August 17, 2022

Dennis R. Schrader
Acting Secretary, Maryland Department of Health
Maryland Department of Health
201 W. Preston Street
Baltimore, MD 21201

Dear Secretary Schrader,

In January 2022 CMS and the State of Maryland initiated negotiations to agree on a methodology for calculating the compounded annual savings targets for Model Years (MY) 6 (2024) through MY 8 (2026) of the Maryland Total Cost of Care (TCOC) Model in accordance with Section 6.d of the Maryland Total Cost of Care Model State Agreement. Negotiations concluded in April 2022 with CMS and the State of Maryland mutually agreeing to use the compounded annual savings targets specified in Section 6.c.ii of the TCOC State Agreement.

With the conclusion of the compounded annual savings targets negotiation, CMS and the State are entering into a Memorandum of Understanding (MOU) that memorializes the agreed upon compounded annual savings targets for Model Years (MY) 6 (2024) through MY 8 (2026) and formalize the State's commitment to improve quality performance and advance other Model priorities. It is imperative that the State prioritize the activities identified in each of the four (4) domains outlined in the MOU, including advancement in Hospital Quality Performance, Medicaid Alignment, Total Population Health, and Health Equity. As such, the activities in each domain should be comprehensively integrated and aligned across the spectrum of healthcare delivery.

CMS and the State are mutually committed to the continued success of the TCOC Model and will work collaboratively to advance the goals of the Model, as well as determine the future of the Model. If CMS expands the Model or agrees to a new model test, in accordance with Section 2.ii of the Maryland Total Cost of Care State Agreement, CMS and the State will work in partnership to agree upon the terms of the model; this includes, but not limited to, the development of a methodology to assess savings potential.

The mutual decision to come to an early agreement on the compounded annual savings targets allows CMS and the State to strengthen performance in other areas of the Model that have the greatest potential to improve the health of all Marylanders and focus on the Model's future. CMS looks forward to our continued partnership and collaboration as we work to transform healthcare in Maryalnd.

Sincerely,

Elizabeth Fowler

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Elizabeth Fowler, Ph.D., J.D., Deputy Administrator and Director
U.S. Center for Medicare and Medicaid Innovation
7500 Security Boulevard
Baltimore, Maryland 21244

MEMORANDUM OF UNDERSTANDING BETWEEN THE CENTERS FOR MEDICARE & MEDICAID SERVICES AND STATE OF MARYLAND IN RELATION TO THE MARYLAND TOTAL COST OF CARE MODEL COMPOUNDED ANNUAL SAVINGS TARGETS AND MODEL IMPROVEMENTS

I. Purpose and Scope

Under the Maryland Total Cost of Care Model ("the Model") State Agreement ("Agreement"), CMS and the State of Maryland are testing whether statewide health care delivery transformation, in conjunction with population-based payments, improves population health and quality outcomes for individuals, while controlling the growth of Medicare total cost of care ("TCOC"). The purpose of this Memorandum of Understanding ("MOU") between the Centers for Medicare & Medicaid Services (CMS) and the Governor of Maryland, Maryland Department of Health, and the Health Services Cost Review Commission (collectively referred to as the "State") is to: (1) memorialize the agreed upon compounded annual savings targets for Model Years (MY) 6 (2024) through MY 8 (2026); and (2) formalize the State's commitment to improve quality performance and advance other Model priorities.

In accordance with Section 2.ii.2 of the Agreement, CMS will decide whether to expand the Model duration pursuant to Section 1115A(c) of the Act by the end of MY6 (2024). As noted in Section 2.ii.2 of the Agreement, CMS will only consider expanding the Model if CMS and the State have agreed upon a Compounded Savings Target in accordance with Section 6.d. of the Agreement. Section 6.d. of the Agreement requires CMS and the State to agree upon a Compounded Savings Target for MY 6 (2024) through MY 8 (2026) in MY5 (2023). This MOU satisfies Section 6.d. of the Agreement.

The State and CMS agree to strengthen critical areas of the Model in order to improve health outcomes for all Marylanders. This MOU identifies, in Section IV., the advancement and quality improvement activities that the State will undertake in furtherance of this goal.

