

State of Maryland  
Department of Health

Nelson J. Sabatini  
Chairman

Joseph Antos, PhD  
Vice-Chairman

Victoria W. Bayless

John M. Colmers

James N. Elliott, M.D.

Adam Kane

Jack C. Keane



Katie Wunderlich  
Executive Director

Allan Pack, Director  
Population Based  
Methodologies

Chris Peterson, Director  
Clinical & Financial  
Information

Gerard J. Schmith, Director  
Revenue & Regulation  
Compliance

**Health Services Cost Review Commission**

4160 Patterson Avenue, Baltimore, Maryland 21215  
Phone: 410-764-2605 · Fax: 410-358-6217  
Toll Free: 1-888-287-3229  
hscrc.maryland.gov

**555th MEETING OF THE HEALTH SERVICES COST REVIEW COMMISSION  
October 10, 2018**

**EXECUTIVE SESSION**

**11:30 a.m.**

(The Commission will begin in public session at 11:30 a.m. for the purpose of, upon motion and approval, adjourning into closed session. The open session will resume at 1:00 p.m.)

1. Discussion on Planning for Model Progression – Authority General Provisions Article, §3-103 and §3-104
2. Update on Administration of Model - Authority General Provisions Article, §3-103 and §3-104

**PUBLIC SESSION**

**1:00 p.m.**

1. Review of the Minutes from the Public Meeting and Executive Session on September 12, 2018
2. New Model Monitoring
3. Docket Status – Cases Closed

Greater Baltimore Medical Center – 2442N  
Johns Hopkins Health System – 2444A  
Adventist HealthCare – 2446R  
MedStar Health – 2448A  
University of Maryland Capital Regional Health – 2450R  
Greater Baltimore Medical Center – 2451R

Johns Hopkins Health System – 2443A  
Johns Hopkins Health System – 2445A  
MedStar Health – 2447A  
Fort Washington Medical Center – 2449N

4. Docket Status – Cases Open

2452A – Johns Hopkins Health System  
2454A – MedStar Health  
2456A – University of Maryland Medical Center

2453A – MedStar Health  
2455A – Johns Hopkins Health System  
2457A – Johns Hopkins Health System

5. Presentation on Care Redesign Programs
6. Final Recommendation on Maximum Revenue Guardrail for Quality Programs for RY 2020
7. Draft Recommendation on the Medicare Performance Adjustment for RY 2021
8. Policy Update and Discussion

- a. **MDPCP Update**
- b. **Workgroups Update**
- c. **Commissioner Discussion of Volume and Market Shift**

**9. Hearing and Meeting Schedule**

**Closed Session Minutes  
Of the  
Health Services Cost Review Commission  
September 12, 2018**

Upon motion made in public session, Chairman Sabatini called for adjournment into closed session to discuss the following items:

1. Discussion on Planning for Model Progression– Authority General Provisions Article, §3-103 and §3-104
2. Update on Contract and Modeling of the All-Payer Model vis-a-vis the All-Payer Model Contract – Administration of Model Moving into Phase II - Authority General Provisions Article, §3-103 and §3-104
3. Implementation Protocol for Meritus Pharmacy - Authority General Provisions Article, §3-103 and §3-104
4. Personnel Matters – Authority General Provisions Article, §3-305(b) (1)

The Closed Session was called to order at 11:37 a.m. and held under authority of §3-103, §3-104, and §3-305 of the General Provisions Article.

In attendance in addition to Chairman Sabatini were Commissioners Antos, Bayless, Colmers, Elliott, and Keane. Commissioner Kane participated by telephone.

In attendance representing Staff were Katie Wunderlich, Chris Peterson, Allan Pack, Jerry Schmith, Alyson Schuster, Geoff Dougherty, Bob Gallion, Amanda Vaughan, Joe Delenick, and Dennis Phelps.

Also attending were Donna Kinzer and Eric Lindeman, Commission Consultant, and Stan Lustman and Adam Malizio Commission Counsel.

**Item One**

Bob Gallion of the Staff advised the Commissioners on the protocol used in setting up the Meritus Medical Center's drug center focusing on high cost drugs. The protocol is being used as an experiment which may evolve into the development of a state-wide policy.

## **Item Two**

Commissioners were introduced to 2 new staff members Geoff Dougherty and Joe Delenick. Staff also advised the Commissioners on recruitment efforts underway.

## **Item Three**

Katie Wunderlich, Executive Director, summarized Staff work priorities and progress.

## **Item Four**

Mr. Lindeman updated the Commission on Medicare data and analysis vis-a-vis the All-Payer Model Agreement.

The Closed Session was adjourned at 12:53 p.m.

**MINUTES OF THE**  
**554th MEETING OF THE**  
**HEALTH SERVICES COST REVIEW COMMISSION**  
**September 12, 2018**

Chairman Nelson Sabatini called the public meeting to order at 11:37 a.m. Commissioners Joseph Antos, Victoria Bayless, John Colmers, James Elliott, M.D., and Jack Keane were also in attendance. Commissioner Adam Kane participated by telephone. Upon motion made by Commissioner and seconded by Commissioner Elliott, the meeting was moved to Executive Session. Chairman Sabatini reconvened the public meeting at 1:02 p.m. Commissioner Keane did not attend the public meeting.

**DONNA KINZER**

Chairman Sabatini recognized former Executive Director Donna Kinzer for her efforts in the implementation and success of the All Payer Model as well as the successful negotiation of the Total Cost of Care Model. His praise was echoed by each of the Commissioners.

**NEW STAFF**

Katie Wunderlich, Executive Director, welcomed two new staff members:

- Geoff Dougherty, who will be taking on the role of Associate Director of Population Based Health Methodologies.
- Joe Delenick, who will be taking on the role of Associate Director Hospital Rate Setting.

**REPORT OF AUGUST 23, 2018 and SEPTEMBER 12, 2018 EXECUTIVE SESSIONS**

Mr. Dennis Phelps, Associate Director, Audit & Compliance, summarized the minutes of the August 23, 2018 and September 12, 2018 Executive Sessions.

**ITEM I**  
**REVIEW OF THE MINUTES FROM JULY 11, 2018 EXECUTIVE SESSION AND**  
**PUBLIC MEETING and AUGUST 23, 2018 EXECUTIVE SESSION**

The Commissioners voted unanimously to approve the minutes of the July 11, 2018 Public Meeting and Executive Session and minutes of the August 23, 2018 Executive Session.

**ITEM II**  
**NEW MODEL MONITORING**

Ms. Caitlin Cooksey, Assistant Chief, Hospital Rate Regulation, reported for the six months

ending June 2017, Maryland's Medicare Hospital spending per capita growth was favorable. Ms Cooksey noted that Medicare Non-Hospital spending per capita growth was unfavorable for the same period. This results in Medicare Hospital and Non-Hospital savings of \$41,053,000.

Ms. Amanda Vaughan stated that Monitoring Maryland Performance (MMP) for the new All-Payer Model for the month of June 2018 focuses on the fiscal year (July 1 through June 30) as well as calendar year results.

Ms. Vaughan reported that for the fiscal year ending June 30, 2018, All-Payer total gross hospital revenue increased by 2.55% over the same period in FY 2017. All-Payer total gross hospital revenue for Maryland residents increased by 2.79%. All-Payer gross hospital revenue for non-Maryland residents decreased by 0.01%.

Ms. Vaughan reported that for the six months of the calendar year ended June 30, 2018, All-Payer total gross revenue increased by 1.17% over the same period in CY 2017. All-Payer total gross revenue for Maryland residents increased by 1.57%; this translates to a per capita increase of 1.10%. All-Payer gross revenue for non-Maryland residents decreased by 3.04%.

Ms. Vaughan reported that for the fiscal year ending June 30, 2018, Medicare Fee-For-Service gross hospital revenue increased by 2.42% over the same period in FY 2017. Medicare Fee-For-Service gross hospital revenue for Maryland residents increased by 2.57%. Maryland Fee-For-Service gross hospital revenue for non-residents increased by 0.71%.

Ms. Vaughan reported that for the six months of the calendar year ended June 30, 2018, Medicare Fee-For-Service gross revenue increased by 1.47 % over the same period in CY 2017. Medicare Fee-For-Service gross revenue for Maryland residents increased by 1.86%; this translates to a per capita increase of 0.44%. Maryland Fee-For-Service gross revenue for non-residents decreased by 3.01%.

Ms. Vaughan reported that for the eleven months of the fiscal year ended May 31, 2018 over the same period in CY 2017:

- All Payer in State per capita hospital revenue growth was 2.32%.
- Medicare Fee for Service hospital per revenue capita growth in state was 1.41%.

**ITEM III**  
**DOCKET STATUS- CASES CLOSED**

2439A- University of Maryland Medical System

2440A- University of Maryland Medical System      2441R- Meritus Health

**ITEM IV**  
**DOCKET STATUS –OPEN CASES**

**2442N- Greater Baltimore Medical Center**

On July 31, 2018, Greater Baltimore Medical Center (“the “Hospital”), submitted a request to the Commission to establish a new Occupational Therapy (“OTH”) rate. The Hospital requests that the rate be set at the statewide median per RVU and be effective October 1, 2018.

After reviewing the Hospital’s application, the staff recommends as follows:

- That an OTH rate of \$9.74 per RVU be approved effective October 1, 2018;
- That the OTH rate center not be rate realigned until a full year of cost data has been reported to the Commission; and
- That no change be made to the Hospital’s Global Revenue for OTH services.

Commissioners voted unanimously in favor of Staff’s recommendation.

**2443A-Johns Hopkins Health System**

Johns Hopkins Health System (System) filed an application with the HSCRC on July 26, 2018 on behalf of Johns Hopkins Hospital and Johns Hopkins Bayview Medical Center (the Hospitals) for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The System requests approval from the HSCRC to continue to participate in an amended global rate arrangement for solid organ transplant, bone marrow transplant, and cardiovascular services with Global Excel Management, formerly Olympus Managed Health for a period of one year beginning September 1, 2018.

The staff recommends that the Commission approve the Hospitals’ application for an alternative method of rate determination for solid organ, bone marrow transplant, and cardiovascular services for a one year period commencing September 1, 2018. The Hospitals will need to file a renewal application for review to be considered for continued participation. Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding (“MOU”) with the Hospitals for the approved contract.

Commissioners voted unanimously in favor of Staff’s recommendation. Commissioner Colmers recused himself from the discussion and vote.

