February 12, 2026

Jon Kromm
Executive Director
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: Maryland's Performance on the Total Cost of Care Requirements in Model Year 6 (CY 2024)

Dear Dr. Kromm:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the State's performance on the annual requirements specified in sections 6 and 8 of the Maryland Total Cost of Care (TCOC) Model (the Model) State Agreement (the Agreement) and determined that the State has met all six annual requirements for model year (MY) 6/calendar year (CY) 2024: Annual Medicare Savings, TCOC Guardrail, All-Payer Revenue Limit, Hospital Revenue Population-Based Payment, All-Payer Quality Improvement Reductions in Potentially Preventable Conditions, and Readmission Reductions for Medicare.

For details on the State's reported performance, see the attachments listed below.

Maryland's Performance on the Annual Requirements Specified in the Model Agreement

1. Annual Medicare Savings (Section 6.c).[1]

For CY 2024 (MY 6), the State is required to produce $336 million in annual Medicare TCOC Savings calculated per Maryland Medicare Beneficiary ("Annual Medicare Savings") In accordance with the Methodology defined in Section 6.b and Appendix C of the State Agreement, CMS has calculated the Annual Medicare Savings to be $794.9 million for CY 2024 and $2.9 billion cumulatively since the start of the model (CY 2019) ..[2] CMS verifies that Maryland has met this requirement of the Model for CY 2024.

[1] Additional Non-Claims Based Payments were identified and included in the calculation of the Annual Medicare Savings Requirement in accordance with section 6.b.ii of the MD TCOC State Agreement.

[2] This estimate was calculated using the methodology outlined in the MD TCOC State Agreement, which utilized state-based Medicare FFS rate-setting and a 2013 baseline (preceding the MD All-Payer Model) trended forward by national healthcare expenditure growth as the counterfactual. Although precise estimates of savings relative to removal of state-based rate-setting and implementation of the Prospective Payment System for Medicare FFS are made challenging by MD-specific data and documentation deficiencies for variables such as wage index and case-mix index, depending on the specific analytical assumptions applied, CMMI estimates that cumulative savings may have been reduced from $2.9 billion to $0 or even losses ranging from $300 million to over $1.0 billion across Medicare and Medicaid over the course of the MD TCOC Model.

2. TCOC Guardrail (Section 6.e)

The State's growth rate in Annual Medicare TCOC per Beneficiary must not exceed the National growth rate by more than one percent in any given Model Year and must not exceed the National growth rate by *any* amount for two or more consecutive Model Years. The State's Medicare TCOC per Beneficiary growth rate was 2.5 percentage points below the National growth rate in CY 2024 and 1.9 percentage points below the National growth rate in the year prior, CY 2023. CMS verifies that Maryland has met this requirement of the Model for CY 2024.

3. All-Payer Revenue Limit (Section 6.f)

Each Model Year, Maryland's All-Payer Regulated Gross Patient Service Revenue must be less than or equal to the All-Payer Revenue Limit calculated from a Calendar Year 2013 baseline using the Methodology in Appendix B.II of the State Agreement. This All-Payer Revenue Limit increases by 3.58 percent annually, adjusted for population growth, and is compounded year over year.

In a memorandum to CMS dated May 5, 2025, the HSCRC noted that in 2024, the Maryland Department of Planning restated the 2020 base year estimates for the Maryland population as well as the yearly population estimates for 2021 through 2023, resulting in upward adjustments to the population estimates for each subsequent calendar year. In its May 5 memorandum, the State opined that the size of the population adjustment and its use in subsequent estimates warrants a modified approach whereby the HSCRC "[updates] yearly population growth estimates back to the census to account for inaccuracies in historic population estimates." The data provided to CMS by the HSCRC reflect these population updates. CMS approves this modified approach for the remainder of the Model performance period.

Using the updated population estimates, CMS has determined the State's All-Payer Regulated Gross Patient Service Revenue for CY 2024 to be $1.9 billion below the All-Payer Revenue Limit; therefore, CMS verifies that Maryland has met this requirement of the Model for CY 2024.

