



maryland
health services
cost review commission

Payment Model Work Group

February 1, 2023

Agenda

- **Introductions and Meeting Overview**
- **Update Factor Model Review**
 - **Prior Projections**
- **Relevant Financial Data Review**
 - **TCOC Update Model**
 - **Adjustments to Maryland's TCOC**

Important Spring Dates for Payment Model & Update Factor Season

- **March 1 Workgroup Meeting**
Update Factor Table with available draft inputs
- **March 29 Workgroup Meeting**
Update Factor Table with available draft inputs
Estimated Position on Medicare Target using FY GBR projections
MPA Framework (if appropriate) Difference Statistic
- **April 27 Workgroup Meeting**
Review of Draft Recommendation
Q1 Book for 2023 update inflation
- **May 10 Commission Meeting**
Draft Recommendation Presentation to the Commission
- **May 22 Workgroup Meeting**
Review of Comment Letters and Final Recommendation
- **June 7 Commission Meeting**
Final Recommendation Presentation to the Commission

Components of Revenue Change Link to Hospital Cost Drivers /Performance

		Weighted Allowance
Adjustment for Inflation (this includes 4.80% for wages and compensation)		0.00%
- Outpatient Oncology Drugs		0.00%
Gross Inflation Allowance	A	0.00%
Care Coordination/Population Health		
- Reversal of One-Time Grants		0.00%
- Regional Partnership Grant Funding RY24		0.00%
Total Care Coordination/Population Health	B	0.00%
Adjustment for Volume		
-Demographic /Population		0.00%
-Transfers		
-Drug Population/Utilization		
Total Adjustment for Volume	C	0.00%
Other adjustments (positive and negative)		
- Set Aside for Unknown Adjustments	D	0.00%
- Low Efficiency Outliers	E	0.00%
- Capital Funding	F	0.00%
- Complexity & Innovation	G	0.00%
-Reversal of one-time adjustments for drugs	H	0.00%
Net Other Adjustments	I = Sum of D thru H	0.00%
Quality and PAU Savings		
-PAU Savings	J	0.00%
-Reversal of prior year quality incentives	K	0.00%
-QBR, MHAC, Readmissions		
-Current Year Quality Incentives	L	0.00%
Net Quality and PAU Savings	M = Sum of J thru L	0.00%
Total Update First Half of Rate Year 23		
Net increase attributable to hospitals	N = Sum of A + B + C + I + M	0.00%
Per Capita First Half of Rate Year (July - December)	O = $(1+N)/(1-0.12\%)$	0.00%
Adjustments in Second Half of Rate Year 24		
-Oncology Drug Adjustment	P	0.00%
-Current Year Quality Incentives	Q	0.00%
Total Adjustments in Second Half of Rate Year 24	R = P + Q	0.00%
Total Update Full Fiscal Year 24		
Net increase attributable to hospital for Rate Year	S = N + R	0.00%
Per Capita Fiscal Year	T = $(1+S)/(1-0.12\%)$	0.00%
Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements		
-Uncompensated care, net of differential	U	0.00%
-Deficit Assessment	V	0.00%
Net decreases	W = U + V	0.00%
Total Update First Half of Rate Year 24		
Revenue growth, net of offsets	X = N + W	0.00%
Per Capita Revenue Growth First Half of Rate Year	Y = $(1+X)/(1-0.12\%)$	0.00%
Total Update Full Rate Year 24		
Revenue growth, net of offsets	Z = S + W	0.00%
Per Capita Fiscal Year	AA = $(1+Z)/(1-0.12\%)$	0.00%

Would it be helpful to add lars to this table?

Any suggestions to simplify?

