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Payment Models Workgroup

September 10, 2026

Agenda

1. Policy Calendar Update
2. Model Operations
3. Physician & Other Reports Update
4. Bridge Policy for CMS Global Budgets
5. Prospective UCC Fund Distribution
6. Future Engagement
7. Adjournment

HSCRC AHEAD Model Policy Timeline 2026-2027

FY 2027 Policy Development Goals

Evolve HSCRC policies in a way that:

- Maintains affordability for non-Medicare payers
- Maintains core incentives of the policies
- Coordinates with CMMI-designed Medicare fee-for-service (FFS) global budgets
- Provides hospitals with guidance about revenue policies in sufficient detail to: a) provide line of sight to total revenue streams starting in January 1, 2028; and b) to allow operational and financial planning
- Establishes the paths available to hospitals in event of financial disruptions during the transition

Policy Development Guidelines

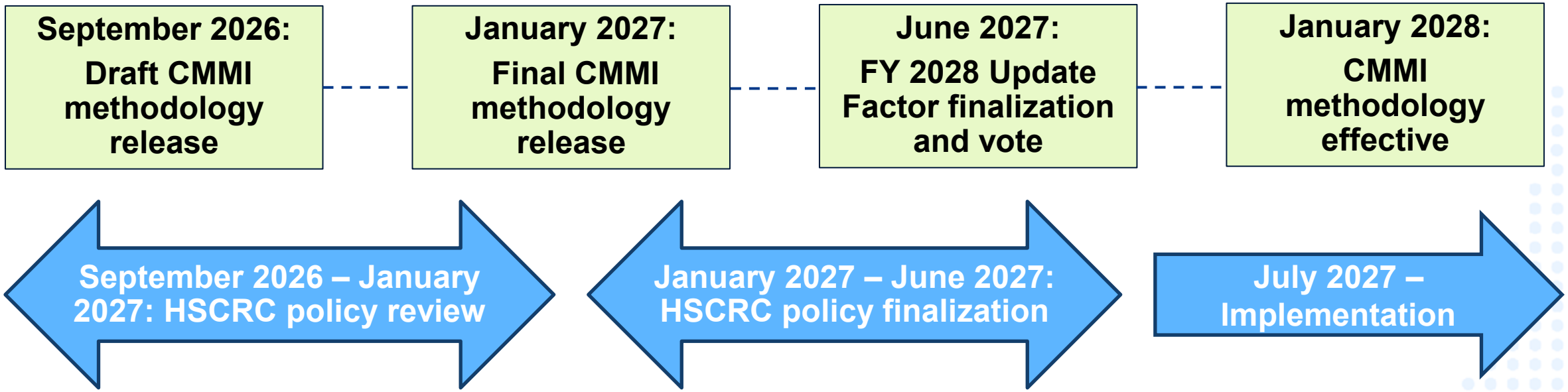
- Initially, the HSCRC approach will pursue incremental changes to HSCRC-managed policies. More substantive alterations will be pursued in the near term only where: 1) incremental change is not viable; or 2) there is consensus among hospitals, payers and the State that substantive change is necessary.
- HSCRC will align with CMMI policies where: 1) they are appropriate for populations under HSCRC hospital global budgets; 2) they align with the State's vision and goals for the health care system, as well as HSCRC's legislative mandate; and 3) the administrative cost of the transition to the CMMI approach is merited given the policy outcomes.
- As a result, the goal of the current workplan is to generate a 'Minimum Viable Product' for the bridge period and not a perfect end state. In the meantime, HSCRC will accumulate a list of ideas to incubate as the transition period progresses.

Policy Timeline 2026-2027: Looking AHEAD

Adjustments and Assessments	Funds and fees the support innovative partnerships, model operations and other state assessments
Financial Policies	Methodologies that inform the update factor
Quality Programs	Hospital quality initiatives that incentivize quality of care, in alignment with state and national priorities
Care Innovation	Initiatives that facilitate transformative programming to support hospital patients and communities
Model Operations	Review of HSCRC operational processes to ensure integration with new processes under the AHEAD Model
Multi-Agency and Legislative Initiatives	Policies that involve significant leadership outside HSCRC, with a role for HSCRC in policy development and implementation

Integrating with CMMI Timeline

HSCRC will manage its policy review and refinement activities in conjunction with ongoing changes in the CMMI methodology, *i.e.,* between the release of the draft and final Medicare FFS Hospital Global Budget methodology.



