

**Final Staff Recommendations regarding Modifications to the HSCRC's
Mechanism for Financing Uncompensated Care**

Health Services Cost Review Commission
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Background

Since its inception the Health Services Cost Review Commission (the “HSCRC” or “Commission”) has recognized the reasonable cost of uncompensated care (“UC”) as part of a hospital’s full financial requirements. Indeed, the need to finance care to the uninsured was one major health policy concern leading to the formation of the hospital rate setting system in the 1970s. Equitable financing of hospital UC is made possible because of the State’s unique Medicare waiver and has traditionally been accomplished by adding a “reasonable” provision in the approved rates of every hospital. The magnitude of each hospital’s UC provision (or “add-on”) is a function of the characteristics of the patients its serve. As expected, hospitals in areas with relatively larger numbers of uninsured patients generate higher levels of UC and have higher provisions in their rates to cover this burden.

Studies on Alternative Financing of Hospital UC

As hospital uncompensated care has increased in both relative and absolute terms the General Assembly and the HSCRC have been actively involved in efforts to modify and improve the UC funding mechanism. In 1992, following the elimination of the Medicaid State Only program, in response to State budget deficits, General Assembly passed HB 924, which instructed the HSCRC to study alternative methodologies in order to “promote the equitable distribution of the cost of uncompensated care among hospitals.” HB 924 also gave the Commission the authority to implement an “alternative financing mechanism.” The task force created by the Commission (the 1992 UC Task Force), which included broad representation from hospitals and payers in the State, concluded that the pooling of uncompensated care represented the most appropriate way of ensuring an equitable financing of the UC burden throughout the hospital system.

The 1992 UC Task Force was aware of issue related to the federal ERISA law that raised questions as to the authority of states to establish a regional pooling mechanism of this nature. For this reason, it was recommended that the Commission delay implementation of the UC pool until the ERISA issues were resolved. In April of 1995, the Supreme Court of the United States handed down its decision in the “Travelers” case, which affirmed the ability of states to required self-insured plans to participate in pooling mechanism. This effectively cleared the way for the HSCRC to resolve outstanding technical and rate-setting issues surrounding the pooling initiative.

UC Pooling Compromise and Implementation

In 1996 however, the Maryland Hospital Association (the “MHA”) adopted a new policy which raised objections to the full pooling approach. In order to forge a compromise and move ahead with the pooling concept the Commission adopted and implemented a “partial pooling” approach. This approach enabled the HSCRC to create a UC fund or pool from an assessment of 0.75% on each hospital. This assessment generated a fund of approximately \$90 million each year. This fund then was reallocated to the subset of hospitals with the highest levels of UC in their rates. Those “high” UC hospitals then would finance their UC burdens in part through their

rate structure (UC provisions in their rates up to some pre-determined threshold level) and in part from payments from the UC pool. This approach did result in a more equitable financing of the UC burden in the system and reduced the range in the UC provisions in rates from hospital to hospital, but it stopped short of 100% pooling of hospital UC. Table 1 provides a simplified and illustrative example of the Partial Pooling approach adopted in 1997 (which is currently still in effect).

Table 1
Example of Partial Pooling

Annual Patient Revenue	\$11.0 Billion
State-wide Assessment	0.75% on all Hospitals
Generates a UC Pool	\$83 million
Annual Hospital UC	\$770 million
State-wide Average UC	7.0%
Pre-determined UC Threshold	8.5%

Partial Pooling					
	Policy Determined UC Provisions (in rates)	UC Provision (in rates)	Pool Assessment	Total UC (in rates)	Payment from UC Pool
<u>High UC Hospitals</u>					
Hospital 1	14.0%	8.5%	0.75%	9.25%	5.50%
Hospital 2	12.0%	8.5%	0.75%	9.25%	3.50%
Hospital 3	10.0%	8.5%	0.75%	9.25%	1.50%
Hospital 4	9.0%	8.5%	0.75%	9.25%	0.50%
Hospital 5	8.7%	8.5%	0.75%	9.25%	0.20%
<u>Low UC Hospitals</u>					
Hospital 1	5.0%	5.0%	0.75%	5.75%	0.00%
Hospital 2	4.0%	4.0%	0.75%	4.75%	0.00%
Hospital 3	3.5%	3.5%	0.75%	4.25%	0.00%
Hospital 4	3.0%	3.0%	0.75%	3.75%	0.00%
Hospital 5	2.0%	2.0%	0.75%	2.75%	0.00%

2008 Budget Deficits and Request from the Secretary of Health

In October of this year, in reaction to growing State budget deficits stemming from slowing economic activity and reduced State revenues, the Secretary of Health asked the staff of the HSCRC to identify modifications to the rate system that would help reduce Medicaid expenditures. In contrast to previous such requests from the Department of Health and Mental Hygiene however, there was a priority placed on focusing on initiatives that would encourage a reduction in unnecessary or inappropriate care and/or other mechanisms that could reduce Medicaid expenditures without substantially cutting hospital payments. Yet, the Secretary also

articulated a desire to avoid the use of previously employed mechanisms that reduced Medicaid expenditures by arbitrarily shifting costs to other payers (as had been done in 1991 with the elimination of the Medicaid State Only program and in 2003-2008 with the imposition of Medicaid Day Limits). Future initiatives to facilitate reductions in Medicaid expenditures should be designed based on some overarching policy rationale and/or improve overall incentives in the hospital rate system. It was clear to staff, that failure to identify initiatives of this nature would inevitably lead to more arbitrary (and possibly “capricious”) cuts in Medicaid spending and eligibility. For the balance of this document the terms UC Fund and UC Pool are used interchangeably.