Estimated vs Actual Revenue Increase

Estimated CY 2022 over Actual CY 2021

"Updated Actual" Uses the total of the actual adjustments to all hospitals as of October 2022

	Recommendation	Updated Actual	
Actual Revenue 1/1/21 to 12/31/21	18,951,788,063	18,951,788,063	
Actual Charged 1/1/21 to 6/30/21	9,450,354,131	9,450,354,131	49.87%
Actual Charged 7/1/21 to 12/31/21	9,501,433,932	9,501,433,932	50.13%
Approved 7/1/21 to 6/30/22	19,638,102,984	19,638,102,984	
Actual Charged 7/1/21 to 12/31/21	9,501,433,932	9,503,646,788	
Approved 1/1/22 to 6/30/22	10,136,669,052	10,134,456,196	
Increase 1/1/22 to 6/30/22 over 2021	7.26%	7.24%	

Estimated Undercharge FY 2022

	(125,000,000)	(79,641,316)	Actual Undercharge
Estimated Approved 1/1/22 to 6/30/22	10,011,669,052	10,054,814,880	Actual Revenue
Estimated Increase 1/1/22 to 6/30/22	5.94%	6.40%	Estimated Increase
Approved 7/1/21 to 6/30/22	19,638,102,984	19,638,102,984	
Reversal of One Time Extraordinary Adjustments	(189,274,421)	(840,118,951)	Reversal of All FY2022 One Time Adj , incl Inflation Advance
Adjusted Approved GBR FY 2022	19,448,828,563	18,797,984,033	
Percent Approved and Applied	3.25%	3.34%	
Projected Approved FY 2023	20,081,373,781	624,966,726	Addition of All FY2023 One Time Adj, incl FY2021 Undercharge
Impact Relative to FY 2022 GBR	2.26%	2.10%	Line 23/Line 18
Seasonality Adjustment	9,986,467,181	9,966,334,759	Actual Midyear Targets
Seasonality Adjustment Percent	49.73%	49.71%	Actual Seasonality Percent
Payback of Inflation Advance (one-time)	(98,505,808)	-	These items are both included in FY23 Additional One Time Adj – FINAL GBR Guarantee one time adj. above
Release of FY 2021 Undercharge (one-time)	95,754,888	-	
Estimated Revenue 7/1/22 to 12/31/22	9,983,716,261	9,966,334,759	
Estimated Increase 7/1/22 to 12/31/22	5.08%	4.89%	
Estimated Actual Revenue 1/1/22 to 12/31/22	19,995,385,313	20,021,149,639	
Estimated Percent Increase CY 2022	5.51%	5.64%	
Expected Decrease 7/1/22 to 12/31/22	5.51%	5.64%	

