

**IN RE: THE APPLICATION FOR  
ALTERNATIVE METHOD OF RATE  
DETERMINATION  
JOHNS HOPKINS HEALTH  
SYSTEM  
BALTIMORE, MARYLAND**

**\* BEFORE THE MARYLAND HEALTH  
\* SERVICES COST REVIEW  
\* COMMISSION  
\* DOCKET: 2010  
\* FOLIO: 1908  
\* PROCEEDING: 2098A**

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**Commission Approved  
January 12, 2011**

## **I. INTRODUCTION**

Johns Hopkins Health System (“System”) filed an application with the HSCRC on December 23, 2009 on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the “Hospitals”), requesting approval to continue to participate in a re-negotiated global price arrangement with Aetna Health, Inc. for solid organ and bone marrow transplant services. The revised arrangement again covers blood and bone marrow transplants, which were covered in prior years but discontinued last year. The Hospitals request that the Commission approve the arrangement for one year beginning January 1, 2011.

## **II. OVERVIEW OF APPLICATION**

The contract will be held and administered by Johns Hopkins HealthCare, LLC (“JHHC”), which is a subsidiary of the System. JHHC will continue to manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

## **III. FEE DEVELOPMENT**

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments calculated for cases that exceed a specific length of stay outlier threshold were similarly adjusted.

## **IV. IDENTIFICATION AND ASSESSMENT OF RISK**

The Hospitals will submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System

contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear risk of potential losses.

## **V. STAFF EVALUATION**

The staff found that the actual experience under the prior arrangement for the last year's solid organ transplants has been favorable. In addition, after review of the data, staff is confident that the global prices for bone marrow transplant services are sufficient to enable the Hospitals to achieve a favorable result.

## **VI. STAFF RECOMMENDATION**

Staff recommends that the Commission approve the Hospitals' application for an alternative method of rate determination for solid organ and bone marrow transplant services for a one year period beginning January 1, 2011. The Hospitals must file a renewal application annually for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**LIFE TRAC, INC NETWORK GLOBAL PRICE ARRANGEMENT FOR SOLID ORGAN  
AND BLOOD AND MARROW TRANSPLANTS**

**Solid Transplant Procedures**

Kidney – DRG 652

Pancreas - DRG 010

Simultaneous Pancreas Kidney – DRG 008

Lung (single and double) – DRG 007

Heart – DRG 001

Liver – DRG 005

**Blood and Marrow Transplant: DRG 009**

Autologous Transplant & 2<sup>nd</sup> Auto Tandem – ICD-9 codes 41.01, 41.04, or 41.09

Allogeneic Transplant (Related Donor) ICD-9 codes 41.02, 41.03, 41.05, or 41.08  
(*myelobative and non-myelobative*)

Allogeneic Transplant (Unrelated Donor) ICD-9 codes 41.02, 41.03, 41.05, or  
41.08 (*myellobative*)