#### **2444A- Johns Hopkins Health System**

Johns Hopkins Health System (“System”) filed an application with the HSCRC on July 26, 2018 on behalf of Johns Hopkins Hospital and Johns Hopkins Bayview Medical Center (“the Hospitals”) for renewal of a renegotiated alternative method of rate determination arrangement, pursuant to COMAR 10.37.10.06. The System requests approval from the HSCRC to continue to participate in the revised global rate arrangement for solid organ and bone marrow transplant services with Blue Cross Blue Shield Blue Distinction Centers for Transplants for a period of one year beginning September 1, 2018.

The staff recommends that the Commission approve the Hospitals’ application for an alternative method of rate determination for solid organ and bone marrow transplant services for a one year period commencing September 1, 2018. The Hospitals will need to file a renewal application for review to be considered for continued participation. Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding with the Hospitals for the approved contract.

Commissioners voted unanimously in favor of Staff’s recommendation. Commissioner Colmers recused himself from the discussion and vote.

#### **2445A- Johns Hopkins Health System**

Johns Hopkins Health System (“System”) filed an application with the HSCRC on July 26, 2018 on behalf of Johns Hopkins Hospital and its affiliated hospitals (“the Hospitals”) for renewal of a revised alternative method of rate determination arrangement, pursuant to COMAR 10.37.10.06. The System requests approval from the HSCRC to continue to participate in the global rate arrangement for hospital, physician services, and certain non-medical services for patients who are not residents or citizens of the United States for a period of one year beginning September 1, 2018.

The staff recommends that the Commission approve the Hospitals’ application for an alternative method of rate determination for the provision of hospital, physician and certain nonmedical services to patients who are not residents or citizens of the United States for a one year period commencing September 1, 2018. The Hospitals will need to file a renewal application for review to be considered for continued participation. Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding (“MOU”) with the Hospitals for the approved contract.

Commissioners voted unanimously in favor of Staff’s recommendation. Commissioner Colmers recused himself from the discussion and vote.

#### **2447A- MedStar Health**

MedStar Health filed an application with the HSCRC on June 21, 2018 on behalf of Union Memorial Hospital (the "Hospital") for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. Medstar Health requests approval from the HSCRC for continued participation in a global rate arrangement for cardiovascular services with the Kaiser Foundation Health Plan of the Mid-Atlantic, Inc. for one year beginning August 1, 2018.

The staff recommends that the Commission approve the Hospital's request for continued participation in the alternative method of rate determination for cardiovascular services for a one year period commencing August 1, 2018. The Hospital will need to file a renewal application for review to be considered for continued participation. Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding with the Hospitals for the approved contract.

Commissioners voted unanimously in favor of Staff's recommendation.

#### **2448A- MedStar Health**

MedStar Health filed an application with the HSCRC on June 21, 2018 on behalf of Union Memorial Hospital and Good Samaritan Hospital (the "Hospitals") to participate in an alternative method of rate determination, pursuant to COMAR 10.37.10.06. Medstar Health requests approval from the HSCRC for continued participation in a global rate arrangement for joint replacement services with MAMSI for a one year period beginning September 1, 2018.

The staff recommends that the Commission approve the Hospitals' request for continued participation in the alternative method of rate determination for orthopedic services, for a one year period, commencing September 1, 2018. The Hospitals will need to file a renewal application for review to be considered for continued participation. Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract

Commissioners voted unanimously in favor of Staff's recommendation.

#### **2449A- Fort Washington Medical Center**

On August 2, 2018, Fort Washington Medical Center ("the "Hospital") submitted a partial rate application to the Commission for a new Interventional Cardiology (IRC) rate. The Hospital requests the new rate as several CPT codes are being reallocated from the Radiology- Diagnostic to the IRC rate center, and the Hospital does not have an IRC center rate. The Hospital requests that the IRC rate be effective October 1, 2018.

After reviewing the Hospital's application, the staff recommends as follows:

- That an IRC rate of \$61.26 per minute be approved effective October 1, 2018;
- That the IRC rate center not be rate realigned until a full year of cost data has been reported to the Commission; and
- That no change be made to the Hospital's Global Budget Revenue for IRC services.

Commissioners voted unanimously in favor of Staff's recommendation.

#### **2450A- Laurel Regional Hospital and Prince Georges Hospital Center**

On August 2, 2018, the University of Maryland Medical System filed a partial rate application on behalf of UM Capital Regional Health hospitals (Prince George's Hospital Center (PGHC) and Laurel Regional Hospital (LRH)) requesting approval to move certain rate centers from LRH to PGHC and to combine the hospitals' global budgets into one single global budget. These changes are necessary to implement the plan to convert LRH to a Freestanding Medical Center (FMC).

The hospitals request that the Commission approve a final recommendation to establish a rehabilitation and chronic rate for PGHC. The request also asks the Commission to approve combining the global budget revenue (GBR) for PGHC and LRH to effectuate an orderly conversion of the LRH to an FMC.

The HSCRC staff makes the following recommendations:

- That the GBRs of PGHC and LRH be combined into a single GBR for calculation of compliance with the GBR;
- Rates for Inpatient Chronic and Rehabilitative Services be established in the PGHC rate order at the same level as the rates of LRH until rate realignment occurs in conjunction with the RY 2020 update;
- Rate orders be maintained for each of the two locations, with compliance calculated in the aggregate for the two hospitals using the combined GBR.

Commissioner Elliott asked staff for clarification on the methodology used to determine the volume moving from LRH to PGHC and that moving to other facilities. Jerry Schmith, Director Revenue & Regulation Compliance stated that this would be determined through the market shift methodology.

Commissioner Kane asked whether staff had any models or analysis evaluating the efficiency of FMCs. Mr. Schmith stated that staff is in the process of determining what the future rates should be for services that will transition to FMCs, including rates for outpatient surgeries.

Commissioner Colmers expressed concern that the methodology to shift volume and revenue related to a closure or conversion of a facility does not adjust for volume that does not shift but permanently goes away. This has occurred with prior hospital closures. Mr. Schmith stated that staff would estimate the volume that simply goes away and provide it to Commissioners for review at a future meeting. Commissioner Bayless shared Commissioners Colmers' concern and expressed her own concern that this decision would set a precedent when facilities convert to an FMC.

Commissioner Colmers stated that he supported the recommendation, but offered an amendment to the staff recommendation. The amendment is that staff complete and provide a more detailed analysis of the expected volume changes related to the conversion of LRH into an FMC. Based on the results of the analysis, Commissioners would then determine if an adjustment to the global budgets of the hospitals is necessary.

Commissioners voted unanimously in favor of Staff's amended recommendation.

#### **2451R- Greater Baltimore Medical Center**

On August 8, 2018, Greater Baltimore Medical Center ("the Hospital"), submitted a partial rate application to the Commission requesting that its July 1, 2018 Medical Surgical Acute (MSG) and Definitive Observation (DEF) approved rates be combined effective October 1, 2018.

After reviewing the Hospital's application, the staff recommends as follows:

- That the Hospital be allowed to collapse its DEF rate into its MSG rate;
- That a MSG rate of \$1,226.93 per day be approved effective October 1, 2018; and
- That no change be made to the Hospital's Global Budget Revenue for MSG services.

Commissioners voted unanimously in favor of Staff's recommendation

#### **2456R- Adventist Behavioral Health and Wellness Services Consolidation With Shady Grove Medical Center**

Adventist Behavioral Health and Wellness Services (ABHWS) submitted a partial rate application on July 31, 2018 requesting to consolidate ABHWS' current HSCRC approved revenue into Shady Grove Medical Center's (SGMC's) permanent GBR effective August 1, 2018. ABHWS received approval from the Maryland Health Care Commission (MHCC) to

consolidate its services under SGMC's license on May 17, 2018. ABHWS is requesting that its approved revenue at budgeted volumes, \$47,011,466 for CY18, be incorporated into SGMC's current approved GBR revenue of \$410,104,275, effective for the year ending June 30, 2019.

SGMC is requesting that after the consolidation, new approved rates and budgeted volumes for inpatient psychiatric services and outpatient psychiatric day care services, based on ABHWS' current rate order, be added as new services to SGMC's approved rate order. SGMC also requests that all other budgeted departmental volumes and revenues at ABHWS combine with SGMC's current departmental budgeted volumes and approved revenue.

The HSCRC staff makes the following recommendations:

- Increase the SGMC GBR by \$47,011,466 to incorporate the services of ABHWS into SGMC GBR;
- Establish two new rate centers at SGMC for psychiatric services using the current blended rate levels for those services;
- Adjust the SGMC quality programs and market shift calculations to incorporate the ABHWS services that have been consolidated;
- Set the rate order volumes for the psychiatric services at the levels used by HSCRC staff to calculate the global revenue add-on and incorporate other ancillary services based on the most recent twelve months of actual volumes.

Staff is also recommending that the regulatory requirement that rate applications be submitted no later than 60 days prior to the operational opening of a new service be waived. Staff recommends an effective date of August 1, 2018.

Commissioner Kane asked if this recommendation would generate savings to Medicaid program. Allan Pack, Director, Population Based Methodologies, stated that the Institutions for Mental Disease (IMD) waiver, which provided Medicaid coverage for individuals aged 21-64, ended a few years ago and therefore this change would generate savings to Medicaid

Commissioners voted unanimously in favor of Staff's recommendation.

#### **ITEM V** **POLICY UPDATE REPORT AND DISCUSSION**

Dr. Howard Haft, Executive Director of the Program Management Office for the Maryland Primary Care Program (MDPCP) presented an update on the status of open enrollment for the program. Dr. Haft noted that by the enrollment deadlines, 25 applicants had applied to be a Care Transition Organization, and 595 physician practices had submitted applications to participate.

Final approval by the Center for Medicaid and Medicare Innovation will not be known until the end of December. However, it is likely that the final results will be higher than originally estimated, leading to higher first-year costs for this program. These costs associated with the program will be included in the Medicare TCOC for calendar year 2019.

Ms. Wunderlich observed that based on claims paid through July 2018, staff project the Medicare TCOC growth in calendar year 2018 in Maryland will be 0.2% to 0.4% below the national growth rate. While staff has raised concerns about the national Outpatient Prospective Payment System (OPPS) increase for calendar year 2019, overall they noted that more recent actuarial projections for calendar year 2018 are showing projected higher national spending growth. Given the volatility of these early projections, staff made no recommendation regarding the possible restoration of the additional 0.25% reduction to the fiscal year 2019 global budget update.

Ms. Wunderlich reported on the Payment Model Work Group meeting held on September 5. Ms. Wunderlich noted that the group was considering of the proposal to change the Medicare/Medicaid differential, as well as the establishment of subgroups. These subgroups will address the global budget contracts in light of the new TCOC model, consider the commission's volume policies, and develop rate modernization policies.