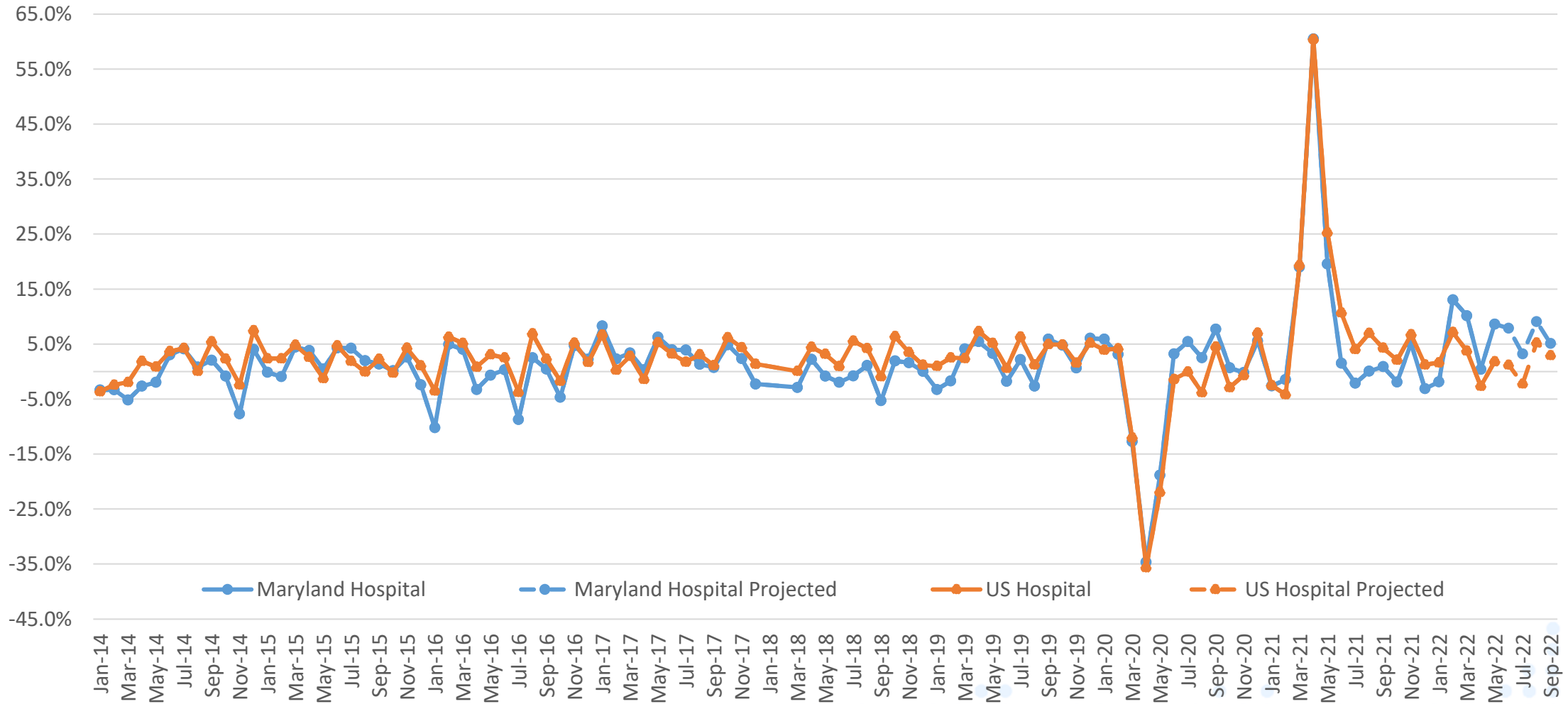
Relevant Financial Data

January Update on Medicare FFS Data & Analysis

- **Data through September 2022, Claims paid through November 2022**
- **Data contained in this presentation represent analyses prepared by HSCRC staff based on data summaries provided by the Federal Government.**
- **The intent is to provide early indications of the spending trends in Maryland for Medicare FFS patients, relative to national trends.**
- **HSCRC staff has added some projections to the summaries.**