Pooling of Shock Trauma UC and 100% Pooling of Uncompensated Care

In response to the Secretary’s request, the staff investigated the potential impact on Medicaid of : 1) including the University of Maryland Shock Trauma Center in the existing UC Pool (previously the Shock Trauma Center, which generates between 22 -24% uncompensated care annually was not included in the UC Pool); and 2) move the system to 100% pooling of all hospital UC.

When the existing UC Pool was first established in 1997, the staff was granted authority by the Commission to include Shock Trauma in the UC Pool. However, at the time, staff and the industry agreed it was not necessary to pool UC generated by the Shock Trauma Center because, as a State-wide resource, the care provide by Shock Trauma was relatively price-insensitive and not vulnerable to changes in market share due to any lack of competitiveness caused by high UC levels built into its rate structure. Given the existence of this authority however, following discussions with representatives of both the hospital and payer industries, staff decided to include the University of Maryland Shock Trauma Center UC in the existing UC pool for FY 2009 (retroactive to July 1, 2008). Because Medicaid accounts for approximately 25% of payments to Shock Trauma, a spreading of the Center’s UC burden State-wide will result in a reduction overall payments by Medicaid and save the State approximately \$3.5 million in total expenditures and \$1.7 million in State general funds. This change will be accomplished with the issuance of FY 2009 rate orders in November of this year.

Additionally, the staff estimated that a move to 100% pooling of all Maryland hospital UC (including the pooling of Shock Trauma UC) would result in annual savings of about \$10 million to Medicaid (or about \$4.9 million in State General Funds).

Again, this savings results because Medicaid patients are concentrated at facilities that have higher overall levels of UC and thus higher rates due to their higher UC provisions. The 100% UC pooling proposal contemplates incorporating the State-wide average level of hospital UC into the rate structures of all facilities. Thus, after 100% pooling, hospitals treating higher proportions of the uninsured (and also higher proportions of Medicaid patients) will see their rates reduced and payers with a higher proportion of their patients being treated at these facilities will see reduced overall expenditures. Conversely, payers with patients concentrated at hospitals with previously lower UC provisions (relative to the State-wide) average will, under 100% pooling of hospital UC, see increased rate levels and will experience higher expenditures.

The staff believes this new system however is justified in that it fulfills the original intent of HB 924, namely implementation of the broadest and most equitable mechanism for financing the overall State burden of providing care to the uninsured. Table 2 below provides a simplified and illustrative example of a 100% UC pooling alternative.

Table 2
Example of Full Pooling

Annual Patient Revenue	\$11.0 Billion
Annual Hospital UC	\$770 million
State-wide Average UC	7.0%
Pre-determined UC Threshold	8.5%

100% Pooling					
	Policy Determined UC Provisions (in rates)	UC Provision (in rates)	Pool Assessment	Total UC (in rates)	Payment from UC Pool
<u>High UC Hospitals</u>					
Hospital 1	15.0%	7.0%	NA	7.0%	8.0%
Hospital 2	12.0%	7.0%	NA	7.0%	5.0%
Hospital 3	10.0%	7.0%	NA	7.0%	3.0%
Hospital 4	9.0%	7.0%	NA	7.0%	2.0%
Hospital 5	8.0%	7.0%	NA	7.0%	1.0%
<u>Low UC Hospitals</u>					
Hospital 1	5.0%	7.0%	NA	7.0%	2.0%
Hospital 2	4.0%	7.0%	NA	7.0%	3.0%
Hospital 3	3.5%	7.0%	NA	7.0%	3.5%
Hospital 4	3.0%	7.0%	NA	7.0%	4.0%
Hospital 5	2.0%	7.0%	NA	7.0%	5.0%

Exhibits 1 and 2 to this recommendation provide more complete estimates of the impacts of a 100% pooling initiative for all Maryland hospitals.

Discussions with the Industry and Operational and Technical Considerations

As mentioned, in advance of this final recommendation the staff has discussed these two proposals (first pooling Shock Trauma UC retroactive to July 1, 2008 and full pooling of all hospital UC effective December 2008) with representatives of the hospital and payer industries. All representatives were generally supportive of these initiatives. The major concerns centered on the implementation and timing of the 100% Pooling proposal.

Timing of Full Pooling

Staff's intent is to implement 100% pooling effective December 2008 in order to capture some Medicaid savings in FY 2009. Savings from the initiation of full pooling will flow directly back to the Medicaid program for all "fee for service" Medicaid patients. To capture savings associated with payments to Medicaid Managed Care ("MCOs") patients, the Department will need to adjust Medicaid Managed Care Organization capitation rates commensurate with the anticipated change in hospital rates State-wide as a result of 100% pooling. Anticipated impacts by hospital can easily be provided to the Department to ensure appropriate MCO rate adjustments.

Additionally, in order to implement the full pooling December 2008, the HSCRC would need to authorize both an increase in all low UC hospital rates and a reduction of all high UC hospital rates effective December 1, 2008. Lower UC hospitals will require time to collect and accumulate revenues associated with their higher UC provisions (for approximately 30-60 days) prior to paying such accumulated surplus amounts into the broader State-wide pool. Owing to a current surplus in the existing UC pool staff has estimated that payments to high UC hospitals (in order to further reduce the magnitude of their UC in rate to State-wide levels) can commence December 2008. It is anticipated that additional funding (from low UC hospitals) will be available to permit continued operation of full pooling starting February 1, 2009. As articulated in the final regulations proposed November 5, 2008, the HSCRC would instruct the low UC hospitals to remit funds in excess of their approved UC provisions to the UC Fund on a monthly basis beginning in February.

