



Balanced Updates Under the All-payer Model

Presentation to HSCRC Payment Model
Work Group

March 13, 2014

Balanced Update - Overview

- Guiding Principles
- Revenue Allocation Under All-payer Cap
- Hospitals/revenues outside of global budget caps
- Policy considerations

Guiding Principles

- Set update as close to the 3.58% per capita growth target as possible
- Set update to cover costs necessary to address the challenges of the new waiver
- Set update so that all stakeholders share responsibility for Medicare savings

Revenue Allocation Under Global Budgets

- Market basket inflation
- Population Growth
- Germantown facility
- Incentives for quality-based pay for performance programs
- Assessments

Revenue Allocation Under Global Budgets

- Medicare/Medicaid differential
- Uncompensated care funding
- Market share adjustments
- Infrastructure investment
- All other

Revenue Allocation Under Global Budgets

Maximum revenue growth allowance	4.31% (1.0358 per capita X 1.007 population growth)	FY 2015 \$603,999,999
	Adjustment for market basket inflation	\$336,662,400 2.40%
	Adjustment for population growth	\$98,193,200 0.70%
	Adjustment for Germantown facility	0
	Incentive for readmission reduction	0
	Incentive for PPC reduction	0
	Incentive for QBR improvement	0
	Adjustment for assessments	0
	Adjustment for Medicare savings (differential)	0
	Uncompensated care adjustment	0
	Market share adjustment	0
	Infrastructure investment	0
Remaining	All other purposes, including but not limited to, capital policy, new technology and innovation, volume/case-mix growth for hospitals outside of global budgets, overage/underage policy.	\$169,144,399 1.16%

Projected National Medicare Spending Per Beneficiary (CBO, May 2013)

	2013	2014	2015	2016	2017	2018
Hospital inpatient (\$billion)	145	146	152	159	166	177
Hospital outpatient (\$billion)	36	39	42	47	51	56
Part A FFS beneficiaries (million)	37	38	39	40	41	42
Part B beneficiaries (million)	48	49	51	52	54	55
Hospital inpatient spending per beneficiary	\$3,919	\$3,842	\$3,897	\$3,975	\$4,049	\$4,214
Hospital outpatient spending per beneficiary	\$750	\$796	\$824	\$904	\$944	\$1,018
Total spending per beneficiary	\$4,669	\$4,638	\$4,721	\$4,879	\$4,993	\$5,232
Growth rate in total spending per beneficiary		-0.66%	1.79%	3.34%	2.34%	4.79%

Revenue Outside of Global Budgets

- Hospitals that do not opt to be under global budgets
- GBR revenue exclusion from global caps
- Non-MD resident revenues at MD hospitals
- Psychiatric hospitals

Policy Considerations

- Market share adjustments under global budgets
- Uncompensated care (UCC) funding policy
- Capital funding policy
- Compliance adjustments policy
- Overage/underage policy