- **This data has not yet been audited or verified. Claims lag times may change, making the comparisons inaccurate. ICD-10 implementation and EMR conversion could have an impact on claims lags. These analyses should be used with caution and do not represent official guidance on performance or spending trends. These analyses may not be quoted until public release.**

Medicare Hospital Spending per Capita

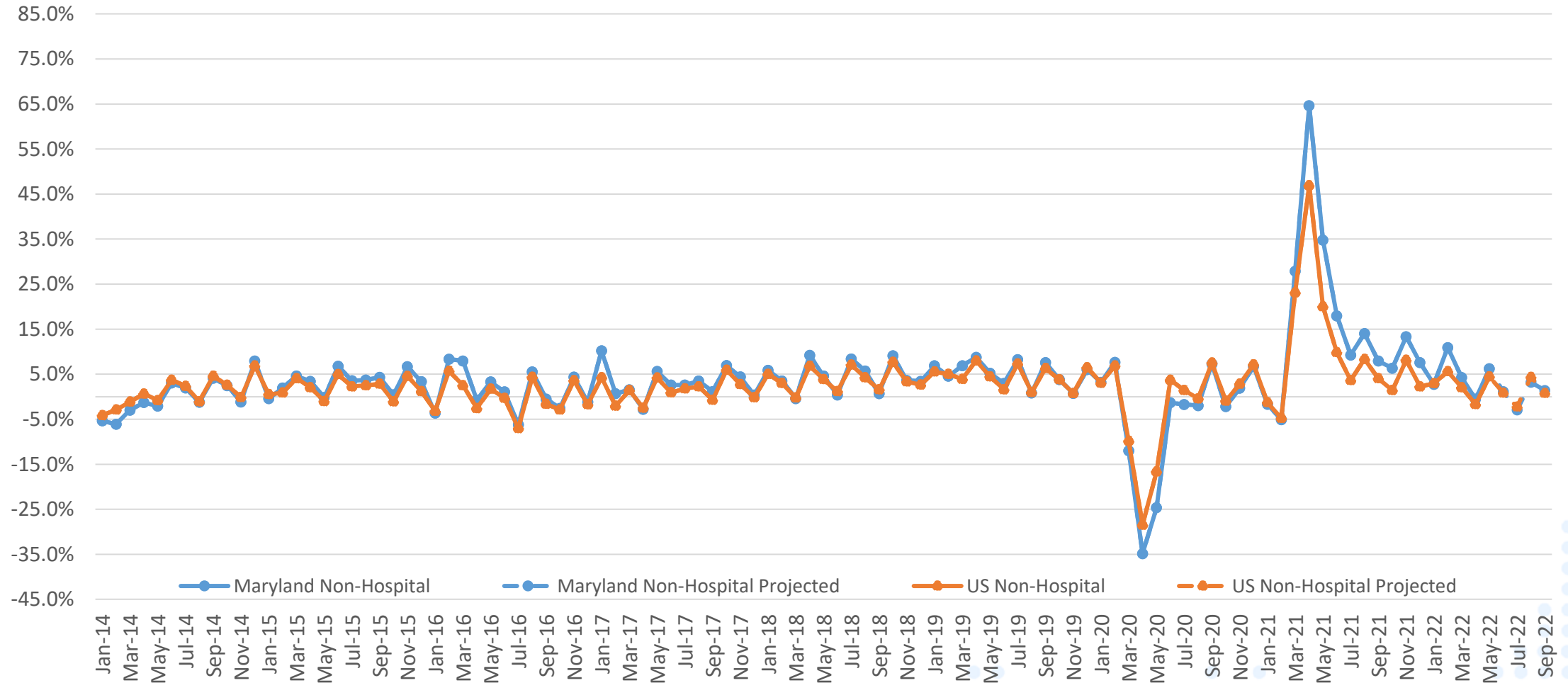
Actual Growth Trend (CY month vs. Prior CY month)