Operational Considerations of Full Pooling

Full pooling of hospital UC is already authorized under the HSCRC's existing statute. To accomplish 100% pooling of hospital UC in Maryland, the Commission must issue regulations that enable HSCRC to make a special adjustment to UC provision of each hospital's "mark-up" (the mark-up between approved cost and final rates), to bring that mark-up to equal the average amount of State-wide uncompensated care. The Commission would notify each facility in writing of the amount due to be remitted from that hospital (if any) to the broader UC Fund or Pool. Conversely, hospitals which approved UC provisions in excess of the State-wide average level of UC would receive payment from the UC fund equal to the difference between their approved provisions and the State-wide average UC.

On or before the first business day of each month (beginning February 1, 2009), the HSCRC would direct the General Accounting Division to arrange for the collection of the amount due to be remitted by individual hospitals. This amount shall be based on the difference between a hospital's approved uncompensated care provision and the State-wide UC average.

Revenue Neutrality

It would be the intent of the Commission that the implementation of full UC pooling would be revenue neutral for all hospitals. That is, while some hospitals' rates will increase and some hospitals' rates will decrease as a result of 100% pooling, every hospital will continue to receive

the same net payment levels in the absence of this proposal.

The HSCRC will consult with representative of the hospital industry and the MHA's Technical Issues Task Force to ensure that hospitals do not experience net cash flow increases or reductions as a result of this initiative.

If necessary, a year-end reconciliation will be undertaken to ensure revenue and cash-flow neutrality for the FY 2009 and subsequent years.

Staff Recommendations

1. Implement 100% pooling of all approved levels of hospital uncompensated care effective December 2008¹. This initiative will require that the Commission increase the UC mark-ups of low uncompensated care hospitals and decrease the markups of low uncompensated care hospitals effective in December 2008 in order to generate sufficient additional funding early in FY 2009 to finance additional pooled uncompensated care.
2. Beginning December 2008, the HSCRC will lower the mark-ups of high uncompensated care hospitals (hospitals with approved UC provisions based on the FY 2009 UC policy that are in excess of the State-wide average UC level).
3. Also beginning in December 2008 (and in each subsequent month), these high uncompensated care hospitals will receive a monthly proportion of the difference between the State-wide UC average and their approved UC provision directly from the UC Fund or Pool.
4. In January and subsequent months, the HSCRC staff will instruct the low UC hospitals (those with approved UC levels below the State-wide average) to remit (effective February 1 and the first of all subsequent months) an amount that based on the difference between a hospitals' uncompensated care provision in its mark-up and the State-wide average UC.
5. The HSCRC staff will undertake all necessary calculations and work closely with the hospital and payer industries to ensure this proposal is revenue neutral and cash flow neutral for all hospitals (relative to what would have occurred in the absence of this initiative).

¹ Note: The exact day of implementation is dependent on the date on which the Joint Committee on Administrative, Executive, and Legislative Review grants emergency status for the attached proposed regulations under COMAR 10.37.09 entitled Fee Assessment for Financing Hospital Uncompensated Care.

Appendix 1 – FY 2009 UC Policy Result

Uncompensated Care Policy Results for FY 2009

	Policy Results July 1, 2008	Markup	Adjustment to UCC % for Averted BD	In Rates AFTER July 1, 2008 Adjusted for Averted BD	Markup
WASHINGTON CO.	7.04%	1.126022	-0.37%	6.67%	1.121443
UNIVERSITY OF MD.	9.61%	1.159955	-0.92%	8.69%	1.147950
PRINCE GEORGE	13.91%	1.218358	-0.56%	13.35%	1.210266
HOLY CROSS	6.66%	1.114270	-0.23%	6.43%	1.111479
FREDERICK MEM.	5.82%	1.106239	-0.20%	5.62%	1.103845
HARFORD MEM.	8.58%	1.140519	-0.34%	8.24%	1.136201
ST. JOSEPH'S	2.90%	1.075303	-0.09%	2.81%	1.074284
MERCY	8.25%	1.137974	-0.46%	7.79%	1.132166
JOHNS HOPKINS	6.16%	1.109699	-0.51%	5.65%	1.103578
DORCHESTER GEN.	8.83%	1.152465	-0.58%	8.25%	1.144965
ST. AGNES	7.39%	1.132797	-0.32%	7.07%	1.128787
SINAI	7.52%	1.131441	-0.46%	7.06%	1.125700
BON SECOURS	14.33%	1.231351	-0.27%	14.06%	1.231351
FRANKLIN SQUARE	8.44%	1.144781	-0.51%	7.93%	1.138268
WASHINGTON ADV.	7.56%	1.133150	-0.27%	7.29%	1.129762
GARRETT CO.	8.79%	1.154621	-0.71%	8.08%	1.145419
MONTGOMERY GEN.	6.24%	1.114991	-0.21%	6.03%	1.112439
PENINSULA GEN.	5.84%	1.112759	-0.28%	5.56%	1.109372
SUBURBAN	4.81%	1.097153	-0.10%	4.71%	1.095974
ANNE ARUNDEL GEN.	4.49%	1.088280	-0.13%	4.36%	1.086969
UNION MEM.	6.66%	1.122744	-0.33%	6.33%	1.118682
MEM. CUMBERLAND	5.49%	1.107079	-0.63%	4.86%	1.099563
SACRED HEART	4.29%	1.100299	-0.23%	4.06%	1.097577
MARY'S	6.87%	1.119329	-0.36%	6.51%	1.114927
BAYVIEW	9.04%	1.153680	-0.36%	8.68%	1.149003
CHESTER RIVER	7.86%	1.134281	-0.47%	7.39%	1.128386
UNION OF CECIL	8.02%	1.135078	-0.13%	7.89%	1.133439
CARROLL CO. GEN.	5.40%	1.104713	-0.23%	5.17%	1.101969
HARBOR HOSP.	9.57%	1.159666	-0.52%	9.05%	1.152853
CIVISTA	6.41%	1.116276	-0.31%	6.10%	1.112503
MEM. EASTON	6.39%	1.121774	-0.47%	5.92%	1.116008
MARYLAND GEN.	12.00%	1.201688	-0.41%	11.59%	1.195914
CALVERT MEMORIAL	6.35%	1.113469	-0.21%	6.14%	1.110924
NORTHWEST	7.52%	1.133318	-0.22%	7.30%	1.130556
BALTIMORE/WASHING	6.96%	1.120479	-0.23%	6.73%	1.117656
G.B.M.C.	2.64%	1.067284	-0.10%	2.54%	1.066169
MCCREADY	8.51%	1.151359	-1.67%	6.84%	1.130065
HOWARD CO. GEN.	6.05%	1.105576	-0.32%	5.73%	1.101756
UPPER CHESAPEAKE	5.69%	1.104440	-0.22%	5.47%	1.101816
DR'S COMMUNITY HO	8.56%	1.141869	-0.31%	8.25%	1.137922
SOUTHERN MD.	7.59%	1.131195	-0.20%	7.39%	1.128966
LAUREL REGIONAL	11.34%	1.178099	-0.27%	11.07%	1.174438
FORT WASHINGTON	10.24%	1.161470	-0.64%	9.60%	1.153070
ATLANTIC GENERAL	6.10%	1.114652	-0.46%	5.64%	1.109079
KERNANS	6.04%	1.113214	-0.16%	5.88%	1.111274
GOOD SAMARITAN	6.01%	1.118159	-0.29%	5.72%	1.114617
SHADY GROVE	6.91%	1.117712	-0.31%	6.60%	1.113929
HOCK TRAUMA	21.08%	1.320081	0.00%	21.08%	1.320081
CANCER CENTER	9.28%	1.148232	0.00%	9.28%	1.148232
State-wide Total	7.35%	1.133182	-0.41%	6.97%	1.119121
				-0.38%	