**ITEM VI**  
**DRAFT RECOMMENDATION ON MAXIMUM REVENUE GUARDRAIL FOR**  
**QUALITY PROGRAMS FOR RY 2020**

Alyson Schuster, Ph.D., Associate Director Performance Measurement, presented the Staff's draft recommendation on maximum revenue guardrail for quality programs (See "Draft Recommendation for the Maximum Revenue Guardrail for Maryland Hospital Quality program for Rate Year 2020" on the HSCRC website).

HSCRC's performance-based payment methodologies are important policy tools that provide strong incentives for hospitals to improve their quality performance over time. These performance-based payment programs hold amounts of hospital revenue at-risk directly related to specified performance benchmarks. Because of its long-standing Medicare waiver for its all-payer hospital rate-setting system, special considerations were given to Maryland, including exemption from the federal Medicare quality-based programs. Instead, the HSCRC implements various Maryland-specific quality-based payment programs, which are discussed in further detail in the background section of this report.

Maryland entered into an All-Payer Model Agreement with the Centers for Medicare & Medicaid Services (CMS) on January 1, 2014 and will enter into a Total Cost of Care Model agreement on January 1, 2019. One of the requirements under both agreements is that the proportion of hospital revenue that is held at-risk under Maryland's quality-based payment programs must be greater than or equal to the proportion that is held at-risk under national

Medicare quality programs. Given Maryland's programs are fundamentally different from the nation in how revenue adjustments are determined (e.g., most programs have prospective incremental revenue adjustment scales with both rewards and penalties), the at-risk is measured both as potential risk (i.e., highest maximum penalty per program) and realized risk (absolute average of adjustments per program).

The purpose of this report is to make a recommendation for the maximum amount one hospital can be penalized for RY 2020, otherwise known as the maximum revenue guardrail. The recommendations for the maximum penalties and rewards for each quality program are set forth in the individual policies rather than in an aggregate at-risk policy.

Staff draft recommendation is to set the maximum penalty guardrail for RY 2020, the maximum penalty guardrail should be set at 3.40% of total hospital revenue.

#### **LINDA BARTNYSKA**

Commissioner Colmers commented on the passing of Linda Bartnyska in August. Ms. Bartnyska was the Director of the Center of Analysis and Information Systems for the MHCC. Commissioner Colmers expressed his condolences to Ms. Bartnyska's family, co-workers, and friends.

#### **ITEM VII** **HEARING AND MEETING SCHEDULE**

October 10, 2018	Times to be determined, 4160 Patterson Avenue HSCRC Conference Room
November 14, 2018	Times to be determined, 4160 Patterson Avenue HSCRC Conference Room

There being no further business, the meeting was adjourned at 2:29p.m.



# Monitoring Maryland Performance Medicare Fee-for-Service (FFS)

Data through June 2018 – Claims paid through August

Source: CMMI Monthly Data Set



|

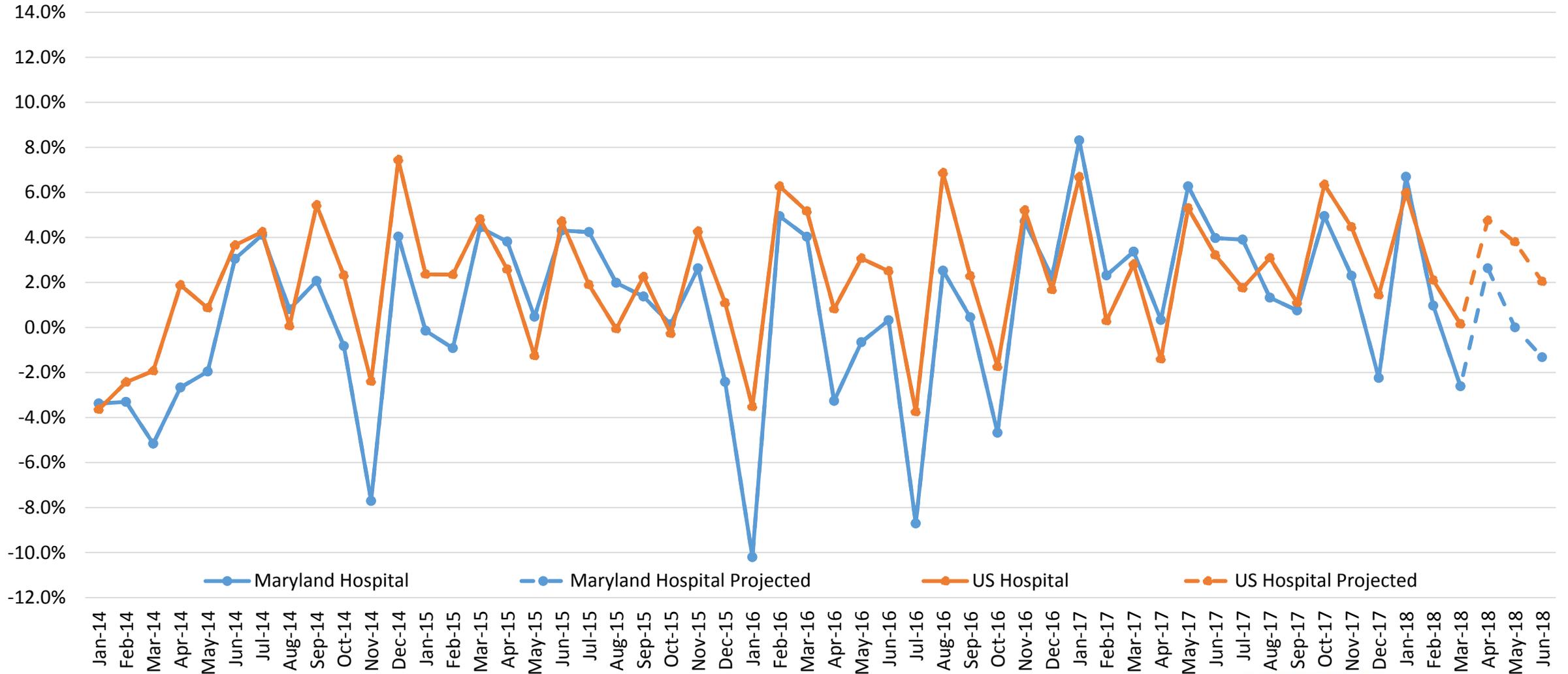
# Disclaimer:

---

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.