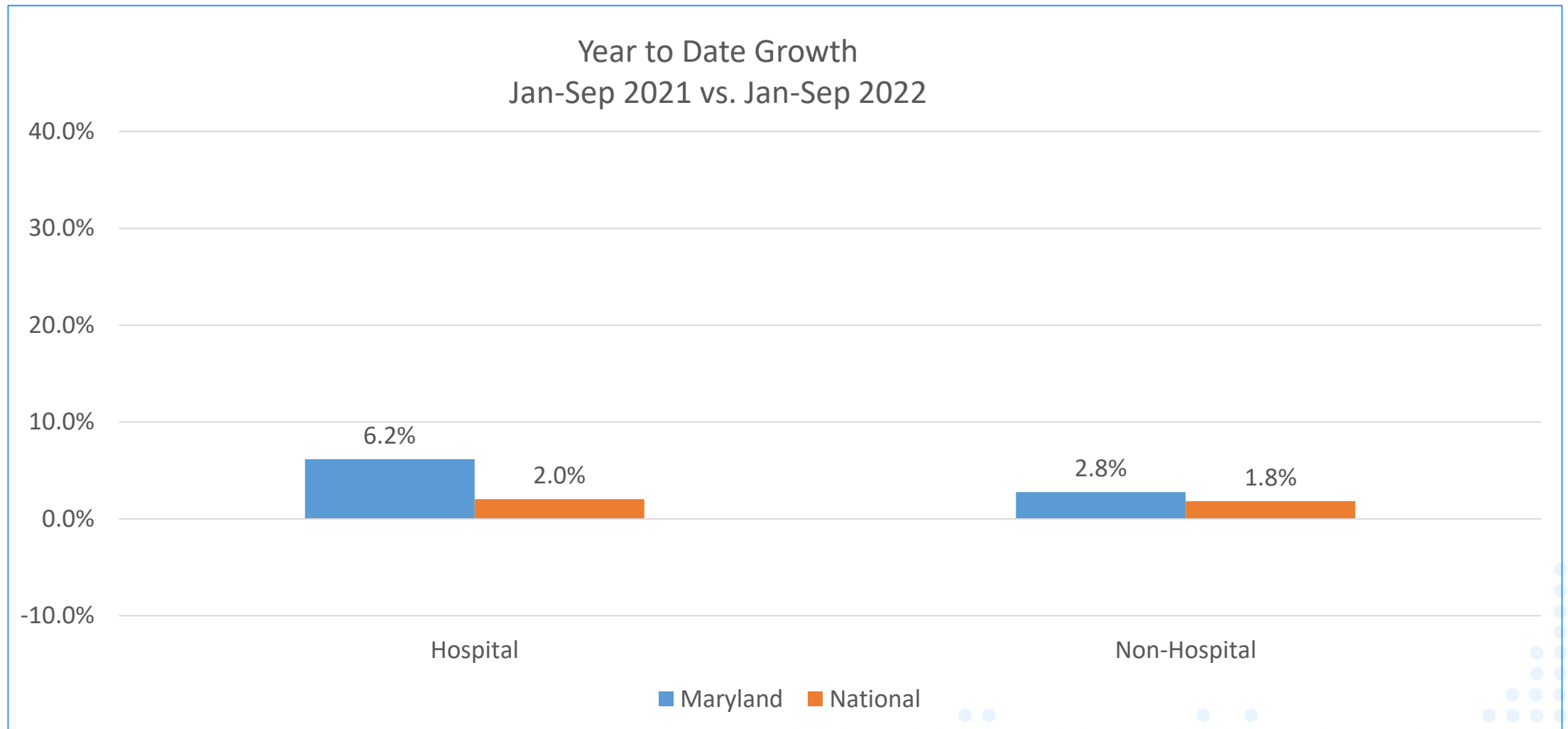
CY16 has been adjusted for the undercharge.