Appendix 2a and 2b – Medicaid Impact of Pooling Shock Trauma and Incremental Impact to Medicaid of Full Pooling

Projected Medicaid Savings for Inclusion of Shock Trauma Center
 Increased Payouts from 85,524,661 to 92,064,240 6,539,579 INCREASE
 Re-establishes Limit at 7.15% (currently 6.85%)

	Gross Rev Before Redistribution	Gross Rev After Redistribution	Difference	Current Gross Rev After Redistribution	Difference	FSS Medicaid Percent	Total Medicaid Savings	State Medicaid Savings	Medicare Percent FY 2007	Gross Medicare Difference	Current Medicare Gross Revenue	Impact on Medicare
WASHINGTON CO.	232,488,641	232,488,641	0	232,488,641	(0)	2.61%	(0)	(0)	46.52%	108,163,816		(0)
UNIVERSITY OF MD.	912,647,899	897,058,647	(15,589,251)	894,092,653	2,965,995	11.64%	345,365	162,322	28.43%	254,234,192	843,377	
PRINCE GEORGE	270,211,425	251,699,876	(18,511,548)	250,868,394	831,483	16.50%	137,159	64,465	28.48%	71,459,857	236,848	
HOLY CROSS	388,096,704	388,096,704	0	388,096,704	0	8.35%	0	0	28.83%	111,897,960	0	
FREDERICK MEM.	253,136,956	253,136,956	0	253,136,956	0	2.71%	0	0	38.49%	97,432,674	0	
HARFORD MEM.	90,235,256	89,155,124	(1,080,132)	88,861,840	293,284	2.20%	6,455	3,034	40.10%	35,629,549	117,593	
ST. JOSEPH'S	371,701,703	371,701,703	0	371,701,703	0	1.60%	0	0	47.10%	175,056,533	0	
MERCY	360,872,199	358,318,897	(2,553,302)	357,138,548	1,180,349	5.06%	59,699	28,058	31.53%	112,620,130	372,211	
JOHNS HOPKINS	1,546,567,464	1,546,567,464	0	1,546,567,464	0	6.03%	0	0	26.78%	414,129,714	0	
DORCHESTER GEN.	50,830,441	50,210,671	(619,770)	50,044,266	166,405	5.57%	9,276	4,360	48.32%	24,180,382	80,403	
ST. AGNES	343,444,838	343,444,838	0	342,599,188	845,650	5.47%	46,234	21,730	41.58%	142,467,833	351,659	
SINAI	613,959,687	613,959,687	0	612,538,610	1,421,076	6.60%	93,728	44,052	37.38%	228,983,911	531,238	
BON SECOURS	113,588,434	104,845,895	(8,742,539)	104,496,715	349,180	10.85%	37,871	17,800	41.79%	43,668,389	145,920	
FRANKLIN SQUARE	408,168,048	404,648,903	(3,519,145)	403,310,856	1,338,046	6.93%	92,765	43,599	38.68%	156,005,625	517,573	
WASHINGTON ADV.	277,843,776	277,415,719	(428,057)	276,498,743	916,976	7.30%	66,910	31,448	42.33%	117,028,797	388,112	
GARRETT CO.	35,763,942	35,394,447	(369,495)	35,276,878	117,569	13.77%	16,193	7,611	46.03%	16,239,634	54,122	
MONTGOMERY GEN.	134,981,914	134,981,914	0	134,981,914	(0)	1.40%	(0)	(0)	49.41%	66,701,013	(0)	
PENINSULA GEN.	367,879,062	367,879,062	0	367,879,062	(0)	1.45%	(0)	(0)	51.21%	188,385,369	(0)	
SUBURBAN	224,435,792	224,435,792	0	224,435,792	0	1.11%	0	0	49.15%	110,304,006	0	
ANNE ARUNDEL GEN.	359,860,248	359,860,248	0	359,860,248	0	1.90%	0	0	34.86%	125,463,792	0	
UNION MEM.	410,945,032	410,945,032	0	410,945,032	0	5.93%	0	0	43.79%	179,960,353	0	
MEM. CUMBERLAND	104,232,998	104,232,998	(0)	104,232,998	(0)	3.39%	(0)	(0)	43.24%	45,071,344	(0)	
SACRED HEART	156,110,810	156,110,810	(0)	156,110,810	0	5.66%	0	0	56.25%	87,813,316	0	
