

TO: Hospital CFOs
FROM: Jon Kromm, Executive Director
DATE: August 8, 2024
RE: Set Aside Funding

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A component of the Update Factor Recommendation that was approved by the Commission on June 14, 2024, earmarked approximately \$31.7 million in set-aside funding. The intention of the set-aside is to have these funds available for Global Budget Revenue enhancements to relatively efficient hospitals that qualify under the Integrated Efficiency policy. They are also available to address unforeseen events that occur at hospitals experiencing financial hardship, regardless of efficiency (e.g., cyberattacks).

Recognizing the volume of set-aside funding requests in recent months, hospitals, from now on, must submit a written request for this funding to be acted on by the Commission in a subsequent public meeting. This requirement will add to the transparency and equity of the set-aside process.

The following eligibility criteria must be met in either category A or category B, listed below, for a hospital to be eligible to submit a request for this funding:

A. Financial Hardship (hospitals must meet at least one of the following three criteria):

1. Below State Average Annual Operating Margin and Annual Regulated Operating Margin decline of more than 3 percent from one year to the next, and Annual Total Operating Margin decline of more than 1 percent from one year to the next;
2. 125 days or less cash on hand (actual or projected for the system); or
3. Two Consecutive Years of negative Cash Flow from Operating Activities (on the regulated entity).

B. Efficiency - Low-cost outlier as defined as best quartile performance in the Integrated Efficiency policy, and better than one standard deviation from the average volume adjusted ICC performance. Please note that final efficiency values will not be available until commercial benchmarking data is available in late August.

If a hospital intends to submit a request for a portion of this funding, the attached template must be completed. The attachment includes four tabs; however, the hospital will only need to fill out two depending on the criteria under which you are submitting your request --- either A – Financial Hardship or B – Efficiency. There will be a tab for data input to help determine if a hospital meets the eligibility criteria. Hospitals should input their hospital data in the blue boxes. Eligibility determination will then automatically update based on the information entered by the hospital. If you do not have a 'YES' populate in green for any of the criteria outlined, you are not eligible and should not submit a request for this funding. In addition to the data input, there is a field for the narrative portion of the request. If a hospital would prefer to submit the narrative in a different format, staff are amenable to that.

Please submit your request to hscrc.payment@maryland.gov no later than September 6, 2024. If your hospital meets the eligibility criteria and your request is approved via a Commission vote, funding will be provided in an amended rate order. Please note, hospitals that qualify under Integrated Efficiency will receive a permanent rate adjustment, while hospitals that qualify under financial hardship will receive one-time funding.

Questions regarding the attached template or process may be directed to hscrc.payment@maryland.gov.