



maryland
health services
cost review commission

Payment Model Workgroup

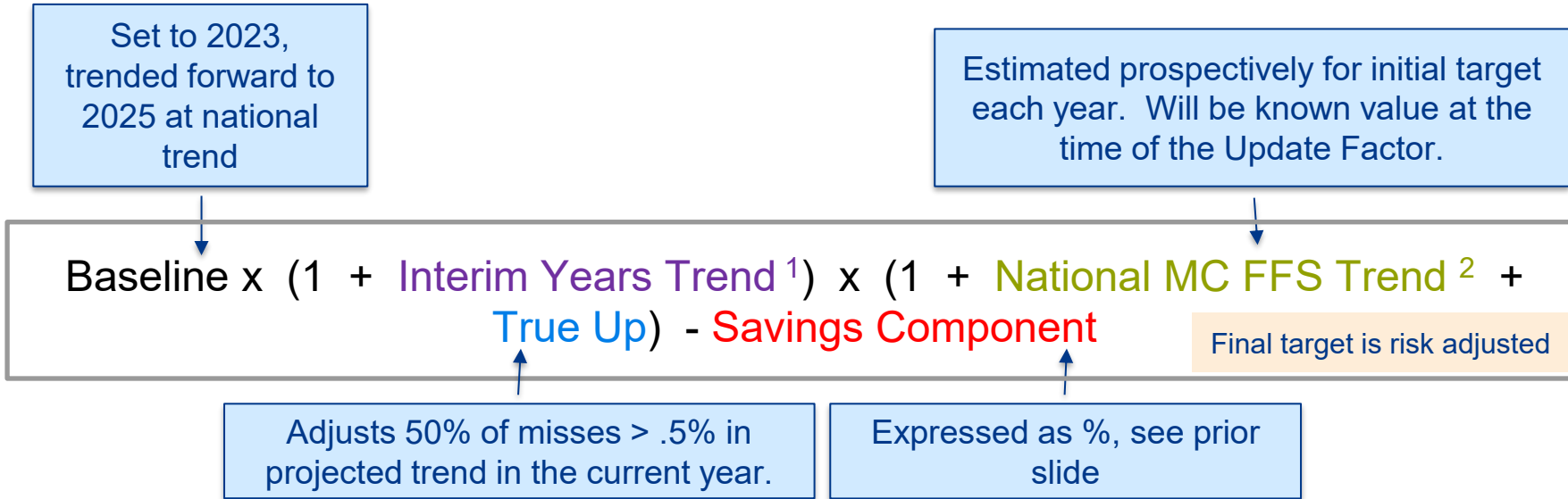
March 4, 2026

Key AHEAD Model Changes: Medicare FFS TCOC Target

Amended and Restated State Agreement (2025)	AHEAD State Agreement (2024)	TCOC Model
<p>Incremental reduction versus national trend in Medicare FFS spending each year, additions each year:</p> <ul style="list-style-type: none"> • PY1: 0.13% • PY2: 0.21% • PY3: 0.30% • PY4: 0.38% • PY5: 0.46% • PY6: 0.55% • PY7: 0.63% • PY8-10: 0% <p>= ~2.66% savings over seven years against a 2023 base</p>	<p>0.128% incremental reduction versus national trend in MC FFS spending each year, resulting in ~1.1% savings over the 10 years against a 2023 base</p>	<p>~4% savings over prior 10 years</p>

NEW: Any savings beyond these targets must be returned to the State (via hospital global budgets)

Medicare FFS TCOC Target: Current Understanding



Other considerations

1. Trends are based on published USPCC values.
2. 33% of trends is calculated against national \$ and added to MD \$ instead of applying trend to MD Base \$.
3. Final answer is risk adjusted using HCC scores
4. National trends are derived from USPCC trend adjusted to ensure apples-to-apples between USPCC trend and State TCOC calculations.

1. Actual National MC FFS Trend for 2024 and 2025.

2. The product of:

- Estimated National MC FFS for the **current year**,
- **Average** of Projected and Actual National MC FFS Trend for the **prior performance year**, and
- Actual National MC FFS Trend for **previous performance years**.

Prior year actual experience is only weighted 50% versus expectation, allowing time to adjust

Medicare FFS TCOC Target: Estimated 2026 Target

Example Target Calculation		
2023 Spend PBPY	A	\$14,107
2023 Spend PBPY, Risk Adjusted	B	\$14,433
Actual 2024 USPCC	C	7.23%
Actual 2025 USPCC	D	8.39%
2026 Projected USPCC Trend Less: Savings Component	E1 E2	4.29% (0.13%)
Cumulative Trend	$F=(1+C)*(1+D)*(1+E1+E2)$	21.06%
Apply Trend 1/3 to US dollars 2/3 to MD Dollars	G	20.18%
2026 Target	$H=B*(1+G)$	\$17,347

From Maryland's Amended and Restated AHEAD State Agreement

2023 Spend PBPY * Normalized State Average HCC Score (.9774)

This should be actual USPCC but that isn't available for 2025 yet, 8.39% is TCOC actual 2025 trend (current USPCC = 4.97%). Gap is significant and USPCC may take more time to reflect actuals.

This represents the 2026 expected trend released in April 2025, once actuals are available it will be trued as noted on prior slide

The trend is applied using a 1/3 weight on dollar based and 2/3 weight on percentage impact on the base.

MD 2026 risk adjuster would be applied to this value to translate back to MD risk-adjusted equivalent.

Medicare FFS TCOC Target: Example of 2026 Target

Open Items:

- Confirm actuals under AHEAD calculation methodology
- Confirm HSCRC understanding of the calculation with CMMI
- Confirm HCC methodology to be used
- Confirm timeline for finalization of USPCC values and final savings amount (for how long do we update actuals).