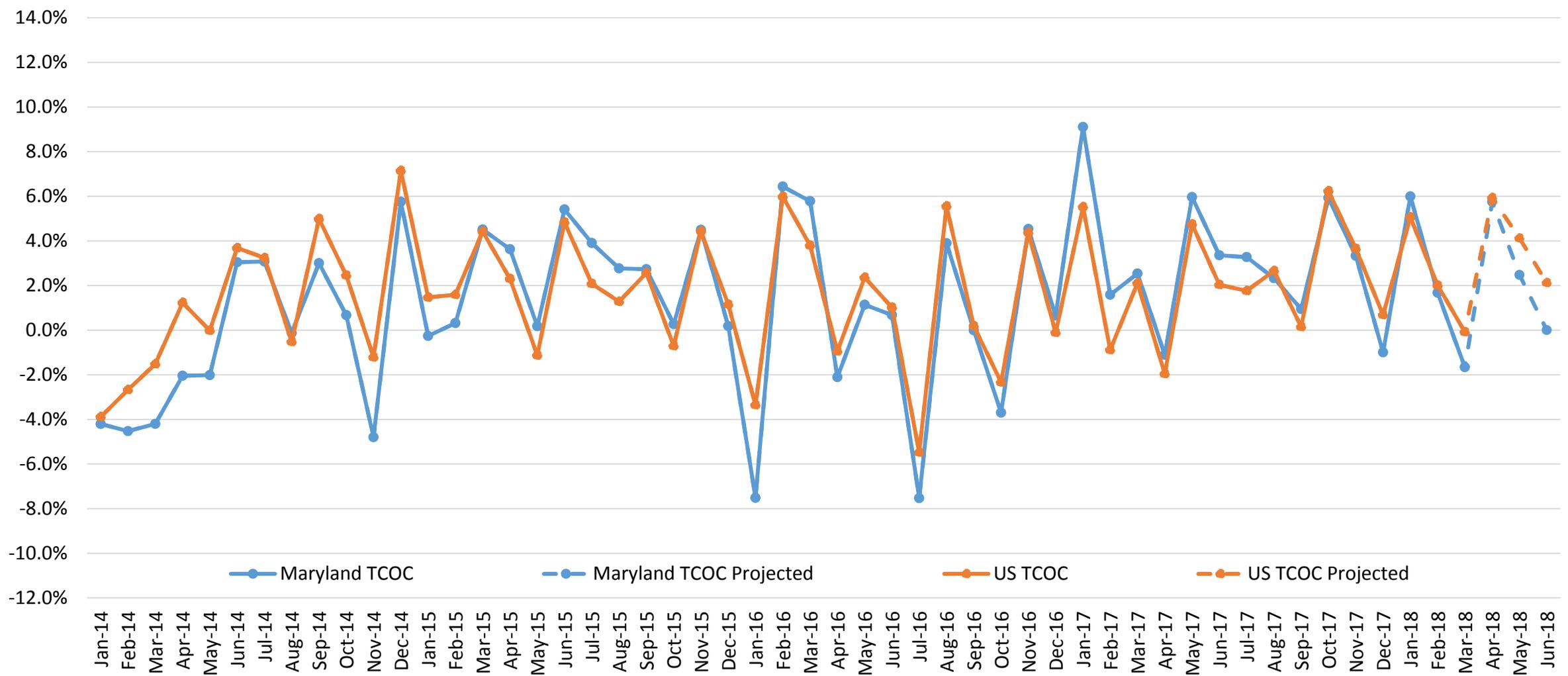
# Medicare Hospital Spending per Capita

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



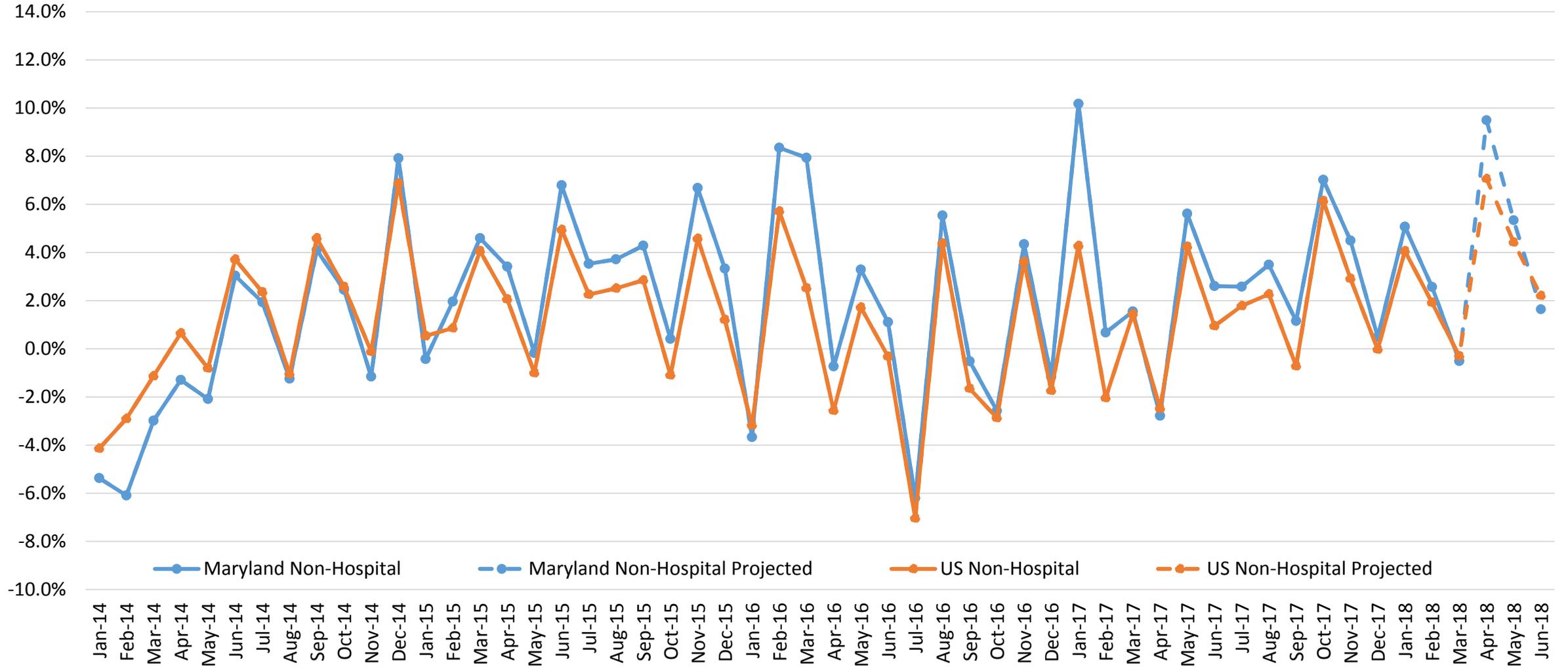
# Medicare Total Cost of Care Spending per Capita

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

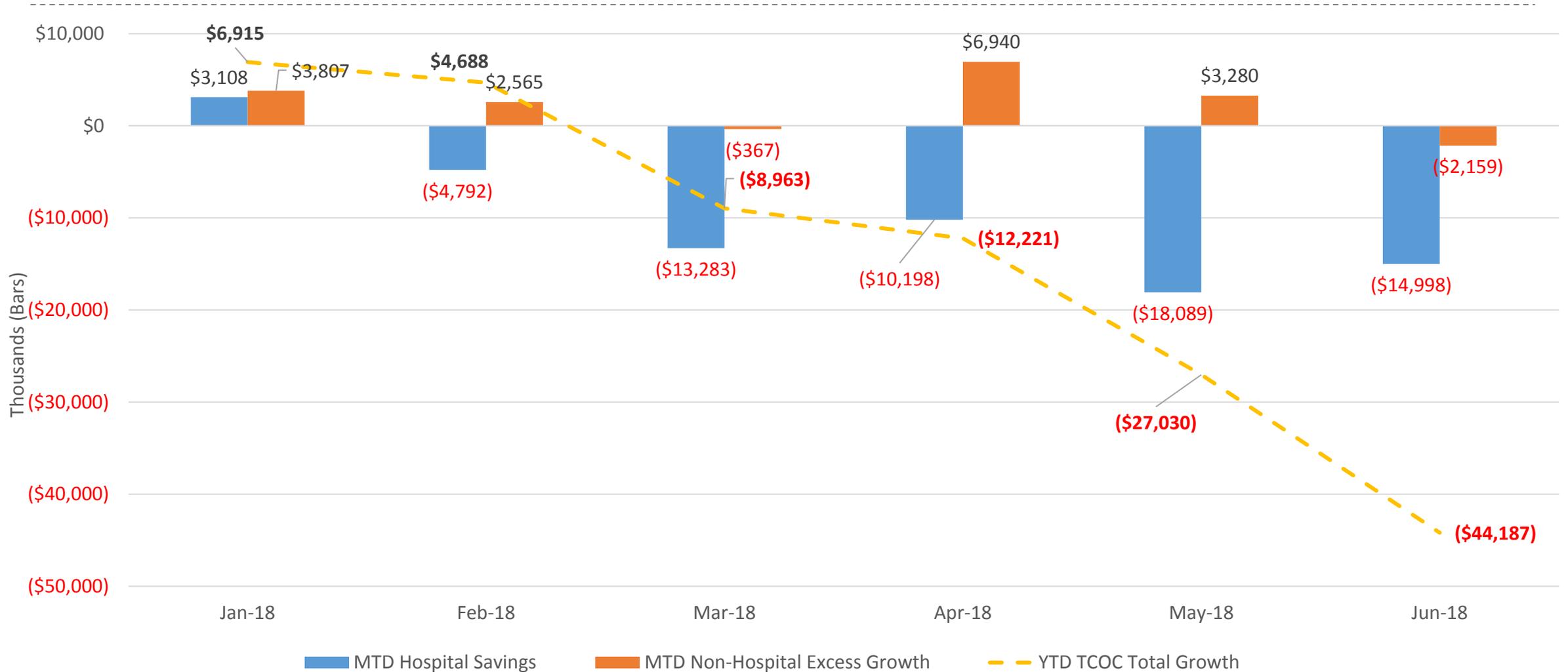


# Medicare Non-Hospital Spending per Capita

## Actual Growth Trend (CY month vs. prior CY month)



# Medicare Hospital & Non-Hospital Growth (with completion) CYTD through 2018





# Monitoring Maryland Performance Financial Data

Year to Date through August 2018

With year end Audit Adjustment to FY 2018 Financial Statements

Source: Hospital Monthly Volume and Revenue

Run: October 4, 2018

---

**HSCRC**

Health Services Cost  
Review Commission

---



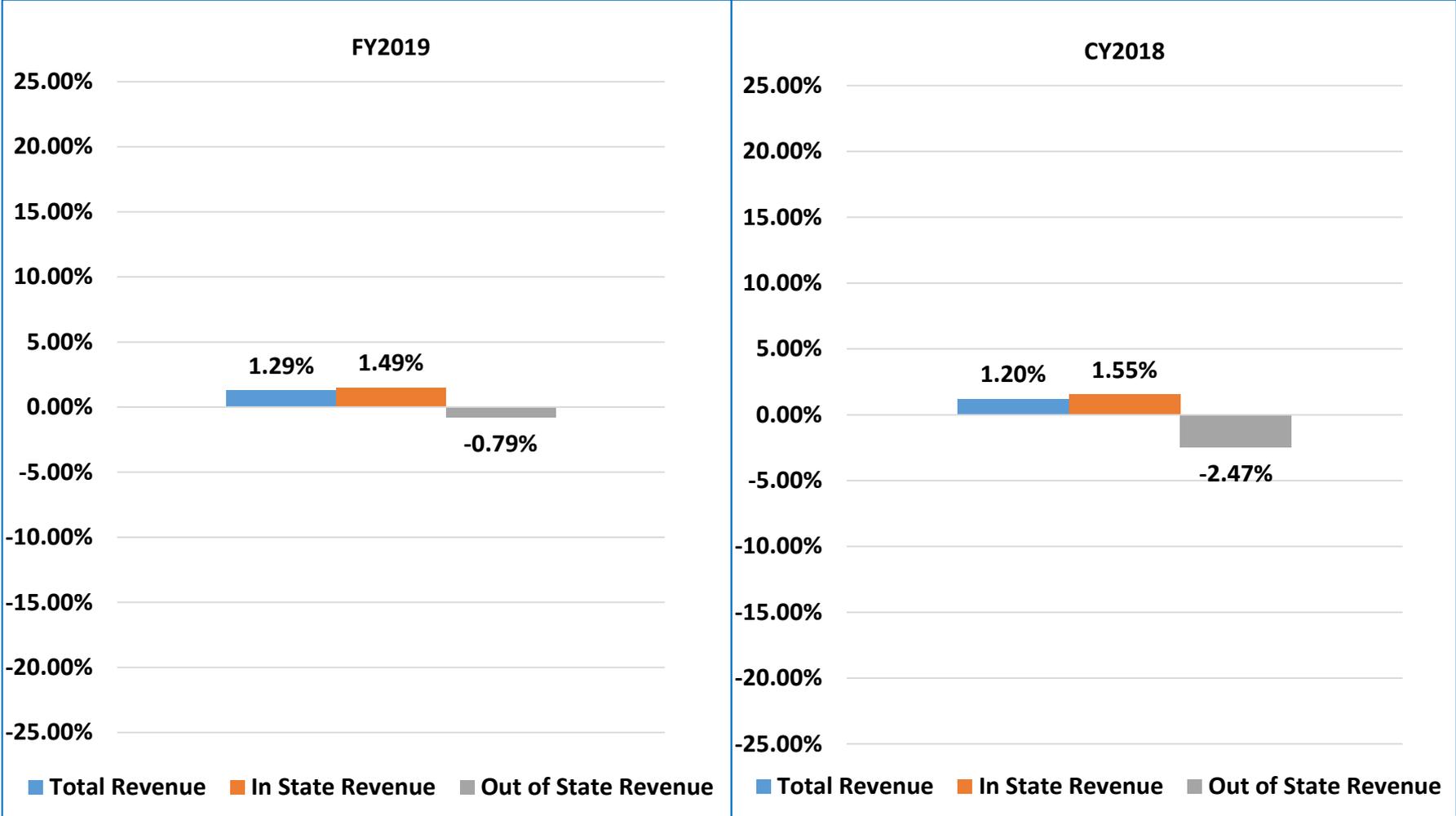
|

The per capita growth data pertaining to the Medicare FFS beneficiary counts beginning January 1, 2017 have been revised. CMS has changed the enrollment source for the Chronic Condition Data Warehouse (CCW) from the Enrollment Database (EDB) to the Common Medicare Environment (CME) database. Part A changed very slightly and Part B is more noticeably changed.

The Population Estimates from the Maryland Department of Planning have been revised in December, 2017. The new FY 18 Population growth number is 0.46%.