ST. MARY'S	117,748,883	117,748,883	0	117,748,883	0	2.19%	0	0	37.04%	43,613,893	0	
BAYVIEW	513,913,805	505,234,238	(8,679,567)	503,561,900	1,672,337	10.92%	182,630	85,836	33.68%	169,623,279	563,322	
CHESTER RIVER	61,554,840	61,394,279	(160,561)	61,191,808	202,472	1.46%	2,959	1,391	45.55%	27,871,096	92,220	
UNION OF CECIL	118,850,110	117,881,162	(968,948)	117,492,831	388,331	3.78%	14,666	6,893	38.90%	45,704,718	151,061	
CARROLL CO. GEN.	185,096,327	185,096,327	0	185,096,327	(0)	6.52%	(0)	(0)	44.10%	81,621,985	(0)	
HARBOR HOSP.	199,854,715	195,657,831	(4,196,883)	195,010,745	647,087	5.07%	32,805	15,418	36.93%	72,021,068	238,981	
CIVISTA	100,839,708	100,839,708	(0)	100,839,708	0	2.76%	0	0	42.83%	43,185,815	0	
MEM. EASTON	147,386,652	147,386,652	0	147,386,652	(0)	3.30%	(0)	(0)	51.26%	75,551,747	(0)	
MARYLAND GEN.	198,037,456	188,249,230	(9,788,225)	187,622,159	627,072	14.68%	92,068	43,272	34.16%	64,089,764	214,201	
CALVERT MEMORIAL	104,208,515	104,208,515	0	104,208,515	(0)	3.51%	(0)	(0)	38.12%	39,725,522	(0)	
NORTHWEST	211,970,567	211,608,438	(362,130)	210,908,610	699,827	4.76%	33,287	15,645	48.16%	101,563,151	337,002	
BALTIMORE/WASHING	292,923,445	292,923,445	0	292,923,445	(0)	1.04%	(0)	(0)	42.93%	125,739,003	(0)	
G.B.M.C.	369,778,002	369,778,002	0	369,778,002	0	1.50%	0	0	36.27%	134,130,123	0	
MCCREADY	17,261,804	17,261,804	0	17,261,804	(0)	1.50%	(0)	(0)	44.61%	7,700,735	(0)	
HOWARD CO. GEN.	208,931,226	208,931,226	(0)	208,931,226	(0)	2.85%	(0)	(0)	33.14%	69,234,387	(0)	
UPPER CHESAPEAKE	184,359,753	184,359,753	0	184,359,753	(0)	0.84%	(0)	(0)	38.94%	71,792,674	(0)	
DR'S COMMUNITY HO	184,961,185	182,712,733	(2,248,452)	182,110,889	601,844	3.95%	23,752	11,164	41.26%	75,135,642	248,310	
SOUTHERN MD.	229,634,034	229,035,053	(598,981)	228,279,334	755,719	3.90%	29,468	13,850	38.80%	88,576,538	293,233	
LAUREL REGIONAL	100,373,201	96,042,384	(4,330,817)	95,726,118	316,266	5.79%	18,298	8,600	37.22%	35,631,377	117,721	
FORT WASHINGTON	48,050,781	46,756,430	(1,294,351)	46,602,701	153,729	3.55%	5,457	2,565	36.30%	16,918,536	55,809	
ATLANTIC GENERAL	73,192,673	73,192,673	0	73,192,673	0	0.61%	0	0	52.01%	38,064,146	0	
KERNANS	101,113,255	101,113,255	0	101,113,255	(0)	15.31%	(0)	(0)	30.75%	31,090,568	(0)	
GOOD SAMARITAN	264,716,683	264,716,683	0	264,716,683	(0)	4.84%	(0)	(0)	52.97%	140,228,717	(0)	
SHADY GROVE	297,576,202	297,576,202	0	297,576,202	(0)	4.95%	(0)	(0)	30.56%	90,929,903	(0)	
SHOCK TRAUMA	177,533,883	150,425,735	(27,108,147)	177,533,883	(27,108,147)	20.53%	(5,564,935)	(2,615,520)	12.11%	21,500,938	(3,283,039)	
CANCER CENTER	61,335,534	61,335,534	0	61,335,534	(0)	9.49%	(0)	(0)	29.17%	17,890,704	(0)	
	12,598,688,016	12,498,673,653	(100,014,363)	12,488,056,202	(10,617,451)		(4,217,890)	(1,982,409)	37.17%	4,642,034,215	2,667,878	0.06%

Appendix 3 – Estimated Payments into and out of the UC Fund (Full Pooling)

