

**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: 2011
* FOLIO: 1939
* PROCEEDING: 2129A**

Staff Recommendation

September 14, 2011

This recommendation was unanimously approved by the Commission on September 14, 2011.
The Chairman, John M. Colmers, recused himself from participation in this proceeding.

I. INTRODUCTION

Johns Hopkins Health System (“System”) filed a renewal application with the HSCRC on August 3, 2011 on behalf of the Johns Hopkins Bayview Medical Center (the “Hospital”) requesting approval from the HSCRC for continued participation in a capitation arrangement among the System, the Maryland Department of Health and Mental Hygiene (DHMH), and the Centers for Medicare and Medicaid Services (CMS). The Hospital, doing business as Hopkins Elder Plus (“HEP”), serves as a provider in the federal “Program of All-inclusive Care for the Elderly” (“PACE”). Under this program, HEP provides services for a Medicare and Medicaid dually eligible population of frail elderly. The requested approval is for a period of one year effective September 1, 2011.

II. OVERVIEW OF APPLICATION

The parties to the contract include the System, DHMH, and CMS. The contract covers medical services provided to the PACE population. The assumptions for enrollment, utilization, and unit costs were developed on the basis of historical HEP experience for the PACE population as previously reviewed by an actuarial consultant. The System will assume the risks under the agreement, and all Maryland hospital services will be paid based on HSCRC rates.

III. STAFF EVALUATION

Staff found that the experience under this arrangement for FY 2011 was unfavorable. According to the program administrator, losses in FY 2011 were associated with several exceedingly complex cases, as well as the increased cost of providing assisted living services. However, in order to constrain costs, HEP has decided that beginning in September 2011 it will close its own assisted living facility and will utilize other assisted living facilities on a contractual basis.

III. STAFF RECOMMENDATION

Based on the initiatives being taken by HEP, staff recommends that the Commission: 1)

waive the requirement that an application be filed 30 days prior to the effective date of an alternative rate determination arrangement; and 2) approve the Hospital's renewal application for an alternative method of rate determination for one year beginning September 1, 2011. The Hospital will need to file a renewal application for review to be considered 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 Hospital for the approved contract. This document formalizes the understanding between the Commission and the Hospital, and includes 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 also stipulates that operating losses under the contract cannot be used to justify future requests for rate increases.