# Gross All Payer Hospital Revenue Growth

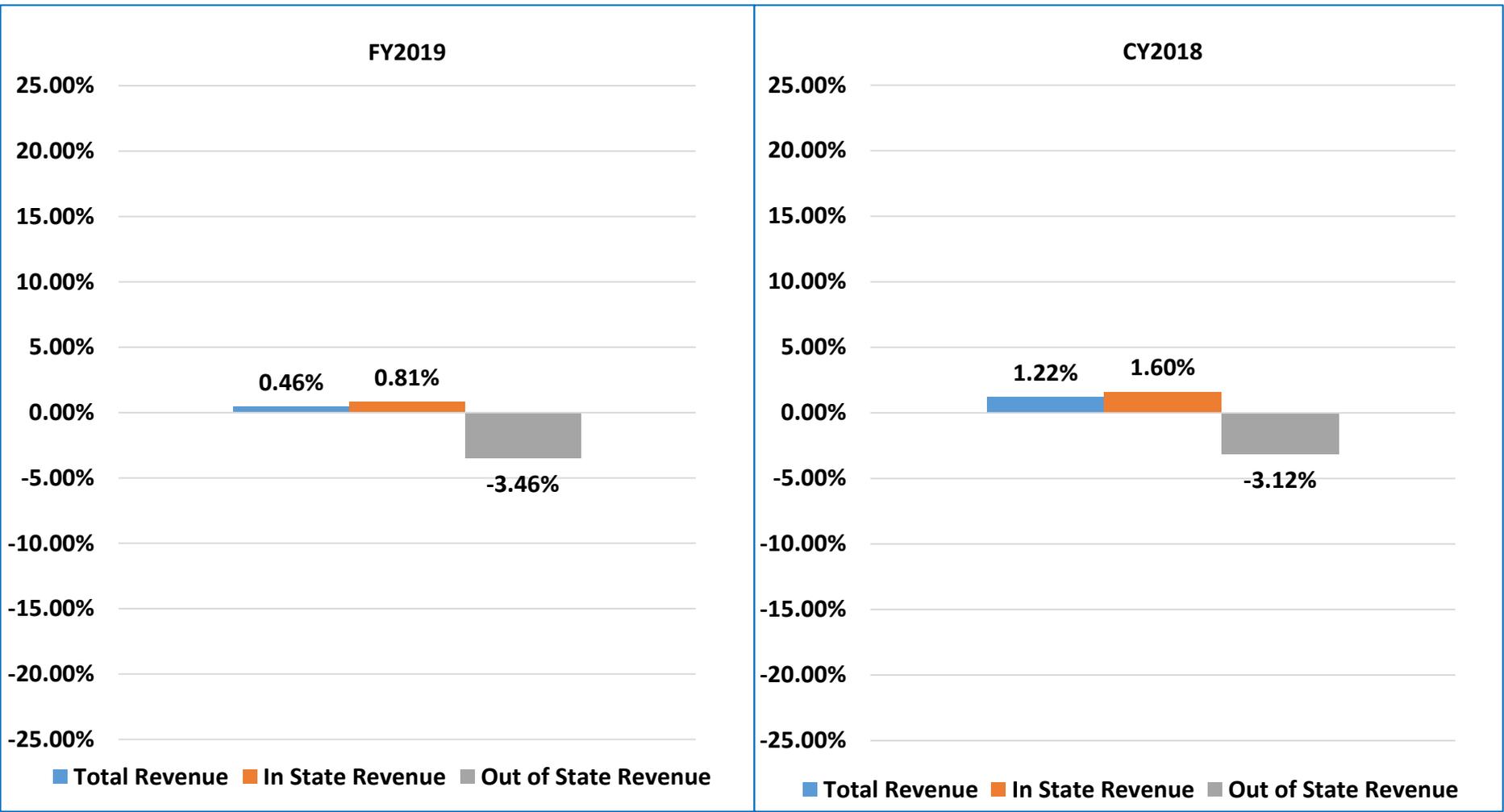
FY 2019 (July 18 – August 18 over July 17 – Aug 17) and CY 2018 (Jan - Aug 18 over Jan - Aug 17)



The State’s Fiscal Year begins July 1

# Gross Medicare Fee for Service Hospital Revenue Growth

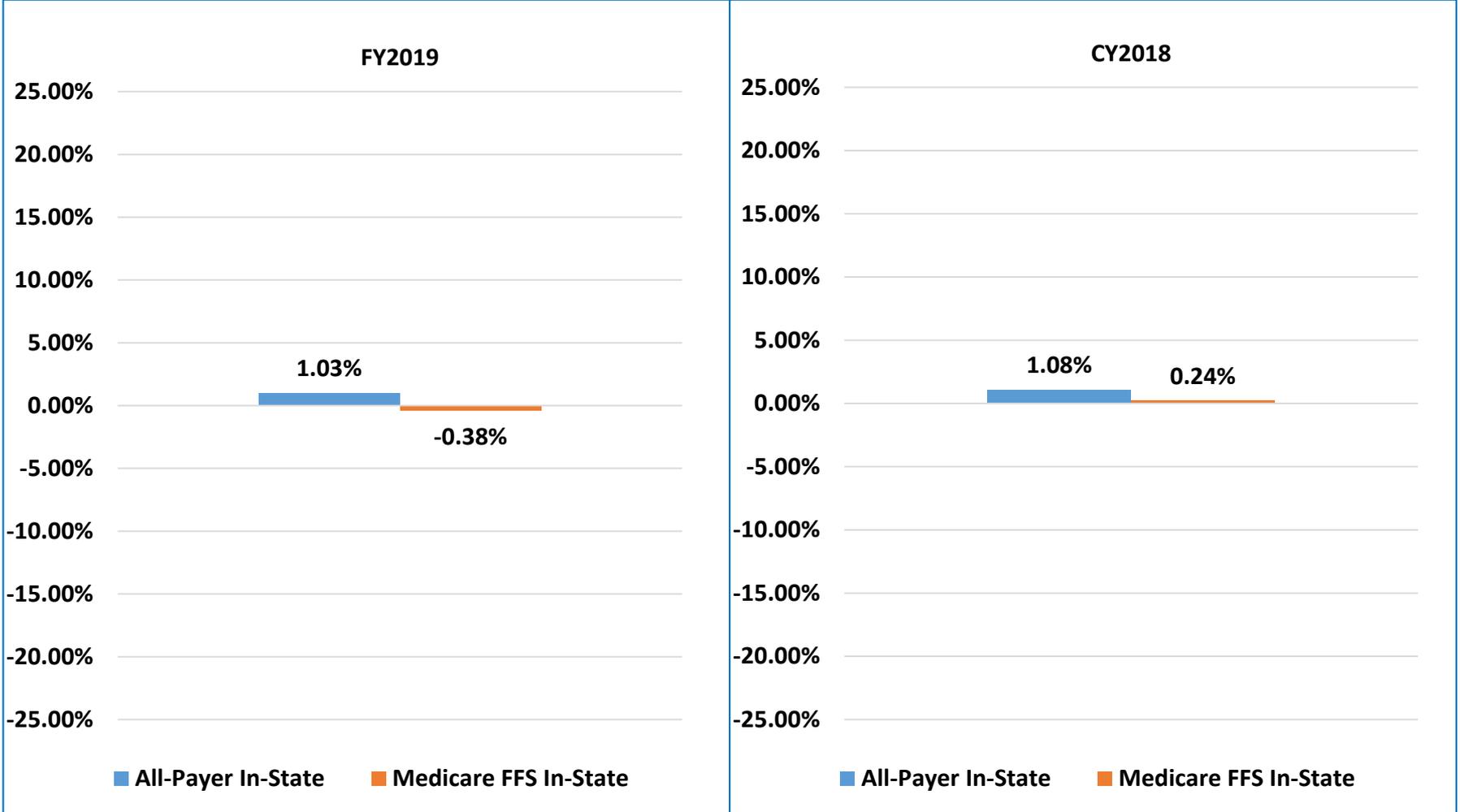
FY 2019 (July 18 – August 18 over July 17 – Aug 17) and CY 2018 (Jan - Aug 18 over Jan - Aug 17)



The State's Fiscal Year begins July 1

# Hospital Revenue Per Capita Growth Rates

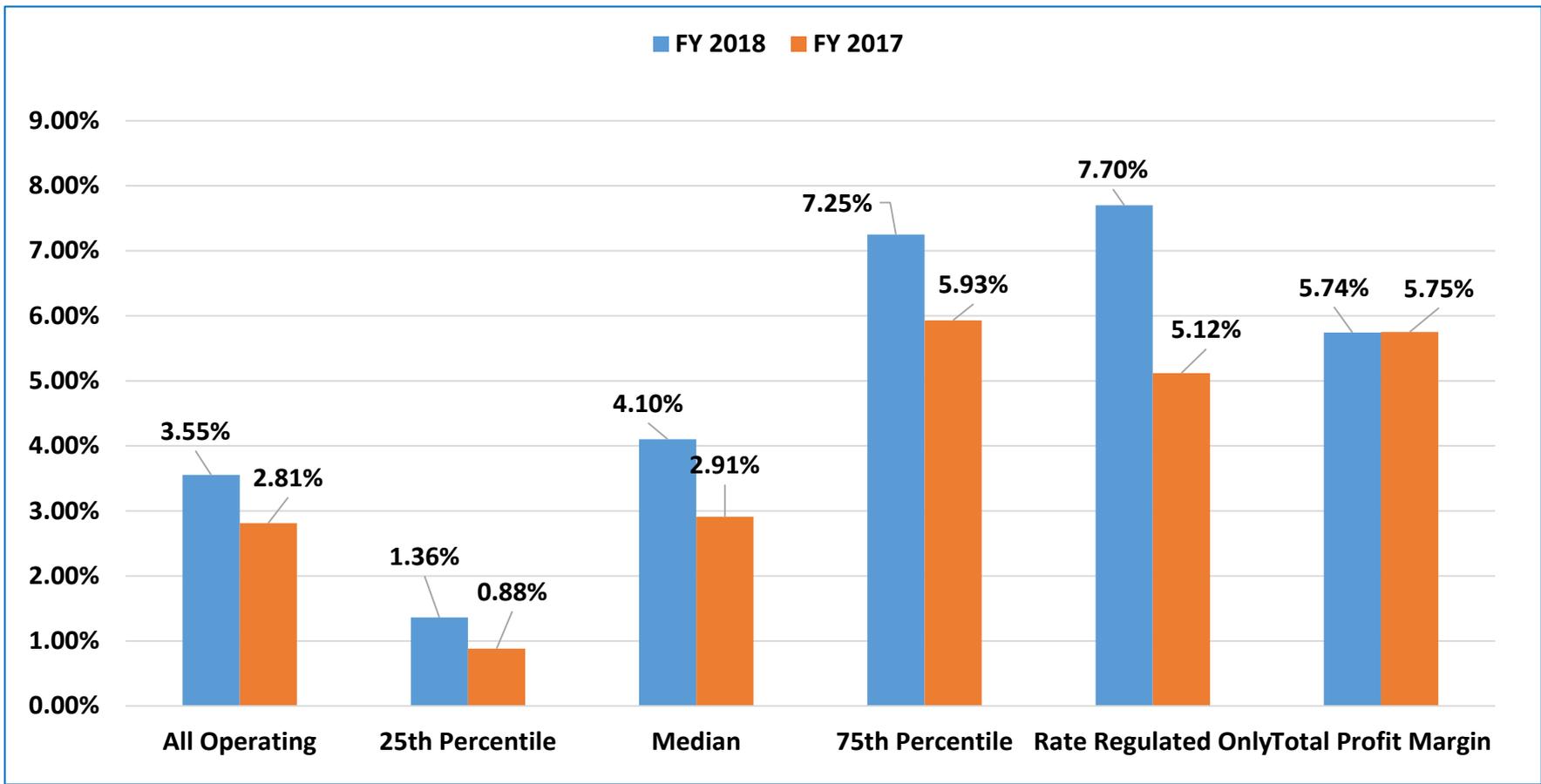
FY 2019 (July 18 – August 18 over July 17 – Aug 17) and CY 2018 (Jan - Aug 18 over Jan - Aug 17)



