# Maryland Health Services Cost Review Commission

## New All-Payer Model for Maryland
## Work group Kick-Off Meeting
## 02/06/2014



HSCRC
Health Services Cost Review Commission

# Presentation Outline

- Overview of New Payment Model
  - Donna Kinzer
- HSCRC Background and Rate Setting
  - Jerry Schmith
- Current Payment Policies
  - Sule Calikoglu
- Advisory Council Report Status
  - Donna Kinzer
- Workgroup Descriptions and Process
  - Steve Ports

# New All-Payer Model

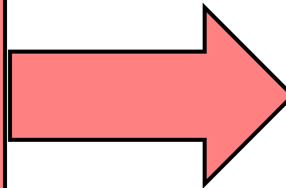
- New Model Approved by CMS January 1, 2014
  - Implementation effective January 1, 2014
- Focus on new approaches to rate regulation
- Would move Maryland to an **all payer**, **total hospital** payment **per capita** test.
  - Shifts focus to population health and delivery system redesign

# All-Payer Model

- **A five year model** focused on improving health care quality, delivery of services, and the affordability of health care
- **A new approach to Maryland's all-payer hospital waiver—**from Medicare payment per admission, to a new model that focuses on overall hospital expenditures
- **Strong incentives for better outcomes at lower cost**, moving to global and episode reimbursement models with strong incentives for improved quality and reductions of preventable utilizations and conditions

# Maryland's Hypothesis

Maryland's All Payer Model



- Enhance Patient Experience
- Better Population Health
- Lower Total Cost of Care

- **An all payer system that is accountable for the total cost of care on a per capita basis is an effective model for establishing policies and incentives to drive system progress toward achieving the three part aim.**



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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 for 3 years
- **Medicare payment savings** for Maryland beneficiaries* compared to dynamic national trend. Minimum of $330 million in savings
  - Limited use of differential
- **Patient and population centered measures** and targets to assure care and population health improvement
  - Medicare readmission reductions to national average
  - Continued aggressive reductions in preventable conditions under Maryland's Hospital Acquired Condition program (MHAC)
  - Many Others

*Includes services provided outside of Maryland

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# Creates New Context for HSCRC

- 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
- Priority tasks:
  - Transition to population/global and patient-centered payment approaches for hospital services.
  - Major data and infrastructure requirements

Better care

Better health

Lower cost

# What Does This Mean?

- New Model represents an unprecedented effort to improve health, outcomes and control costs
- Focus shifts to gain control of the revenue budget and on providing the right volumes and reducing avoidable utilization
- Potential for excess capacity will demand focus on cost control and opportunities to optimize capacity
- Opens up new avenues for innovation

# 2 Phases

- Phase 1 (5 years)
  - 2014-2018
  - Hospital inpatient and outpatient
- Phase 2
  - Proposal submitted end of 2016
  - Focus on controlling growth in total health spending
  - If approved, would begin in 2019

# Proposal Integrates with Other Critical Health Reforms Underway

- Aligns hospital incentives with those of medical homes, a key feature of Maryland's State Innovation Model proposal
- Aligns with work of Health Enterprise Zones (HEZs)
- Aligns with major investments made in information technology, including the state's Health Information Exchange
- Aligns with public health goals of State Health Improvement Process

**These efforts will come together in a Phase 2 proposal, to be submitted in Phase 1 Year 4. This proposal will further advance the three-part aim:**

- **Enhance Patient Experience**
- **Better Population Health**
- **Constrain Cost of Care Growth**



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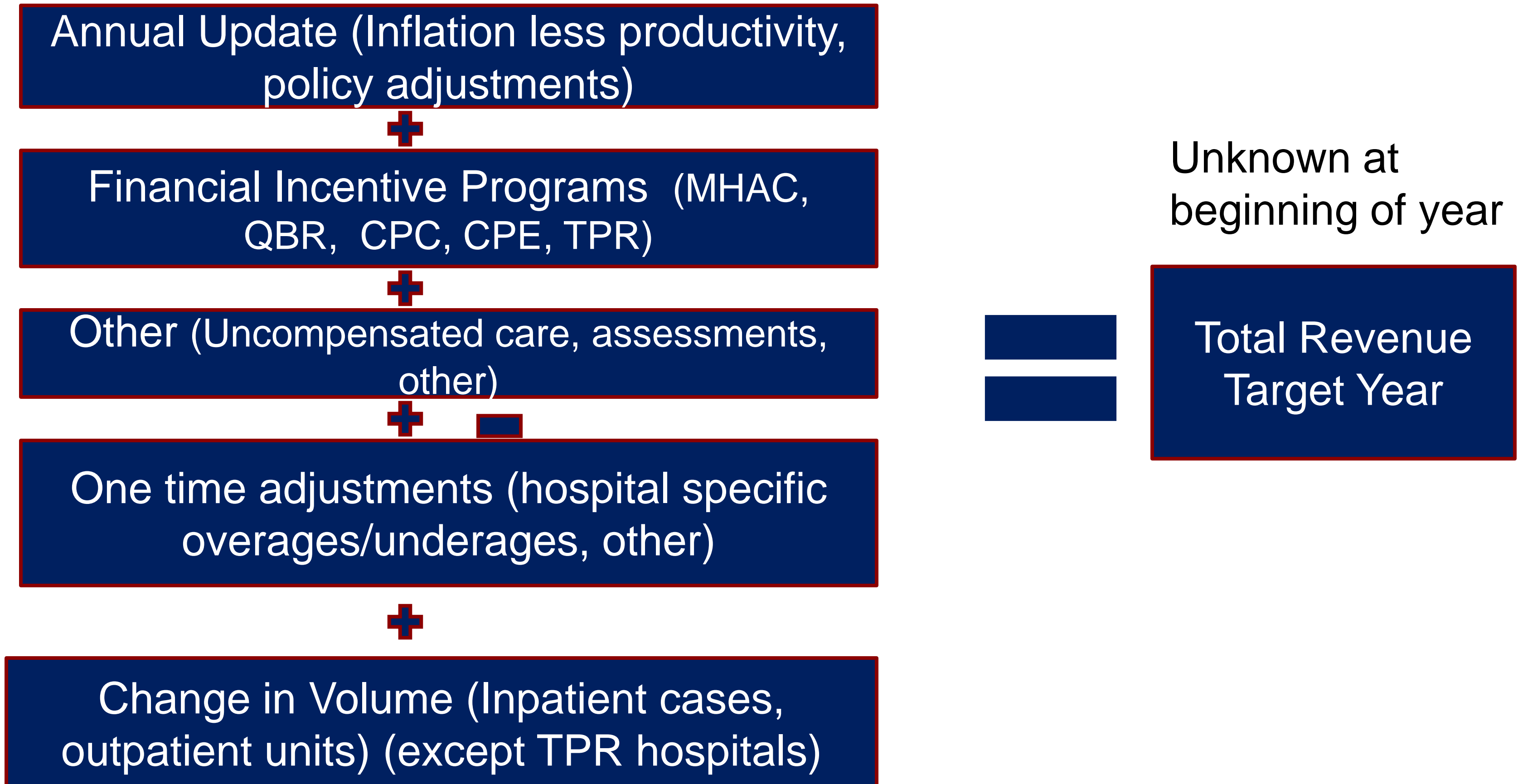
# Review: Current Rate Setting Components

- The current system focuses on unit rates and charge per case



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# Change in Approach Under Population Based System – Major Paradigm Shift

- The new approach will shift the focus to total revenue