Calendar

Topic	Jul. 2026	Aug. 2026	Sept. 2026	Oct. 2026	Nov. 2026	Dec. 2026	Jan. 2027	Feb. 2027	Mar. 2027	Apr. 2027	May 2027	Jun. 2027
Strategy Discussions: Workplan and Quality												
Transition Support: Bridge Adjustment				D				F				
Assessments and Adjustments				R					R			UF
Core Volume Policies: Market Shift, Surge, Demographic					D			F				
Funding Appropriateness Policies: Full Rate, Integrated Efficiency, Capital						D		F				
Incremental Volume Policies: Repatriation, Out-of-State, Deregulation							D		F			
Carve-Outs (Drug and Service), PAU							D			F		
Quality: Quality Based Reimbursement and ED Best Practices				D		F						
Quality: Maryland Hospital Acquired Conditions					D		F					
Quality: Readmissions Reduction Program						D		F				
Quality: Potentially-Avoidable Utilization												UF
HOPE Regional and Statewide Initiatives							F					
Care Innovation												
Model Operations												
Multi-Agency and Legislative												

Sept. 1st: CMMI HGB Draft Specifications

Jan. 15th: CMMI HGB Final Specifications

Model Operations

Model Operations

Description: Review of HSCRC operational processes to ensure integration with new processes under the AHEAD Model.

Topics and Timeline

- October-April: Data and Reporting *(Discerning the impact of the Medicare FFS transition on reporting)*
- September-June: Multi-Payer Global Budget Revenue *(Rate model mechanics and compliance for FY 2028 and forward)*
- Ongoing: Medicare FFS Hospital Global Budget *(Coordination with CMMI)*
- Ongoing: Analyses and Evaluations *(Studies and reports generated outside of formal Commission policies)*

Model Operations – Multi-Payer GBR

- Rate Model Process
  - Step 1) Rate Model Development: Mechanically adjust the model to extract Medicare FFS
  - Step 2) Review and Adjust: Review the results to ensure reasonable rates and consider the rate model holds
- Rebase Volumes
  - *Discussion – Potential CY 2026 timeline*
- Compliance
  - Review current procedures for compliance and ensure compatibility with Multi-Payer GBR
- Cost-shifting operationalization
  - Model impact of cost-shift on individual hospitals and share a proposed approach with industry
- FY 2028-specific issues
  - Two GBRs – develop compliance rules for the two six-month periods
  - Recalculate markup, *i.e.*, to smooth out transition
  - Adjust policies that operate on a fiscal year basis
  - Determine handling of Medicare retrospective adjustments for the second half of CY 2027
- Administrative
  - GBR Agreements: HSCRC to review for necessary modifications, share with industry
  - *Discussion – Other administrative needs and prioritization from industry perspective*

Physician & Other Reports Update

Other Items & Reporting

- Medicare FFS Hospital Global Budget

- Analyses and Evaluations
  - Physician costs
  - Bed capacity legislative report
  - All-payer TCOC growth target specifications and report
  - UCC forward funding implementation plan and continued monitoring of UCC trends
  - Continued review of service carve-out policy implementation
  - MA Stabilization differential mechanics
  - Medicare Advantage stabilization and cost-shifting report

Care Innovation

Description: Initiatives that facilitate transformative programming to support hospital patients and communities.

Topics and Timeline

- HOPE
  - January Final: Regional and Statewide Initiatives
- Ongoing: New Paradigms in Care Delivery
- Ongoing: Episode Quality Improvement Program
- Ongoing: Revenue for Reform

Multi-Agency and Legislative Initiatives

Description: Policies that involve significant leadership outside HSCRC, with a role for HSCRC in policy development and implementation. 2026-2027 workplan update under development.

Regulatory Working Group

- Workforce and GME
- Post-Acute Strategy
- Choice and Competition
- All-Payer Total Cost of Care Growth and Primary Investment Targets
- Cost-Shifting
- Medicare Advantage Stabilization

Other Venues

- Maryland-Specific Metrics for AHEAD—Maryland Commission on Health Equity
- Denials—Adverse Decisions Workgroup
- Emergency Department Wait Times Reduction Commission

Bridge Adjustment for CMS Global Budgetse

Bridge Adjustment

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Bridge Adjustment (Section 12(b)(ii)(1) of the State Agreement)

- **Purpose:** Ease the transition for hospitals as they transition from State to CMMI -set global budgets
- **In practice:** This means adjusting global budgets to reflect a blend of the trended historical State and CMMI-set global budget amounts during PY3, 4, and 5
- **Principles:**

"To adjust for the effects of Medicare FFS transitioning from the CMS Approved State- Designed All-Payer Hospital Global Budget Methodology to the CMS-Designed Medicare FFS Hospital Global Budget Methodology for any particular hospital, for PYs 3, 4, and 5, the State may modify the Medicare FFS Hospital Global Budget amount for a Participant Hospital as calculated in accordance with the CMS-Designed Hospital Global Budget Methodology as follows:

a. For PY3, the State can redistribute no more than 30% of the total Medicare hospital global budget revenue for participant hospitals to other participant hospitals for that PY…."