The State's Fiscal Year begins July 1

# Hospital Operating, Regulated and Total Profits

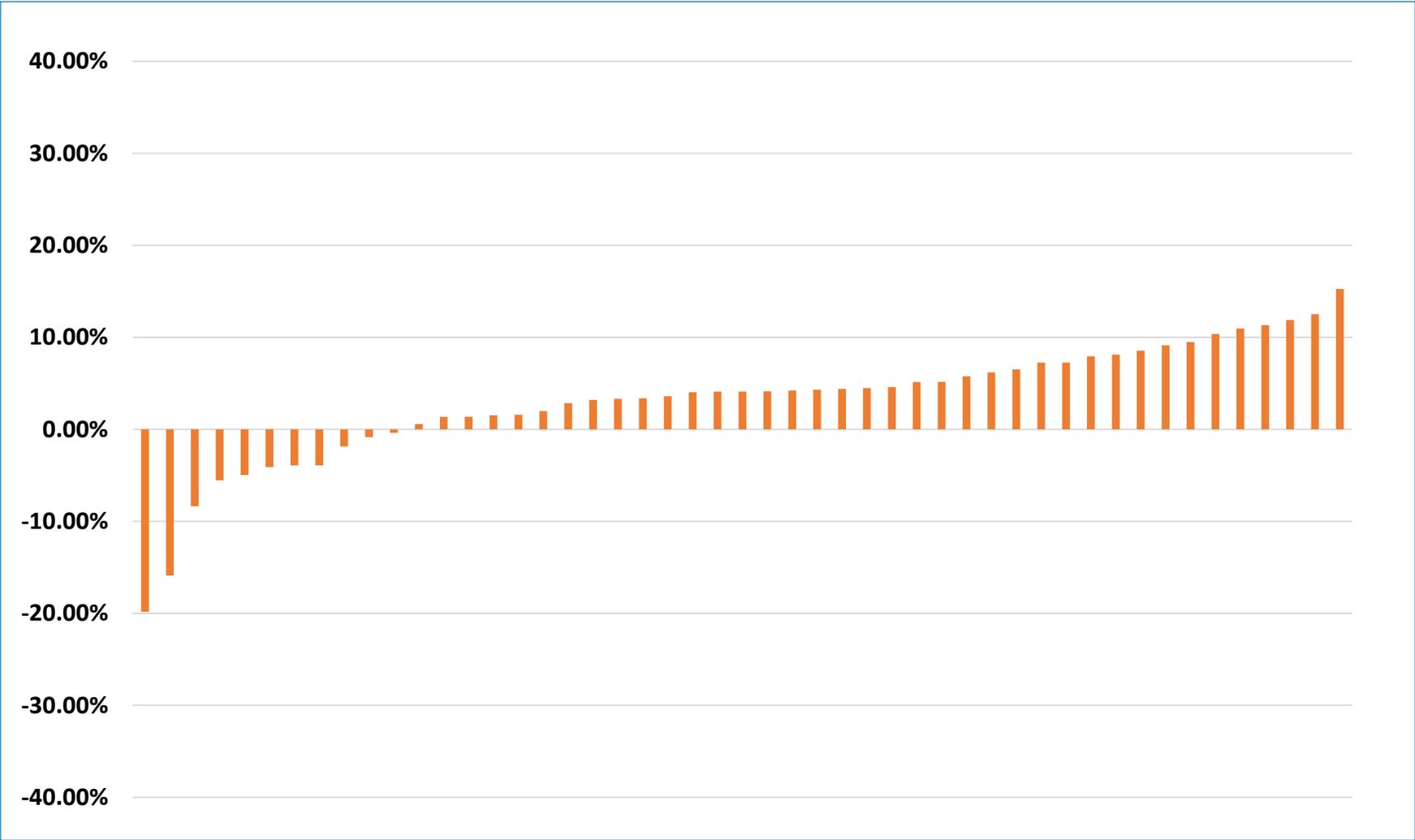
Fiscal Year 2018 (July 2017 – June 2018) Compared to Fiscal Year 2017 (July 2016 – June 2017)



FY 2018 unaudited hospital operating profits show an increase of 0.74 percentage points in total operating profits compared to FY 2017. Rate regulated profits for FY 2018 have increased by 2.58 percentage points compared to FY 2017.

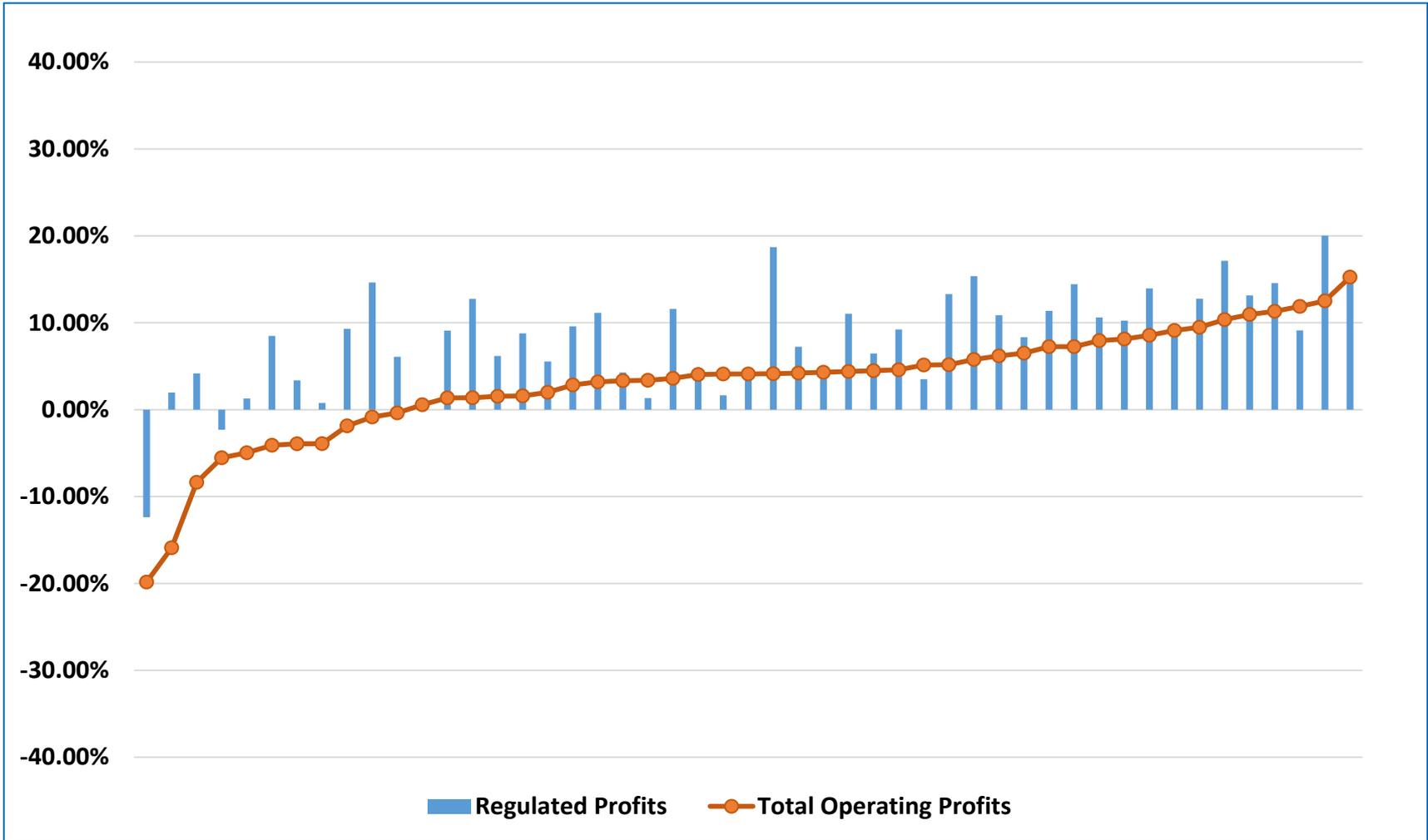
# Operating Profits by Hospital

Fiscal Year 2018 (July 2017 – June 2018)



# Operating and Regulated Profits by Hospital

Fiscal Year 2018 (July 2017 – June 2018)



