maryland health services cost review commission

TO: Hospital CFOs

FROM: Cait Cooksey, Deputy Director, Hospital Rate Regulation

DATE: July 2, 2024

RE: CDS-A Advanced Funding

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The CDS-A adjustment was instituted in 2016 to provide funding for high-cost outpatient drugs. These drugs are incorporated into GBRs as volume-based funding outside of the population-based approach. Staff has worked since 2016 to improve this adjustment and in 2019, moved to a fixed statewide drug list that is updated annually based on specified criteria. This funding is provided to hospitals with qualifying drugs in two distinct buckets: 1) 50 percent funding on all changes in volume drug level (cost measured at either ASP or 340B) and 2) differential inflation in the update factor for drug price inflation. As previously discussed with the hospital field, Staff are revising the CDS-A policy to accelerate the funding of the CDS-A adjustment by applying estimated funding on July 1 instead of waiting until the following January.

Beginning July 1, 2024, hospitals who receive a CDS-A adjustment in the mid-year rate updates will see an interim adjustment in the July 1 rate files. As these adjustments are intended as a temporary placeholder the process is being established to minimize the administrative burden to hospitals and the HSCRC. Therefore, the adjustments will be calculated automatically based on casemix data submitted by the hospital. These adjustments are based on the estimated year over year change in volume as per the following logic:

1. Current Year volume (FY 24) is calculated by doubling the FY24 Q1 and Q2 (6-month data) measured utilization.
2. Prior Year volume (FY 23) is as per the final CDS-A measured utilization, except for instances where a drug was newly introduced to the list in FY24. In those instances, volume was calculated based on reported units from casemix.
3. The cost for each year is then measured by extending the measured units by a standard cost reference (either 340B or ASP).
4. The difference by drug is then calculated by taking the FY24 cost minus the FY23 cost. This is then summed into an aggregate figure by hospital.
5. Hospitals' volumes identified as potential outliers have been excluded from this report. Outliers are identified using the same algorithm that is used to identify outliers during the annual CDS-A audit. Outliers are excluded to avoid making reimbursement adjustments on data that may be invalid.
6. Newly introduced drugs have been included in this report. For ASP hospitals, the ASP price (from the CMS July 2024 ASP pricing file) is used. For 340B hospitals, the 340B price is estimated by taking the 340B price at the Academic Medical Centers.
7. These values will be input into the rate files the way the January CDS-A adjustments are input
    a. Interim CDS-A Adjustment x 50% x markup input as a one-time adjustment
    b. Interim CDS-A Adjustment x 50% x markup input as a permanent adjustment
    c. Interim CDS-A Adjustment x 50% input as a volume adjustment
8. The differential inflation portion of the CDS-A adjustment will be based on the final audited January results, as such, no action will be taken in July on this portion of the adjustment.

These adjustments will be replaced in January, with the final audited CDS-A for the fiscal year. A hospital will not receive an interim CDS-A adjustment if there are significant data concerns, or the hospital received a deregulation adjustment for their outpatient oncology program in the previous fiscal year. In this instance, we will wait until the audited January adjustment to reconcile against what has already been taken out as deregulation. The July reports will be available for hospitals to review in the CRS portal. If you have any questions about what is outlined in this memo, please contact Karen Teague, Associate Director, Program Analytics at Karen.Teague@Maryland.gov.