Calculation of Payments To and From Fund

Based on Full Pooling of UCC

July 1, 2008 to June 30, 2009

	July 1, 2008 REVENUE ADJ. FOR NEW MU	July 1, 2008 REVENUE After .75% Removed	NEW MARK UP FROM ALGORITHM	NET REVENUE	POLICY FINAL RESULT 7/01/08	NEW \$ AMOUNT UCC COST	NEW UCC MAXIMUM RATE 6.9700%	PERCENT DIFFERENCE	NEW APPROVED MARK UP (INCL. MAX)	GROSS REVENUE AT NEW UCC \$0	COLLECTED NET REV. AT NEW UCC	PAYMENT FROM (TO) HOSPITALS	OVERAGE PAYMENT FROM HOSPITALS	SHORTAGE- PAYMENT (TO) HOSPITALS
	Q		W	X	Y	Z	AA	AB	AC	AD	AE	AF	AI	AJ
WASHINGTON CO.	232,488,641	\$230,744,976	1.121443	205,757,215	6.67%	13,729,794	6.91%	0.24%	1.124370	231,347,324	206,294,333	537,118	537,118	0
UNIVERSITY OF MD.	912,647,899	\$905,803,040	1.147950	789,061,470	8.69%	68,606,844	6.91%	-1.79%	1.125351	887,971,412	773,528,015	(15,533,454)	0	(15,533,454)
PRINCE GEORGE	270,211,425	\$268,184,839	1.210266	221,591,731	13.35%	29,584,436	6.91%	-6.44%	1.124368	249,150,726	205,864,511	(15,727,220)	0	(15,727,220)
HOLY CROSS	388,096,704	\$385,185,979	1.111479	346,552,732	6.43%	22,266,252	6.91%	0.48%	1.117377	387,230,193	348,391,937	1,839,184	1,839,184	0
FREDERICK MEM.	253,136,956	\$251,238,428	1.103845	227,602,920	5.62%	12,795,613	6.91%	1.29%	1.119441	257,787,934	230,818,502	3,215,582	3,215,582	0
HARFORD MEM.	90,235,256	\$89,558,491	1.136201	78,822,771	8.24%	6,493,460	6.91%	-1.33%	1.119641	88,253,169	77,673,924	(1,148,848)	0	(1,148,848)
ST. JOSEPH'S	371,701,703	\$368,913,940	1.074284	343,404,534	8.21%	9,658,049	6.91%	4.10%	1.122713	385,544,835	358,885,447	15,480,913	15,480,913	0
MERCY	360,872,199	\$358,165,658	1.132166	316,354,358	7.79%	24,651,086	6.91%	-0.88%	1.121188	354,692,601	313,286,736	(3,067,622)	0	(3,067,622)
JOHNS HOPKINS	1,546,567,464	\$1,534,968,208	1.103578	1,390,901,674	5.65%	78,642,975	6.91%	1.26%	1.118770	1,556,099,433	1,410,049,599	19,147,925	19,147,925	0
DORCHESTER GEN.	50,830,441	\$50,449,213	1.144965	44,061,814	8.25%	3,635,126	6.91%	-1.34%	1.128000	49,701,724	43,408,965	(652,849)	0	(652,849)
ST. AGNES	343,444,838	\$340,869,002	1.128787	301,978,096	7.07%	21,359,316	6.91%	-0.16%	1.126750	340,253,924	301,433,195	(544,901)	0	(544,901)
SINAI	613,959,687	\$609,354,989	1.125700	541,312,201	7.06%	38,218,255	6.91%	-0.15%	1.123833	608,344,437	540,414,491	(897,710)	0	(897,710)
BON SECOURS	113,069,946	\$112,221,921	1.225731	91,555,112	13.68%	12,524,739	6.91%	-6.77%	1.133545	103,781,795	84,669,321	(6,885,791)	0	(6,885,791)
FRANKLIN SQUARE	408,168,048	\$405,106,788	1.138268	355,897,506	7.93%	28,221,353	6.91%	-1.02%	1.125464	400,549,689	351,893,969	(4,003,537)	0	(4,003,537)
WASHINGTON ADV.	277,843,776	\$275,759,947	1.129762	244,086,688	7.29%	17,792,372	6.91%	-0.38%	1.125033	274,605,694	243,065,010	(1,021,678)	0	(1,021,678)
GARRETT CO.	35,763,942	\$35,495,712	1.145419	30,989,288	8.08%	2,503,934	6.91%	-1.17%	1.130567	35,035,468	30,587,475	(4,018,133)	0	(4,018,133)
MONTGOMERY GEN.	134,981,914	\$133,969,550	1.112439	120,428,716	6.03%	7,267,744	6.91%	0.87%	1.123150	135,259,558	121,588,338	1,159,622	1,159,622	0
PENINSULA GEN.	367,879,062	\$365,119,969	1.109372	329,123,198	5.56%	18,302,143	6.91%	1.35%	1.125882	370,553,916	334,021,418	4,898,221	4,898,221	0
SUBURBAN	224,435,792	\$222,752,524	1.095974	203,246,148	4.71%	9,563,945	6.91%	2.20%	1.122549	228,153,719	208,174,362	4,928,214	4,928,214	0
ANNE ARUNDEL GEN.	359,860,248	\$357,161,297	1.086969	328,584,721	4.36%	15,589,585	6.91%	2.54%	1.117256	367,113,228	337,740,396	9,155,674	9,155,674	0
UNION MEM.	410,945,032	\$407,862,945	1.118682	364,592,253	6.33%	23,090,162	6.91%	0.58%	1.125799	410,457,458	366,911,512	2,319,258	2,319,258	0
MEM. CUMBERLAND	104,232,998	\$103,451,250	1.099563	94,083,956	4.86%	4,571,062	6.91%	2.05%	1.124417	105,789,565	96,210,541	2,126,585	2,126,585	0
SACRED HEART	156,110,810	\$154,939,978	1.097577	141,165,433	4.06%	5,730,642	6.91%	2.85%	1.132290	159,840,276	145,630,083	4,464,649	4,464,649	0