---

# Monitoring Maryland Performance Financial/Utilization Data

## Calendar Year to Date through August 2018

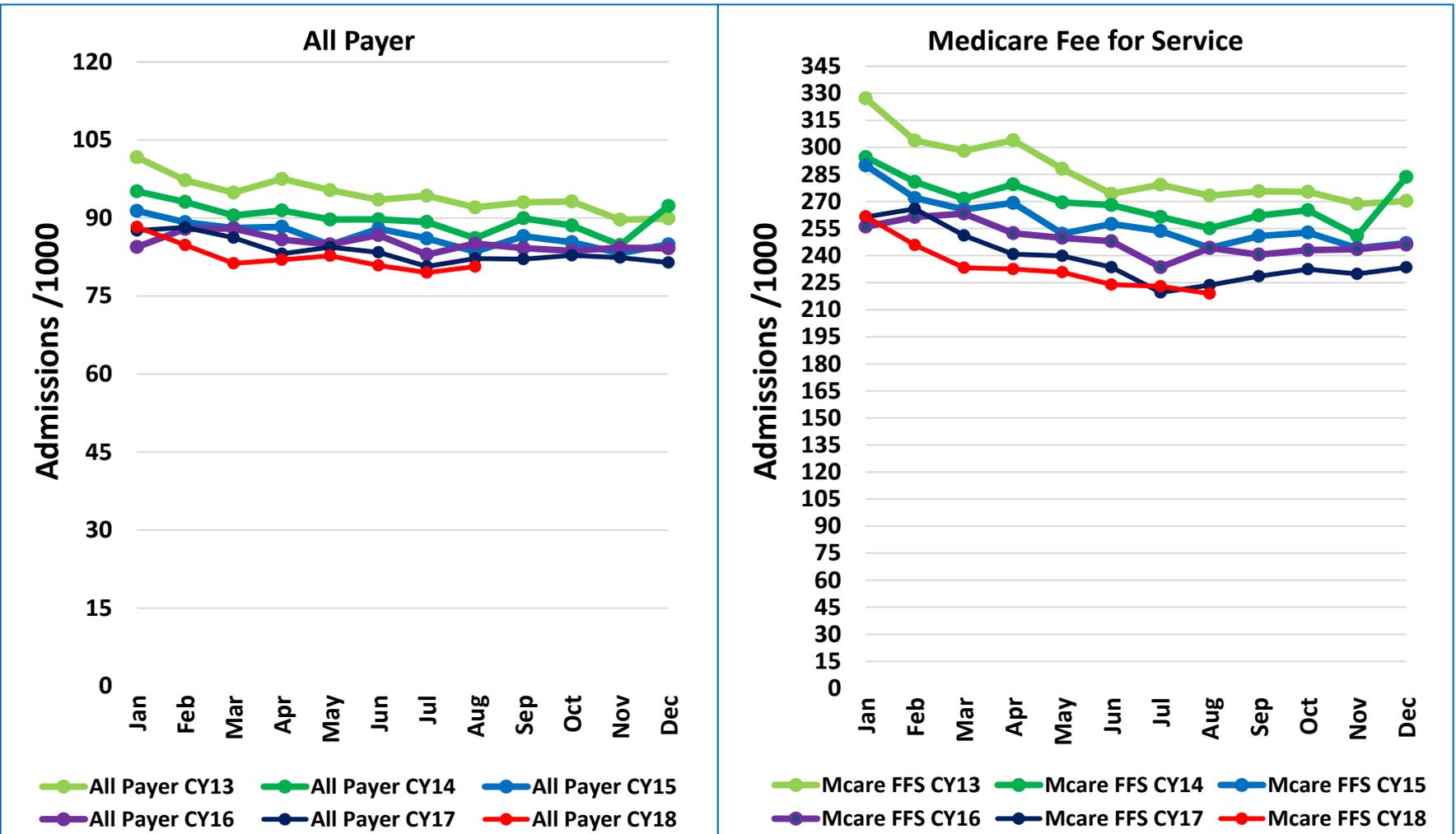
Source: Hospital Monthly Volume and Revenue Data

The per capita growth data pertaining to the Medicare FFS beneficiary counts beginning January 1, 2017 have been revised. CMS has changed the enrollment source for the Chronic Condition Data Warehouse (CCW) from the Enrollment Database (EDB) to the Common Medicare Environment (CME) database. Part A changed very slightly and Part B is more noticeably changed.

The Maryland Department of Planning released new population estimates in December 2017. The population numbers used to calculate the ADK, BDK and EDK have been revised accordingly.

# Annual Trends for ADK Annualized

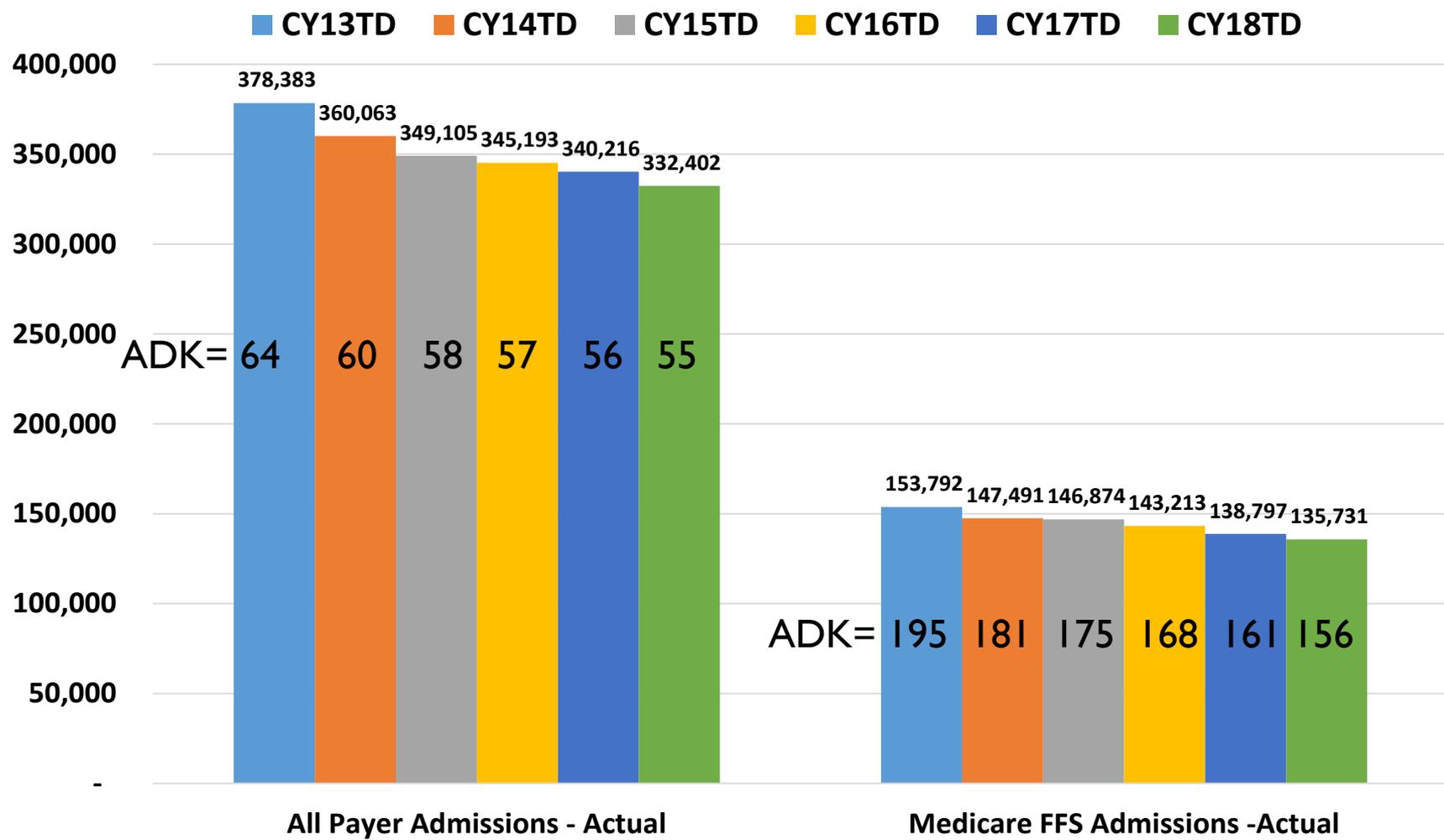
All Payer and Medicare Fee For Service (CY 2013 through CY 2018 August)



Note - The admissions do not include out of state migration or specialty psych and rehab hospitals.

# Actual Admissions by Calendar Year - August

(CY 2013 through CY 2018)



Note - The admissions do not include out of state migration or specialty psych and rehab hospitals.



# Change in Admissions by Calendar YTD August

(CY 2013 through CY 2018)