Medicare Non-Hospital Spending per Capita

Actual Growth Trend (CY month vs. Prior CY month)

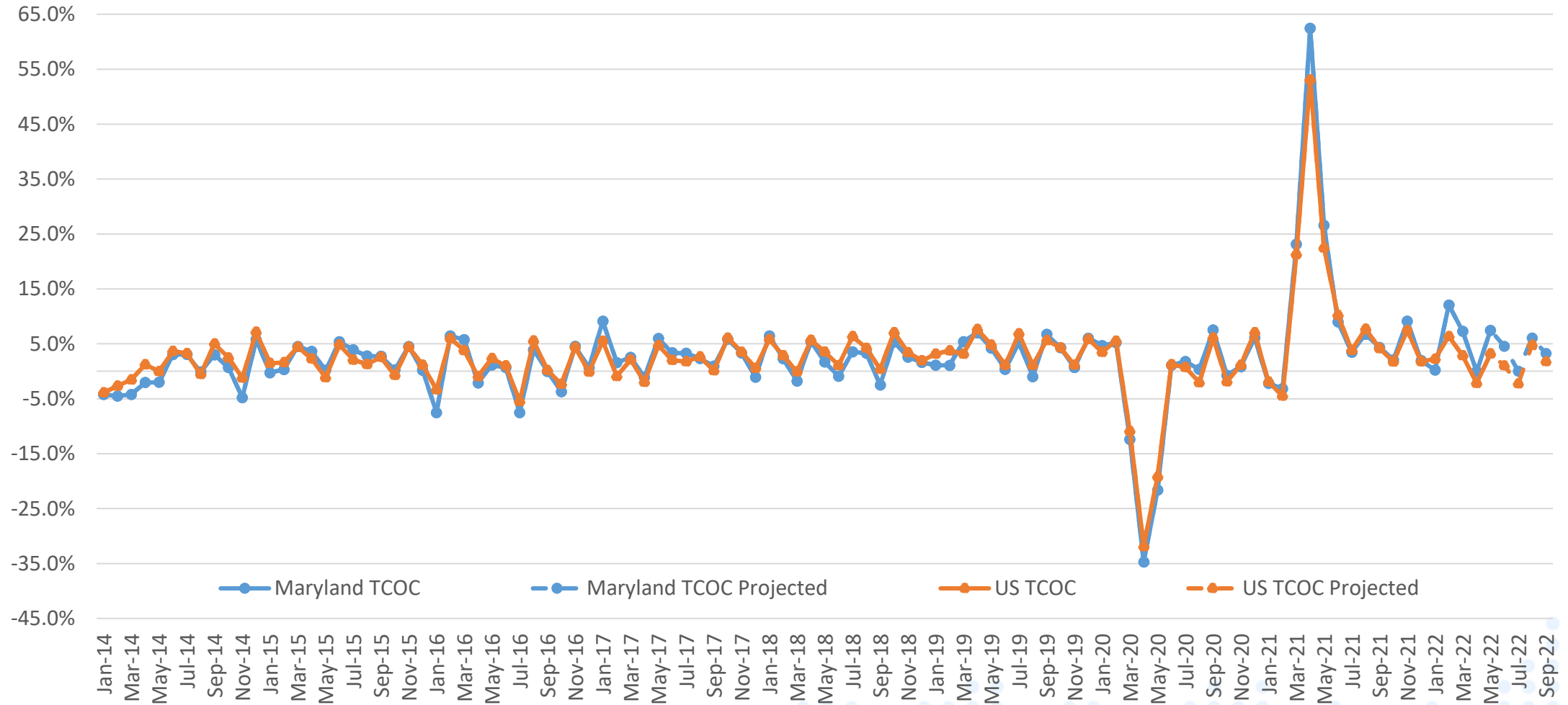


Medicare Hospital and Non-Hospital Payments per Capita



Medicare Total Cost of Care Spending per Capita

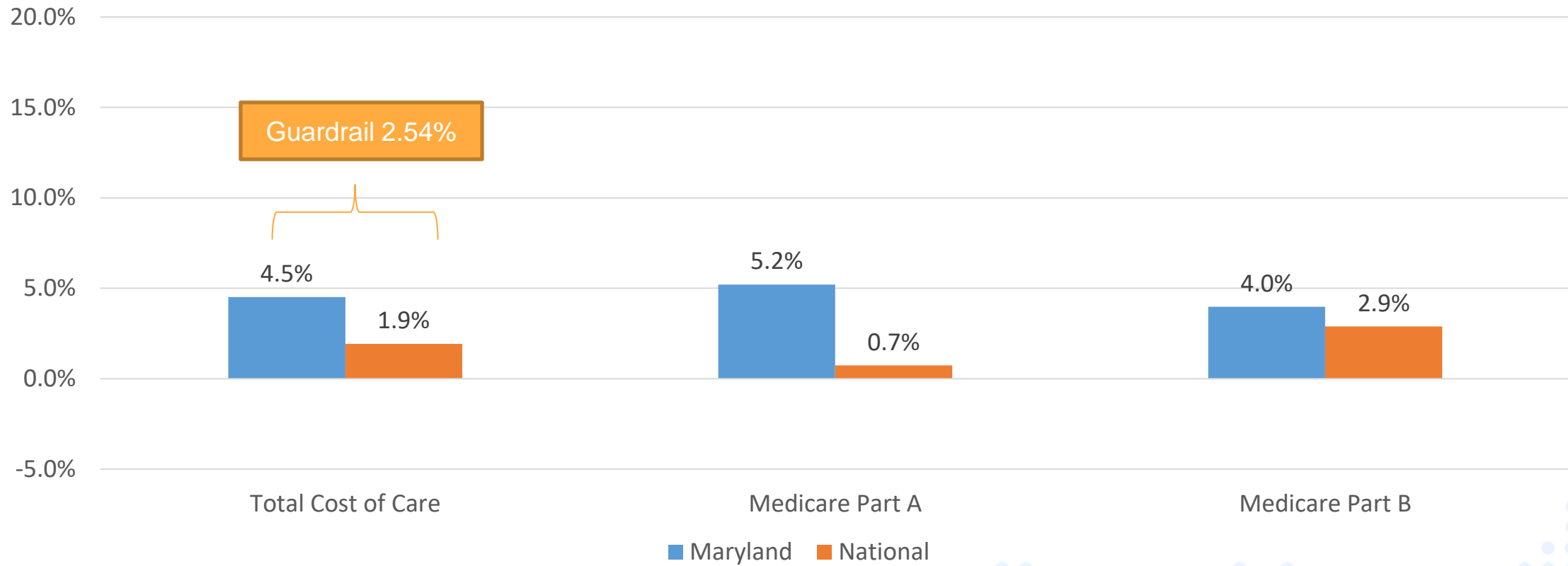
Actual Growth Trend (CY month vs. Prior CY month)