State can determine whether the blend weighs CMMI's or the State's global budget more

Total redistributed amount is capped at a certain, decreasing percent each year.

The total redistributed amount must be net neutral: Total spending cannot exceed CMMI's established total Medicare hospital global budget revenue.

State Proposal Methodology

Total Medicare hospital global budget revenue$_{CMMI}$	A	$99
Total Medicare hospital global budget revenue$_{State}$	B	$100
Ratio of Total Medicare hospital global budget revenue$_{CMMI}$ / Total Medicare hospital global budget revenue$_{State}$	C = A/B	99%
Hospital-specific global budget$_{State}$	D	$10
Hospital-specific global budget$_{State}$, with CMMI/State ratio applied	E = D*C	$9.90
Hospital-specific global budget$_{CMMI}$	F	$9.80
State Medicare hospital global budget revenue weight	G	50%
Hospital-specific global budget, with State global budget weight applied	H = (E*G) + (F*(1-G))	$9.85

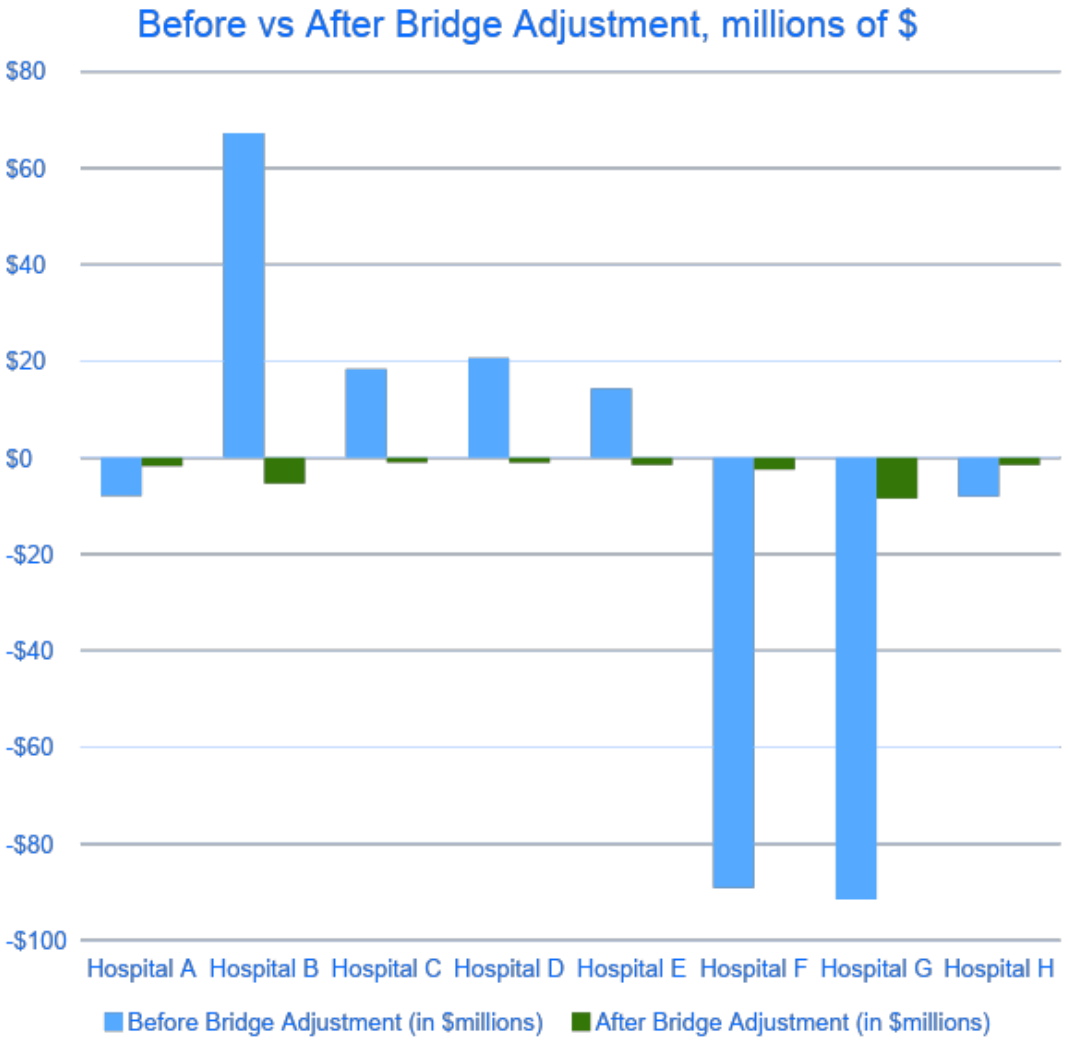
Total CMMI and State Medicare FFS hospital GB should be similar because it is based on historic HSCRC global budgets. However, we are still confirming these assumptions and our understanding of the repricing results with CMMI.

