospital Acquired Conditions (potentially preventable complications)
- Improved care coordination: particular focus on high needs/frequent users, involvement of social services

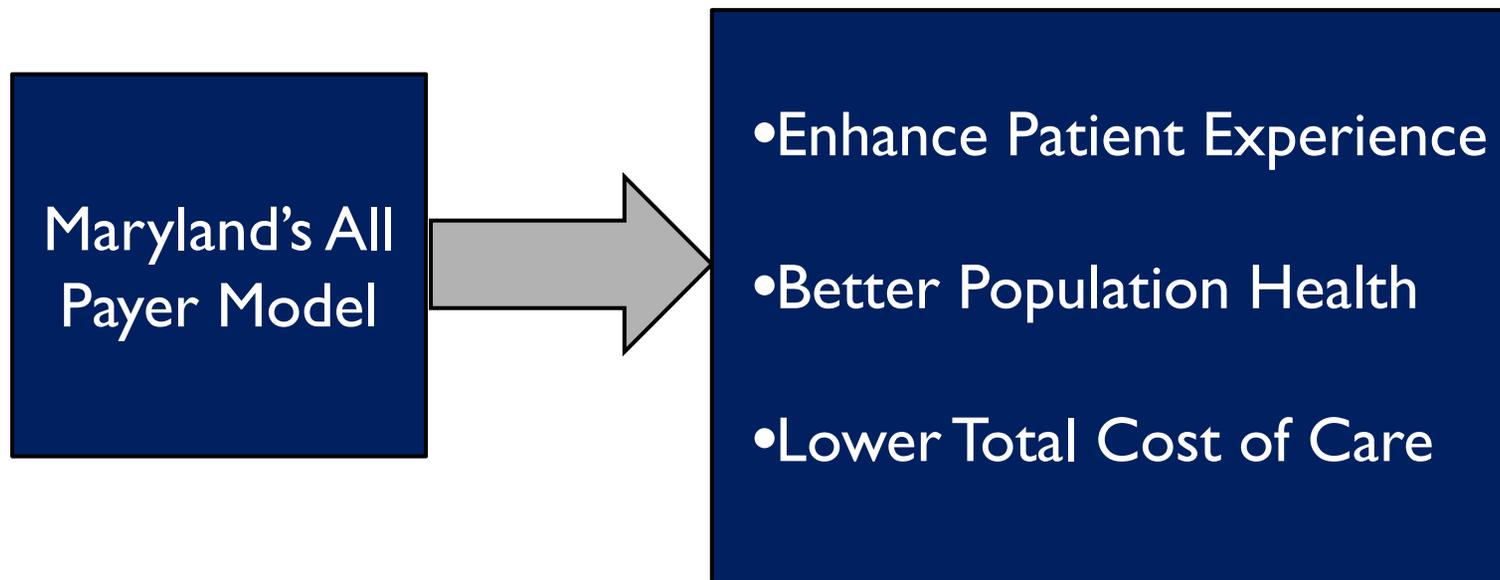
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# Public Engagement

# Focus Shifts to Patients

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- ▶ Unprecedented effort to improve health, improve outcomes, and control costs for patients
- ▶ Gain control of the revenue budget and focus on providing the right services and reducing utilization that can be avoided with better care



# Implications for Consumers

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- ▶ **Successful hospital under a modernized waiver**
  - ▶ High quality, efficient and effective care while strategically maintaining market share
  - ▶ Partners with physicians and other practitioners, urgent care and post acute care to improve population health
  - ▶ Improves care resulting in reducing avoidable utilization freeing up funds for investments in population health and new technology and clinical services
  - ▶ High quality with reduced clinical utilization will be the most successful

# HSCRC Public Engagement Short Term Process Phases

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- ▶ **Global Budget Implementation:**
  - ▶ Fall 2013: Advisory Council - recommendations on broad principles
  - ▶ January 2014- July 2014: Workgroups
    - ▶ Four workgroups convened
    - ▶ Focused set of tasks needed for initial policy making of Commission
    - ▶ Majority of recommendations needed by July 2014
- ▶ **Population Focus: July 2014 – July 2015**

# Discussion-- Initial Staff Thoughts on Possible Approaches for Next Phase of Work