The State and CMS are hereinafter collectively referred to as "the Parties." This MOU is not intended to constitute a legally binding or enforceable agreement or commitment on either Party. This MOU is not intended in any way to amend, modify, or replace the Agreement.

CMS is implementing the Model under Section 1115A of the Social Security Act ("Act"), which authorizes CMS, through its Center for Medicare and Medicaid Innovation ("Innovation Center"), to test innovative payment and service delivery models that have the potential to reduce Medicare, Medicaid, or Children's Health Insurance Program expenditures while maintaining or improving the quality of beneficiaries' care.

The Parties agree as follows:

II. Effective Date, Termination, Modification.

A. **Effective Date.** This MOU shall be effective when it is signed by the last Party to sign it (as indicated by the date associated with that Party's signature). This MOU shall remain in effect for the rest of the performance period of the model, through December 31, 2026, unless terminated in accordance with section II.B.

B. **Termination.** Either Party may terminate this MOU by providing at least 120 days' advance written notice to the other Party. If the State does not implement the commitments set forth in this MOU, CMS reserves the right to immediately terminate this MOU without advance written notice to the State. Termination of this MOU will not be grounds for termination of the performance period of the Model or the Agreement. If CMS or the State terminates the Agreement or the performance period of the Model, this MOU shall terminate automatically.

C. **Modification.** This MOU may be modified or amended only in a written instrument signed by both Parties.

III. Compounded Savings Targets.

A. **Overview.** The annual savings targets in Section III.B. of this MOU ensure that the growth rate in the Maryland Medicare TCOC per Beneficiary does not exceed the growth rate in the National Medicare TCOC per Beneficiary for MY 6 (2024), MY 7 (2025), or MY 8 (2026).

B. **Determination of Compounded Savings Targets and Annual Savings Targets.** The Parties will use a 2013 base period and the annual savings targets for each Model Year from MY 6 (2024) through MY 8 (2026) that are equal to the previous Model Year's Annual Savings Target plus $36 million. The annual savings target for Maryland Medicare TCOC per Beneficiary ("Annual Savings Target") for each Model Year from MY 6 (2024) through MY 8 (2026), shall be:

1. MY 6 (2024): $336 million
2. MY 7 (2025): $372 million
3. MY 8 (2026): $408 million

C. **State requirement to meet Annual Savings Targets.** As discussed in Section 2.C.ii.1.c of the Agreement, if the State fails to meet the applicable annual savings target for a given Model Year by more than $30 million during the Performance

Period of the Model, it will be either a Triggering Event or Other Event as such terms are defined in Section 12 of the Agreement.

IV. Framework for the State's commitment to improve quality performance and advance other Model priorities

A. **Overview.** The Parties agree to four (4) domains, Hospital Quality Performance, Medicaid Alignment, Total Population Health, and Health Equity, to guide improvement and advancement in the Model.

B. **Activities under each Domain**. Starting in MY 5 (2023) through the end of MY 8 (2026), the State will pursue the activities in each domain, as described in Section V.B.

1. Under the Hospital Quality Performance Domain, the State shall:
   i. Drive annual performance improvement in Regulated Maryland Hospital quality, including in hospital quality and value-based payment programs described in Section 8.d. of the Agreement; and
   ii. Facilitate greater hospital quality accountability and alignment with total population health and health equity strategic priorities across all policies including the Medicare Performance Adjustment[1], Care Transformation Initiatives[2], and the Care Redesign Program.

2. Under the Medicaid Alignment Domain, the State shall prioritize the development and implementation of a Maryland Primary Care Program (MDPCP) Medicaid alignment policy that includes safety net providers and suppliers and MDPCP-aligned quality measures.

3. Under the Total Population Health Domain, the State shall:
   i. Address a minimum of three population health priorities as required in Section 7 of the Agreement;

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[1] As described in Section 8.c.i. of the Agreement, the State submits to CMS a proposed MPA calculation methodology for each Model Year during the Performance Period of the Model. CMS approved the State's Medicare Performance Adjustment Proposal for Performance Year 2022, where the State stated it "will strengthen accountability for quality performance by working with stakeholders to increase MPA and CTI quality adjustment score weights in the MPA for PY 2023" and "will also work with stakeholders to assess the measures and share of risk related to quality under the MPA and implement agreed upon changes in an update to this policy for CY2023. Any modification to the quality measures included in the MPA adjustment will use measures being utilized in other programs, including SIHIS."

