

# Maryland's Total Cost of Care Model

## Background and Summary

### **Maryland's Longstanding and Unique Approach to Hospital Payment**

For over 40 years, the federal government has “waived” federal Medicare rules to allow Maryland to set hospital payments at the State level. The federal “waiver” requires that all payers—such as Medicare, Medicaid, and commercial insurance companies—pay the same rate for the same hospital service at the same hospital. Among other benefits, the waiver provides Maryland hospitals with stable financing, including funding for services provided to individuals who are unable to pay. By ensuring that Maryland's hospitals have stable financing, we have been able to ensure that hospital care has been both accessible and affordable, especially in rural communities. In return for the Medicare “waiver,” Maryland was required by the federal government to meet an annual test evaluating the growth of inpatient hospital costs for each hospital stay. As national patterns and standards of care changed over the years, the waiver test became outdated.

### **Maryland All-Payer Model: January 1, 2014 through December 31, 2018**

In 2013, Maryland State officials and stakeholders negotiated federal approval of a new five-year “Maryland All-Payer Medicare Model Contract.” This model's success metrics are based on per capita hospital growth and quality improvement. This fundamentally changed the way hospitals are paid, shifting away from fee-for-service volume towards a focus on total cost of care and increasing hospital payments for quality improvements. The Model requires hospitals to make quality improvements, such as reducing avoidable readmissions after a patient is discharged from a hospital. One of the requirements of the agreement was that Maryland develop a model to address the total cost of care for Medicare beneficiaries by 2019.

### **All-Payer Model Achievements**

In the first three years of implementation, Maryland has met or exceeded the key All-Payer Model tests for limiting hospital cost growth on an all-payer basis, providing savings to Medicare, and improving quality. Maryland has also taken significant steps to lay the foundation for delivery system transformation. In response to Maryland stakeholders' requests for greater provider alignment and transformation tools, the State proposed a Care Redesign Amendment to the All-Payer Model that the federal Centers for Medicare and Medicaid Services (CMS) approved. Care redesign encourages hospitals, physicians, and other providers to work together to support the health of Medicare patients who have significant needs. Sixteen hospitals are participating in the first performance period of Care Redesign.

### **Next Phase: Total Cost of Care Model Beginning January 2019**

In early 2017, the federal government and State officials, with input from Maryland health care leaders, began negotiations for a new model beginning January 2019. The new model must move beyond hospitals to address Medicare patients' care in the community.

Under the new “Maryland Total Cost of Care Model,” Maryland will be expected to progressively transform care delivery across the health care system with the objective of improving health and quality of care. At the same time, State growth in Medicare spending must be maintained lower than the national growth rate. The Total Cost of Care Model will give the State flexibility to tailor initiatives to

# Maryland's Total Cost of Care Model

## Background and Summary

the Maryland health care context, and encourage providers to drive health care innovation. The Total Cost of Care Model encourages continued Care Redesign, and provides new tools and resources for primary care providers to better meet the needs of patients with complex and chronic conditions and help Marylanders achieve better health status overall.

### **Total Cost of Care Model Builds on Existing Momentum**

The new Total Cost of Care Model will leverage the foundation already developed by Maryland for hospitals and build on the investments that hospitals make during 2014 through 2018. Maryland will continue to encourage provider- and payer-led development of Care Redesign programs to support innovation. Maryland is also continuing efforts to implement a new Maryland Primary Care Program, which is intended to bring care coordination and support to approximately 500,000 Medicare beneficiaries and 4,000 physicians. The State will commit its public health resources to support population health improvements that are aligned with Model goals and Marylanders' needs.

At this stage, the State and the federal government have completed negotiations regarding the basic structure of the new Total Cost of Care Model, which was described in the Progression Plan that was submitted in December 2016. As a result, Maryland's progression can evolve from concept to planning for the implementation activities needed to assure successful progression over time. Throughout the development of implementation plans, the State will continue its commitment to privately led innovation, voluntary participation in Care Redesign programs, and meaningful and ongoing stakeholder engagement to achieve the State's vision for person-centered care, clinical innovation and excellence, and improved population health.

### **Key Elements of the New Model**

Core requirements and expectations of the new model, which are subject to federal approval, include the following:

- The new Total Cost of Care Model will begin on January 1, 2019 for a 10-year term, so long as Maryland meets the model performance requirements.
- Hospital cost growth per capita for all payers must not exceed 3.58% per year. The State has the opportunity to adjust this growth limit based on economic conditions, subject to federal review and approval.
- Maryland commits to saving \$300 million in annual total Medicare spending for Medicare Part A and Part B by the end of 2023. The Medicare savings required in the TCOC All-Payer model will build off of the ongoing work of Maryland stakeholders, which began in 2014.
- Federal resources will be invested in primary care and delivery system innovations, consistent with national and State goals to improve chronic care and population health.
- The Model will help physicians and other providers leverage other voluntary initiatives and federal programs to align participation in efforts focused on improving care and care coordination, and participation in incentive programs that reward those results. These

# Maryland's Total Cost of Care Model

## Background and Summary

programs will be voluntary, and the State will not undertake setting Medicare and private fee schedules for physicians and clinicians.

- Maryland will set aggressive quality of care goals.
- Maryland will set a range of population health goals.

### **New Model Timeline**

The timeline for development of the new model is as follows:

- In May 2017, federal Centers for Medicare & Medicaid Innovation (CMMI) staff and the State completed negotiations on the basic structure and terms of the new Total Cost of Care Model.
- The federal government will continue with an internal clearance process designed to gain federal approval of the Model.
- The State will continue discussions, agreements, and implementation plans with Maryland stakeholders around requirements for successful implementation and progression.
- Continued discussions and Model development will occur between the State and federal government during the summer and fall 2017.
- The State of Maryland requests federal approval of the Total Cost of Care Model by the fall of 2017 to facilitate strategic planning by health care leaders.
- A new agreement between the federal government and the State is expected by December 2017.
- Calendar year 2018 provides a full year for Maryland to engage stakeholders on planning and preparations prior to the new model start. Transformation is a long-term effort that will be expected to unfold over multiple years of planning and implementation.
- January 1, 2019 the new Total Cost of Care Model goes into effect.