This is one of the main policy decisions for the State: Consider delaying financial cliff (100%-100%-100%*) or implement a gradual glide path (100%-50%-25%)

Across all hospitals, capped at Total redistributed amount cap (30%-20%-10%)

*Will likely hit the cap as the cap becomes lower

Bridge Adjustment Results – Example Calculation



To make results more realistic, the calculation uses numbers from:

- CMMI repricing “HGB” tab = Medicare hospital global budgets
- HSCRC FY24 permanent revenue = State hospital global budgets

The CMMI global budgets amounts are manually adjusted so that CMMI total Medicare hospital global budget revenue is 99% of State total Medicare hospital global budget revenue.

Assumes a 100% state weight, so the bridge adjustment = -1% of each hospital’s State global budget

2027 Bridge Adjustment Timeline – Proposed by the State

Jan 15

- CMMI finalizes HGB methodology

See Section 12.a.v of the State Agreement

Nov 1

- CMMI finalizes HGB amounts

Dec 1

- State provides bridge adjustments for each hospital

Dec 15

- CMMI shares finalized HGBs with hospitals, including the State's bridge adjustment amount

See Section 12.b.v of the State Agreement

Prospective UCC Fund Distribution

Upcoming Memo

- On July 22, 2026, the Health Services Cost Review Commission (HSCRC) approved a $25 million hospital rate increase for 2027 to bolster Uncompensated Care (UCC) Fund reserves and proactively mitigate the impacts of recent federal actions, including House Resolution 1 of 2025 (H.R. 1).
- This memo provides an update on HSCRC staff's plans for implementing and distributing this $25 million increase including the timeline, monitoring parameters, and the specific methodology used to determine each hospital's share of the fund.

High Level Approach

- Distribute the additional funding based on the first quarter of Fiscal Year 2027 (July–September 2026) effective January 1, 2027.
- If the submitted data shows a total annualized UCC greater than or equal to FY27 UCC + $25 million on an annualized basis, HSCRC will run its standard UCC program to blend predicted and actual UCC results.
- If the annualized UCC does not meet this threshold, no distribution will occur for Q1 and a similar analysis would be conducted every six month thereafter.

Future Engagement

Stakeholder Engagement

- Biweekly meeting scheduled with Payment Models Workgroup starting September 10th
  - Ensures opportunities for stakeholder input
  - Will cancel if agenda is limited
  - Draft workplan will be shared as a supporting document
- Meeting with other relevant stakeholder groups
- Potentially additional industry-level meetings with CMMI
- Calendar allows for additional comment and review time after draft workplans
- Open to other venues for stakeholder engagement
- Next Meeting September 23rd at 1pm

Appendix

Adjustments and Assessments

Description: Funds and fees the support innovative partnerships, model operations and other state assessments. Draft report in October with comment period; final in March. Needed Commission votes will occur according to the existing annual process.

Topics and Timeline

- October Draft: All Topics
- March Final: AHEAD Bridge Adjustment
- June Final: Part of Update Factor Vote
  - Assessment: Health Care Fund
  - Assessment: Deficit Assessment Fund
  - Nurse Support Program I
  - Nurse Support Program II
  - Uncompensated Care
- June Final: Assessment: CRISP Funding
- No Vote Needed
  - Assessment: HSCRC Fees
  - Assessment: MHCC Fees

Financial Methodologies

Description: Methodologies that inform the update factor. Policies are subject to Commission vote and will be grouped thematically according to this schedule.

Topics and Timeline

- November Draft, January Final
  - Market Shift and Service Line
  - Respiratory Surge Funding
  - Demographic Adjustment
- December Draft, February Final
  - Full Rate Funding
  - Integrated Efficiency
  - Capital
- January Draft, March Final
  - Repatriation
  - Out-of-State Volume
  - Deregulation Adjustment
- February Draft, April Final
  - Drug Carve-Outs (*e.g.,* OncoRx)
  - Service Carve-Outs
  - PAU Adjustment for Volume

Quality Programs

Description: Hospital quality initiatives that incentivize quality of care, in alignment with state and national priorities. Updated in conjunction with the existing annual process

Topics and Timeline

- September: Presentation to the Commission on overall strategy
- October Draft, December Final: QBR
- November Draft, January Final: MHAC
- December Draft, February Final: RRIP
- June Final (as part of Update Factor vote): Potentially-Avoidable Utilization
- November Draft, January Final: Best Practices for ED and Hospital throughput)