ST. MARY'S	117,748,883	\$116,865,766	1.114927	104,819,248	6.51%	6,824,464	6.91%	0.40%	1.119809	117,377,513	105,278,244	458,996	458,996	0
BAYVIEW	513,913,805	\$510,059,451	1.149003	443,914,745	8.68%	44,251,028	6.91%	-1.77%	1.126601	500,114,722	435,259,652	(8,655,093)	0	(8,655,093)
CHESTER RIVER	61,554,840	\$61,093,179	1.128386	54,142,101	7.39%	3,999,206	6.91%	-0.48%	1.122468	60,772,767	53,858,145	(283,956)	0	(283,956)
UNION OF CECIL	118,850,110	\$117,958,734	1.133439	104,071,514	7.89%	8,211,242	6.91%	-0.98%	1.121231	116,688,157	102,950,522	(1,120,993)	0	(1,120,993)
CARROLL CO. GEN.	185,096,327	\$183,708,104	1.101969	166,708,953	5.17%	8,610,964	6.91%	1.74%	1.123127	187,235,406	169,909,861	3,200,908	3,200,908	0
HARBOR HOSP.	199,854,715	\$198,355,804	1.152853	172,056,512	9.05%	15,568,678	6.91%	-2.14%	1.125652	193,675,674	167,996,903	(4,059,609)	0	(4,059,609)
CIVISTA	100,839,708	\$100,083,410	1.112503	89,962,335	6.10%	5,491,616	6.91%	0.81%	1.122358	100,969,985	90,759,254	796,919	796,919	0
MEM. EASTON	147,386,652	\$146,281,252	1.116008	131,075,492	5.92%	7,759,130	6.91%	0.99%	1.128225	147,882,666	132,510,441	1,434,949	1,434,949	0
MARYLAND GEN.	198,037,456	\$196,552,175	1.195914	164,353,158	11.59%	19,042,852	6.91%	-4.68%	1.133769	186,338,556	155,812,725	(8,540,432)	0	(8,540,432)
CALVERT MEMORIAL	104,208,515	\$103,426,951	1.110924	93,099,961	6.14%	5,712,076	6.91%	0.77%	1.120368	104,306,234	93,891,449	791,488	791,488	0
NORTHWEST	211,970,567	\$210,380,788	1.130556	186,086,198	7.30%	13,592,590	6.91%	-0.39%	1.125633	209,464,698	185,275,897	(810,301)	0	(810,301)
BALTIMORE/WASHING	292,923,445	\$290,726,519	1.117656	260,121,680	6.73%	17,508,282	6.91%	0.18%	1.119850	291,297,366	260,632,434	510,754	510,754	0
G.B.M.C.	369,778,002	\$367,004,667	1.066169	344,227,424	2.54%	8,743,377	6.91%	4.37%	1.117176	384,562,579	360,695,648	16,468,224	16,468,224	0
MCCREADY	17,261,804	\$17,132,341	1.130065	15,160,485	6.84%	1,037,591	6.91%	0.07%	1.130888	17,144,810	15,171,519	11,034	11,034	0
HOWARD CO. GEN.	208,931,226	\$207,364,241	1.101756	188,212,514	5.73%	10,786,342	6.91%	1.18%	1.115959	210,037,507	190,638,882	2,426,368	2,426,368	0
UPPER CHESAPEAKE	184,359,753	\$182,977,055	1.101816	166,068,546	5.47%	9,088,430	6.91%	1.44%	1.119182	185,861,001	168,685,992	2,617,447	2,617,447	0
DR'S COMMUNITY HO	184,961,185	\$183,573,976	1.137922	161,323,891	8.25%	13,314,884	6.91%	-1.34%	1.121121	180,863,653	158,942,073	(2,381,819)	0	(2,381,819)
SOUTHERN MD.	229,634,034	\$227,911,779	1.128966	201,876,542	7.39%	14,911,361	6.91%	0.48%	1.123044	226,716,155	200,817,499	(1,059,042)	0	(1,059,042)
LAUREL REGIONAL	100,373,201	\$99,620,402	1.174438	84,823,898	11.07%	9,388,204	6.91%	-4.16%	1.120798	95,070,493	80,949,783	(3,874,116)	0	(3,874,116)
FORT WASHINGTON	48,050,781	\$47,690,400	1.153070	41,359,488	9.60%	3,970,424	6.91%	-2.69%	1.119053	46,283,474	40,139,332	(1,220,156)	0	(1,220,156)
ATLANTIC GENERAL	73,192,673	\$72,643,728	1.109079	65,499,138	5.64%	3,696,251	6.91%	1.27%	1.124560	73,657,678	66,413,366	914,227	914,227	0
KERNANS	101,113,255	\$100,354,905	1.111274	90,306,138	5.88%	5,310,137	6.91%	1.03%	1.123876	101,492,897	91,330,180	1,024,041	1,024,041	0
GOOD SAMARITAN	264,716,683	\$262,731,308	1.114617	235,714,369	5.72%	13,473,456	6.91%	1.19%	1.129343	266,202,374	238,828,502	3,114,133	3,114,133	0
SHADY GROVE	297,576,202	\$295,344,380	1.113929	265,137,482	6.60%	17,497,342	6.91%	0.31%	1.117716	296,348,467	266,038,874	901,391	901,391	0
SHOCK TRAUMA	177,533,883	\$176,202,378	1.320081	133,478,483	21.08%	28,137,264	6.91%	-14.17%	1.115576	148,905,354	112,800,184	(20,678,299)	0	(20,678,299)
CANCER CENTER	61,335,534	\$60,875,517	1.148232	53,016,718	9.28%	4,919,951	6.91%	-2.37%	1.118402	59,294,028	51,639,393	(1,377,326)	0	(1,377,326)
	12,598,688,016	12,504,197,856	1.123692895	11,127,771,573	6.97%	775,646,032	6.97%	-0.00%	1.122694	12,493,082,292	11,127,768,835	(2,738)	103,943,826	(103,946,564)