[2] Care Transformation Initiatives as referenced *in Final Recommendation for the Medicare Performance Adjustment Framework*. Health Services Cost Review Commission. https://hscrc.maryland.gov/Documents/Work%20Group%20Uploads/Total%20Cost%20of%20Care%20(TCOC)/MPA%20Y3%20Final%20Recommendations%20and%20Memos/Final%20Recommendation%20for%20the%20MPA%20Framework_final.pdf. October 16, 2019.

ii. Uphold Statewide Integrated Health Improvement Strategy (SIHIS) performance expectations and expand the engagement of non-hospital providers;
iii. Align the hospital quality program measures developed and administered by the State with the SIHIS in accordance with Section 8.d. of the Agreement; and
iv. Implement policies, at a Regulated Maryland Hospital level, to track population health investments, population health goals, progress against those goals and increase accountability through the use of financial incentives and/or penalties to facilitate the advancement of population health goals.

4. Under the Health Equity Domain, the State shall:
   i. Expand SIHIS's policies, programs, and public-private partnerships to close the gaps in health care access, quality, and outcomes for underserved populations; and
   ii. Expand and standardize the collection and use of data including race, ethnicity, preferred language, sexual orientation, gender identity, disability, income, geography, and other data elements in compliance with the Health Insurance Portability and Accountability Act and other protected health information laws to improve the ability for primary care providers and Regulated Maryland Hospitals to address health disparities.

C. State reporting for Activities under each Domain. Beginning in MY 5 (2023), the State shall report on the State's progress on the activities under each domain as described in Sections IV.B.1 through IV.B.4 of this MOU, as part of the annual report that the State must submit to CMS by December 31st of each Model Year in accordance with Appendix D of the Agreement. This progress report should include a description of:

1. The State's improvement initiatives for each activity including milestones, interim targets, and final targets, based on available data;
2. Policy and Model advancements as a result of the State's performance of each activity; and
3. Any public and private investments to complete each activity.

V. Resource Responsibilities. This MOU represents the broad outline of CMS's and the State's intent to commit to the compounded savings targets and annual savings targets as discussed in Section III of this MOU; and the State's intent to commit to improve quality performance and advance other Model priorities as discussed in Section IV of this MOU. Each party shall bear its own costs and expenses in fulfilling its responsibilities under this MOU, including without limitation its own expenses for travel and accommodation. This MOU does not commit CMS to any obligation or expenditure of Federal funds.

Expenditures by CMS will be subject to its budgetary processes and to the availability of funds and resources pursuant to applicable laws, regulations, and policies. The State agrees that any supplies or services it provides pursuant to this MOU are provided without expectation of payment from CMS, and the State agrees to waive any and all claims for such payment. Furthermore, while the parties intend to cooperate with respect to the activities outlined herein, neither party will be required to commit funds, personnel or resources under this MOU.

VI. Signatures

Each Party is signing this MOU on the date stated opposite that Party's signature. If a Party signs but fails to date a signature, the date that the other Party receives the signing Party's signature will be deemed to be the date that the signing Party signed this MOU. This MOU may be signed by autopen or electronic signature (e.g., DocuSign or similar electronic signature technology) and may be transmitted by electronic means. Copies of this MOU and any amendments hereto that are so executed and delivered have the same force and effect as if executed with handwritten signatures and physically delivered.

Centers for Medicare & Medicaid Services

Date: August 17, 2022

By: Elizabeth Fowler

Elizabeth Fowler, Ph.D., J.D., Deputy Administrator and Director of the Center for Medicare and Medicaid Innovation

Governor of Maryland

Date: 8/5/22

By:

Lawrence Joseph Hogan, Jr., Governor

Maryland Department of Health

Date: August 3, 2022

By:

Dennis R. Schrader, Secretary of Health

Health Services Cost Review Commission

Date: August 3, 2022

By: Adam Kane

Adam Kane, Esq., Chairman