CY16 has been adjusted for the undercharge

Medicare Total Cost of Care Payments per Capita

Year to Date Growth
Jan-Sep 2021 vs. Jan-Sep 2022



Change Based on BETOS Categories

Change Based on Betos
Categories

YTD Change January to October 2022

Md TCOC Test Jan 2022 through Oct 2022 (One Month Runout)					Nat TCOC Test Jan 2022 through Oct 2022 (One Month Runout)				
CYTD Oct 21	CYTD Oct 22	Weight	Change	Services	CYTD Sept 21	CYTD Sept 22	Weight	Change	Difference
\$3,607.58	\$3,792.61	77.1%	5.13%	Inpatient Hosp	\$2,842.97	\$2,822.05	68.3%	-0.74%	5.86%
\$594.80	\$646.93	13.2%	8.76%	SNF	\$610.02	\$658.40	15.9%	7.93%	0.83%
\$279.63	\$281.14	5.7%	0.54%	Home Health	\$358.84	\$355.41	8.6%	-0.96%	1.50%
\$201.94	\$196.61	4.0%	-2.64%	Hospice	\$286.14	\$294.70	7.1%	2.99%	-5.63%
\$4,683.95	\$4,917.29	43.9%	4.98%	Part A	\$4,097.97	\$4,130.56	43.8%	0.80%	2.56%
\$1,853.56	\$1,994.85	17.8%	7.62%	Outpatient	\$1,697.24	\$1,790.01	19.0%	5.47%	2.16%
\$3,807.53	\$3,930.04	35.1%	3.22%	Professional	\$3,057.91	\$3,144.00	33.4%	2.82%	0.40%
\$380.95	\$361.88	3.2%	-5.01%	Other	\$384.09	\$362.27	3.8%	-5.68%	0.68%
\$10,725.99	\$11,204.06	100.0%	4.46%	Total Change	\$9,237.21	\$9,426.84	100.0%	2.05%	2.40%

Projected Savings Target Outcomes

CY 2022	
Projected Cumulative Savings	
Prior Year Savings (CY 2021)	\$380 M
Current Year Results	<u>(\$300 M)</u>
Yearend Position	\$80 M
Comparison to Target	
Yearend Savings Position	\$80 M
Target	<u>\$267 M</u>
Excess (Shortfall)	(\$187 M)

- Assuming \$300 M of deterioration in savings in CY2022 the State will be approx. \$187 M below target on a cumulative basis at the end of this year.
- Commissioners approved actions equal to \$100M to address the shortfall beginning in January 2023.
- If no actions were taken and the status quo remained, the State would have had a \$220M shortfall in CY2023

Actions Taken to Generate Additional Medicare Savings

All-Payer Rate reduction

- Reduces all-payer hospital rates by \$40M
- Implemented by HSCRC through rate orders in January 2023

Medicare-only payment reductions

- Discount on Medicare payments
- Reduces hospital revenues by \$64M; No cost shifting to other payers
- Received CMMI approval, implementation March 2023

Public Payer Differential

- 1% increase to differential
- Reduces Medicare & Medicaid Rates; Increases Commercial Payer Rates by \$50M; No impact on hospitals
- Time limited: duration of FY 2023 and 2024
- Requires CMMI approval, possible implementation March 2023

Reduction in Medicaid Deficit Assessment

- \$50M reduction in special funding from hospitals to Medicaid
- Requires State/Legislative Approval through State Budget; July 1, 2023, effective date if approved
- Offsets reductions to hospital revenues from other policies

Impact For Payers and Hospitals (\$ Millions)

TCOC Action	All-Payer Rate Reduction	Medicare	Medicaid/ State	Individuals and Businesses holding Commercial Insurance	All other public payers (MA & out of state Medicare)	Hospital Impact
Reversal of 0.20% Provided in RY 2023 Update Factor	(40)	(13)	(8)	(16)	(3)	(40)
Public Payer Differential Request	-	(26)	(16)	50	(8)	-
MPA Savings Component	-	(64)	-	-	-	(64)
State Contribution through Medicaid Deficit Assessment	-	-	50	-	-	50
Total	(40)	(103)	26	34	(11)	(54)