Appendix 4 – Proposed Regulation

Title 10 DEPARTMENT OF HEALTH AND MENTAL HYGIENE
Subtitle 37 HEALTH SERVICES COST REVIEW COMMISSION

**Chapter 09 Fee Assessment for Financing Hospital
Uncompensated Care**

**Authority: Health-General Article, §19-207; 19-213; and 19-214,
Annotated Code of Maryland**

.01 Definitions

- A. In this chapter, the following terms have the meanings indicated:
- B. Terms Defined.

[(1)] (1) "Assessment" means the dollar amount that the Health Services Cost Review Commission directs be collected from hospitals for a given month to finance the reasonable total costs of hospital uncompensated care and to reduce uncompensated care.]

[(2)] (1) "Automated clearing house (ACH)", as defined in COMAR 03.01.02.01B, means a central clearing organization that operates as a clearing house for transmitting or receiving entries between banks and bank accounts, and authorizes an electronic transfer of funds between banks or bank accounts.

[(3)] (2) "Commission" means the Health Services Cost Review Commission.

[(4)] (3) "Comptroller" means the Comptroller of the Treasury or the Comptroller's designee.

[(5)] (4) ["Fee"] "Remittance" means the amount each hospital remits to the General Accounting Division pursuant to the predetermined formula established by the Commission to provide funding for the Commission's Uncompensated Care Fund.

[(6)] (5) "General Accounting Division" means the Fiscal Services Administration for the Department of Health and Mental Hygiene.

(7) - (11) Repealed

[(12)] (7) "Health Services Cost Review Commission Fund" means the special fund established under Health-General Article, §19-213 (d), Annotated Code of

Maryland.

[(13)] (8) "Hospital" means an institution that is licensed by the Department of Health and Mental Hygiene as an acute general hospital.

[(14)] (9) "Hospital Uncompensated Care Fund" means the monies that are collected from hospitals for the equitable financing of hospital uncompensated care and which are a discrete part of the Health Services Cost Review Commission Fund.

[(15)] (10) "Interest" means the investment earnings generated from the investment and reinvestment of the monies of the Hospital Uncompensated Care Fund which are separately held by the Treasury, accounted for by the Comptroller, and retained to the credit of the Health Services Cost Review Commission Fund.

(11) "Mark-up" means the mechanism used to increase hospital rates to allow for payer differentials, working capital (prompt payment) differentials, and a provision for uncompensated care.

[(16)] "Request for proposals" means the documents used for soliciting proposals from hospitals for hospital sponsored programs that have the potential for reducing hospital uncompensated care.]

(12) "Special Rate Adjustment" means an adjustment to a hospital's rates, which will bring the hospital's uncompensated care provision of its mark-up to the statewide uncompensated care average.

[(17)] (13) "Treasury" means the State Treasury.

(18) - (19) Repealed

[(20)] (14) "Wire transfer" means an electronic transaction in which a hospital through the hospital's bank and an automated clearing house, or suitable alternative, originates an entry crediting the Health Services Cost Review Commission Fund's bank account and debiting the hospital's bank account on the same day the transaction is initiated.

.02 [Method of Fee Assessment and Collection.] Special Rate Adjustment and Collection.

A. The Commission shall [assess a fee on all acute general hospitals] make a special rate adjustment to the uncompensated care provision of each hospital's mark-up to pay for the financing of the reasonable costs of hospital uncompensated care. The Commission shall notify [each hospital] hospitals in writing of the amount [of the fee to be assessed] due to be remitted in a given month before the first day of that month.

B. On or before the first business day of each month, the Commission shall direct the General Accounting Division to arrange for the collection of [a monthly fee not to exceed 1.25% of the total gross operating revenue from each hospital whose rates have been approved by the Commission.] the amount due to be remitted by individual hospitals. This amount shall be based on the difference between a hospital's uncompensated care provision in its mark-up and the statewide uncompensated care average.

C. The Commission shall, at the same time, notify the General Accounting Division in writing of the:

- (1) Hospitals [to be assessed a fee] due to remit for that month;
- (2) Amount of the [assessment on each hospital] remittance for that month;
- (3) - (5) Text Unchanged

D. Text Unchanged

.03 Payment of [Fee Assessment] Remittance Due

A. By [April 1, 1997] January 1, 2009, each hospital shall provide the Commission with sufficient banking information to facilitate the collection and disbursement of funds by the ACH or other wire transfer method. Each hospital shall initiate or authorize the ACH or other wire transfer method as directed by the Commission.

B. On or before the 5th business day of each month, each hospital [assessed a fee] identified as due to remit monies in accordance with these regulations shall make payment into the Hospital Uncompensated Care Fund in the manner prescribed by the Commission.

C. On or before the 5th business day of each month, the Comptroller shall transfer monies out of the Hospital Uncompensated Care Fund and distribute monies to hospitals in the manner prescribed by the Commission.

.04 Use of Funds

- A. Funds generated through the [fee assessment] special rate adjustment and the remittance due may only be used to finance the delivery of hospital uncompensated care [and to fund the Uncompensated Care Reduction Program].
- B. Interest earned from the monies collected shall be retained to the credit of the Hospital Uncompensated Care Fund.

C. Interest earned may be used to pay for the reasonable expenses associated with implementation of the alternative methodology approved by the Commission for financing the reasonable costs of hospital uncompensated care [and for reducing uncompensated care. The cost of procuring the Program Administrator is considered a reasonable expense for purposes of implementing the Uncompensated Care Reduction Program].

.05 Uncompensated Care Reduction Program. (Repealed)

.06 Failure or Delay in Paying [Fees] Remittance/Penalties.

(A) - (B) Text Unchanged

C. In addition to the penalties the Commission may impose on a hospital that fails to pay the [fee] remittance in a timely manner, the Commission may refer the hospital's delinquent account to the Department of Budget and Fiscal Planning's Central Collection Unit pursuant to the procedures in State Finance and Procurement Article, Title 3, Subtitle 3, Annotated Code of Maryland.

(D) - (F) Text Unchanged.