4. Hospital Revenue Population-Based Payment (Section 8.a.ii)

The State is required to facilitate the movement of Regulated Revenue[3] for Maryland residents into Population-Based Payment.[4] Section 8.a.ii requires that at least 95 percent of all Regulated Revenue for Maryland residents is paid according to a Population-Based Payment methodology. CMS has determined that all Regulated Revenues under Maryland's 'Rate Setting System' meet the definition of Population-Based Payment. The HSCRC reported that 97.84 percent of Regulated Revenues for CY 2024 meet this standard. CMS has validated these numbers and verifies that Maryland has met this requirement of the Model for CY 2024.

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[3] The full subset of revenue charged by Regulated Maryland Hospitals for which the State has the legal authority to set payment rates.

[4] Population-Based Payment is defined to mean hospital payment that either (1) is directly population-based, such as prospectively tying hospitals' reimbursement to the projected utilization of services by a specific population or subpopulation of Maryland residents, or (2) establishes a fixed budget for Regulated Maryland Hospitals for services projected to be furnished.

5. All-Payer Quality Improvement Reductions in Potentially Preventable Conditions under the Maryland Hospital Acquired Condition Program (Section 8.d.i.1-3)

The State must maintain quality improvements observed under the predecessor All-Payer Model by not exceeding the CY 2018 PPC rates for 15 Potentially Preventable Conditions (PPCs)[5] that comprise Maryland's Hospital Acquired Condition Program in a given Model Year. The HSCRC reported that All-Payer PPC performance for CY 2024 yielded a 0.5-point reduction in the All-Payer PPC rate relative to CY 2018. CMS has validated the State's reported results and verifies that Maryland has met this requirement of the Model for CY 2024.

6. Readmissions Reductions for Medicare (Section 8.d.i.1-3)

The State must maintain the improvements achieved under the predecessor All-Payer Model on the aggregate CMS Medicare Hybrid Hospital-Wide Readmission (HWR) risk-adjusted measure[6] for Medicare FFS beneficiaries such that regulated Maryland Hospitals have achieved equal to or less than the National Readmission Rate for Medicare FFS beneficiaries at the end of CY 2024. This calculation represents an adjusted methodology compared to CY 2022 when the State was held accountable for readmissions under the 30-day unadjusted all-cause, all-site hospital readmission rate. The State will continue to be held accountable for readmissions on the basis of hybrid HWR, accounting for risk adjustment of the beneficiary population compared to the National. CMS has calculated a Standardized Readmission Rate of 0.9519 for CY 2024, which is below the National CY 2024 Standardized Readmission Rate of 1.00. Therefore, CMS verifies that Maryland has met this requirement of the Model for CY 2024.

In summary, CMS has determined that the State has met or exceeded all six of the annual requirements as defined in the State Agreement for the sixth year of the Maryland Total Cost of Care Model.

Sincerely,

Ipek Demirsoy

Ipek Demirsoy
Director
State and Population Health Group
CMS Innovation Center
Centers for Medicare & Medicaid Services

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[5] Selected PPCs include: acute pulmonary edema and respiratory failure without ventilation (3), acute pulmonary edema and respiratory failure with ventilation (4), pulmonary embolism (7), shock (9), venous thrombosis (16), in-hospital trauma and fractures (28), septicemia & severe infections (35), post-operative infection & deep wound disruption without procedure (37), post-operative hemorrhage & hematoma with hemorrhage control procedure or I&D proc (41), accidental puncture/laceration during invasive procedure (42), encephalopathy (47), iatrogenic pneumothorax (49), major puerperal infection and other major obstetric complications (60), other complications of obstetrical surgical & perineal wounds (61), combined pneumonia (PPC 5 and 6).

[6] https://www.cms.gov/files/document/hybrid-hospital-wide-readmission-measure-electronic-health-record-extracted-risk-factors.pdf-0