**Change in All Payer Admissions CYTD13 vs. CYTD14 = -4.84%**

**Change in All Payer Admissions CYTD14 vs. CYTD15 = -3.04%**

**Change in All Payer Admissions CYTD15 vs. CYTD16 = -1.12%**

**Change in All Payer Admissions CYTD16 vs. CYTD17 = -1.44%**

**Change in All Payer Admissions CYTD17 vs. CYTD18 = -2.30%**

**Change in ADK CYTD 13 vs. CYTD 14 = -5.44%**

**Change in ADK CYTD 14 vs. CYTD 15 = -3.53%**

**Change in ADK CYTD 15 vs. CYTD 16 = -1.52%**

**Change in ADK CYTD 16 vs. CYTD 17 = -1.89%**

**Change in ADK CYTD 17 vs. CYTD 18 = -2.30%**

**Change in Medicare FFS Admissions CYTD13 vs. CYTD14 = -4.10%**

**Change in Medicare FFS Admissions CYTD14 vs. CYTD15 = -0.42%**

**Change in Medicare FFS Admissions CYTD15 vs. CYTD16 = -2.49%**

**Change in Medicare FFS Admissions CYTD16 vs. CYTD17 = -3.08%**

**Change in Medicare FFS Admissions CYTD17 vs. CYTD18 = -2.21%**

**Change in Medicare FFS ADK CYTD 13 vs. CYTD 14 = -7.14%**

**Change in Medicare FFS ADK CYTD 14 vs. CYTD 15 = -3.50%**

**Change in Medicare FFS ADK CYTD 15 vs. CYTD 16 = -4.13%**

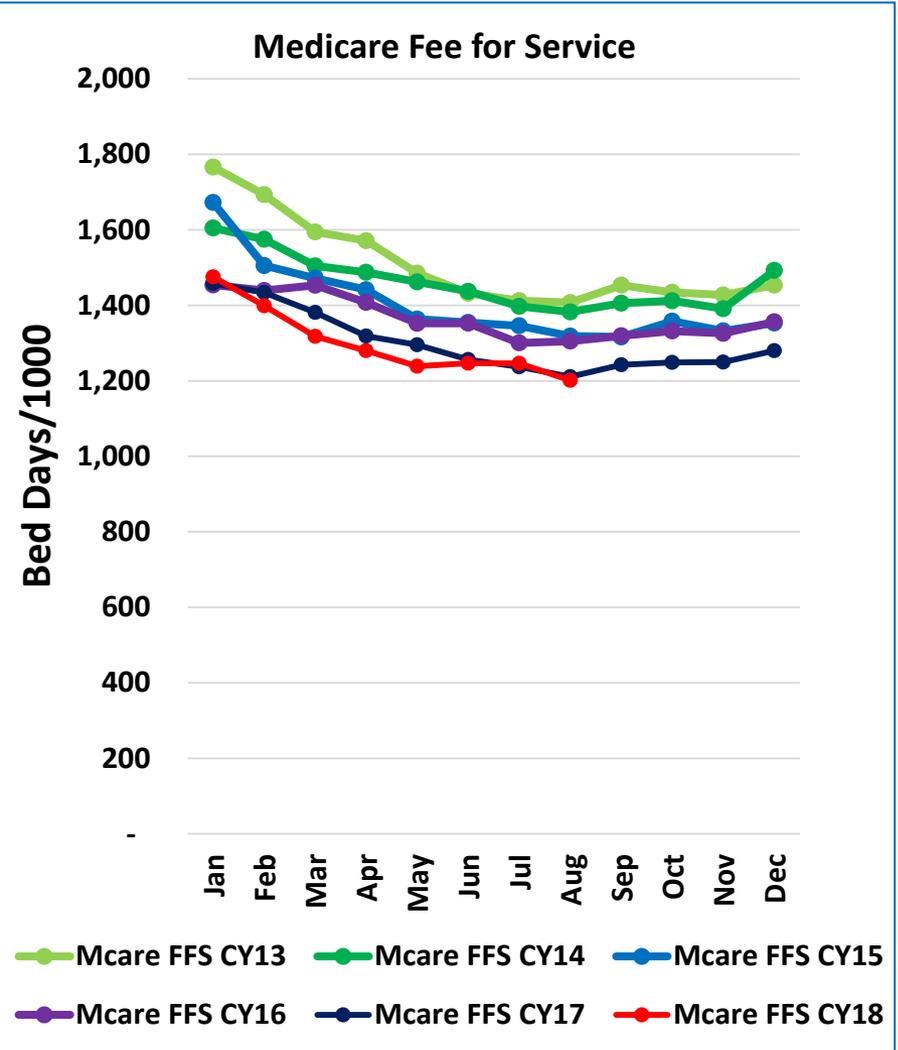
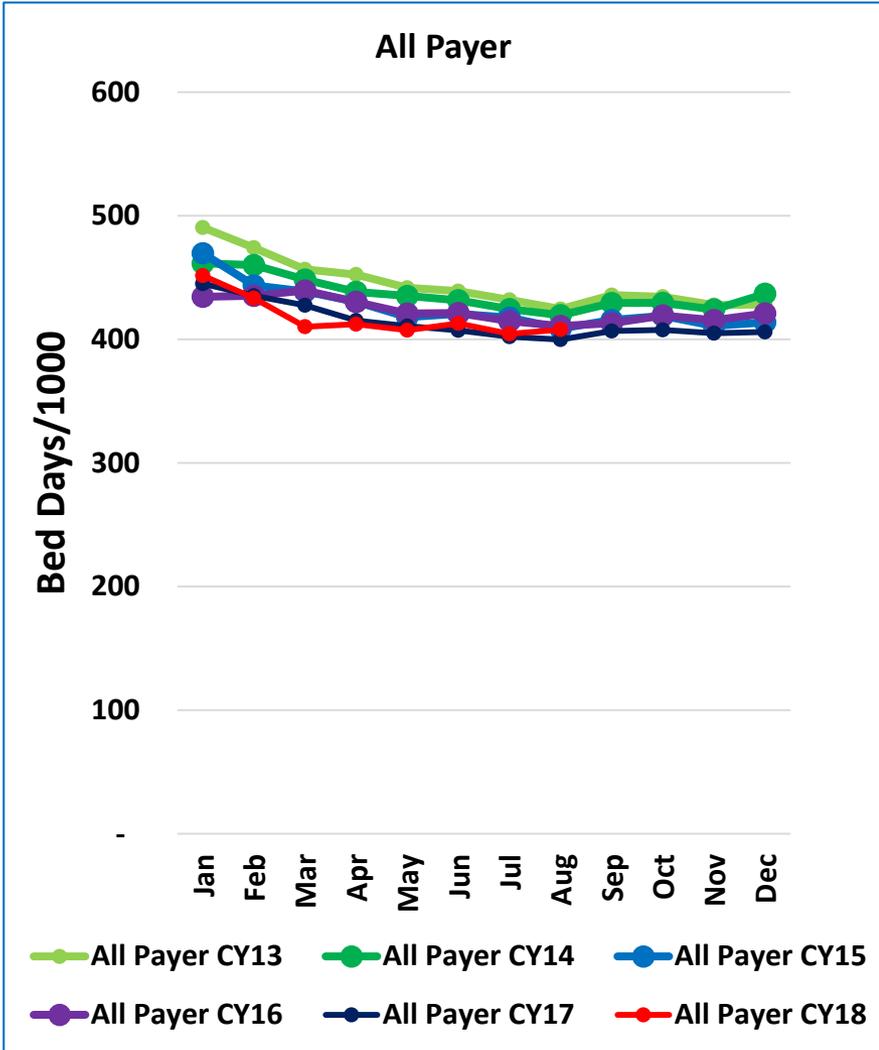
**Change in Medicare FFS ADK CYTD 16 vs. CYTD 17 = -4.10%**

**Change in Medicare FFS ADK CYTD 17 vs. CYTD 18 = -3.35%**



# Annual Trends for BDK Annualized

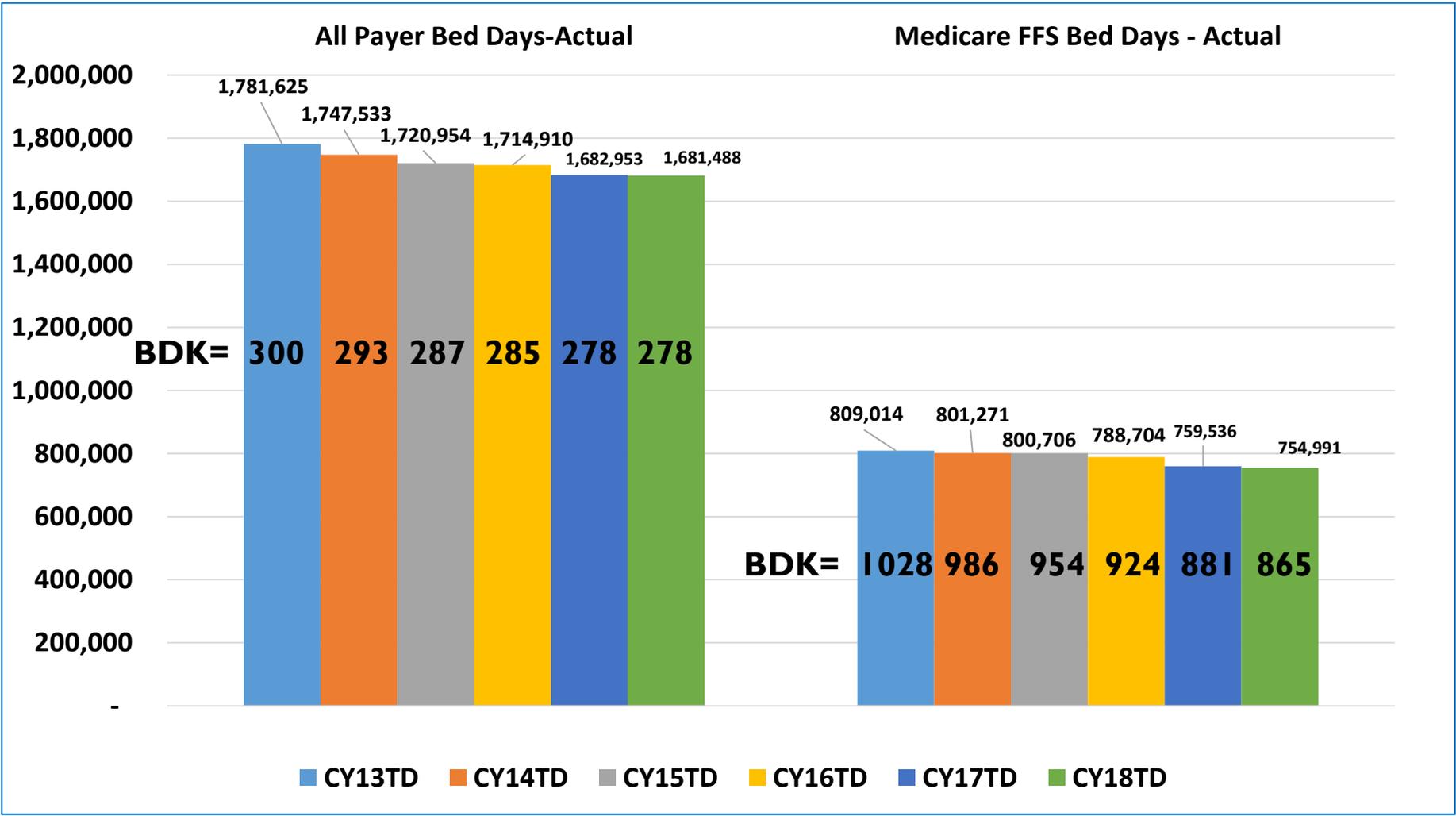
All Payer and Medicare Fee For Service (CY 2013 through CY 2018 August)



Note - The bed days do not include out of state migration or specialty psych and rehab hospitals.

# Actual Bed Days by Calendar YTD August

(CY 2013 through CY 2018)



Note - The bed days do not include out of state migration or specialty psych and rehab hospitals.

# Change in Bed Days by Calendar YTD August

(CY 2013 through CY 2018)

**Change in All Payer Bed Days CYTD13 vs. CYTD14 = -1.91%**

**Change in All Payer Bed Days CYTD14 vs. CYTD15 = -1.52%**

**Change in All Payer Bed Days CYTD15 vs. CYTD16 = -0.35%**

**Change in All Payer Bed Days CYTD16 vs. CYTD17 = -1.86%**

**Change in All Payer Bed Days CYTD17 vs. CYTD18 = -0.09%**

**Change in BDK CYTD 13 vs. CYTD 14 = -2.53%**

**Change in BDK CYTD 14 vs. CYTD 15 = -2.02%**

**Change in BDK CYTD 15 vs. CYTD 16 = -0.75%**

**Change in BDK CYTD 16 vs. CYTD 17 = -2.31%**

**Change in BDK CYTD 17 vs. CYTD 18 = -0.09%**

**Change in Medicare FFS Bed Days CYTD13 vs. CYTD14 = -0.96%**

**Change in Medicare FFS Bed Days CYTD14 vs. CYTD15 = -0.07%**

**Change in Medicare FFS Bed Days CYTD15 vs. CYTD16 = -1.50%**

**Change in Medicare FFS Bed Days CYTD16 vs. CYTD17 = -3.70%**

**Change in Medicare FFS Bed Days CYTD17 vs. CYTD18 = -0.60%**

**Change in Medicare FFS BDK CYTD 13 vs. CYTD 14 = -4.11%**

**Change in Medicare FFS BDK CYTD 14 vs. CYTD 15 = -3.16%**

**Change in Medicare FFS BDK CYTD 15 vs. CYTD 16 = -3.16%**

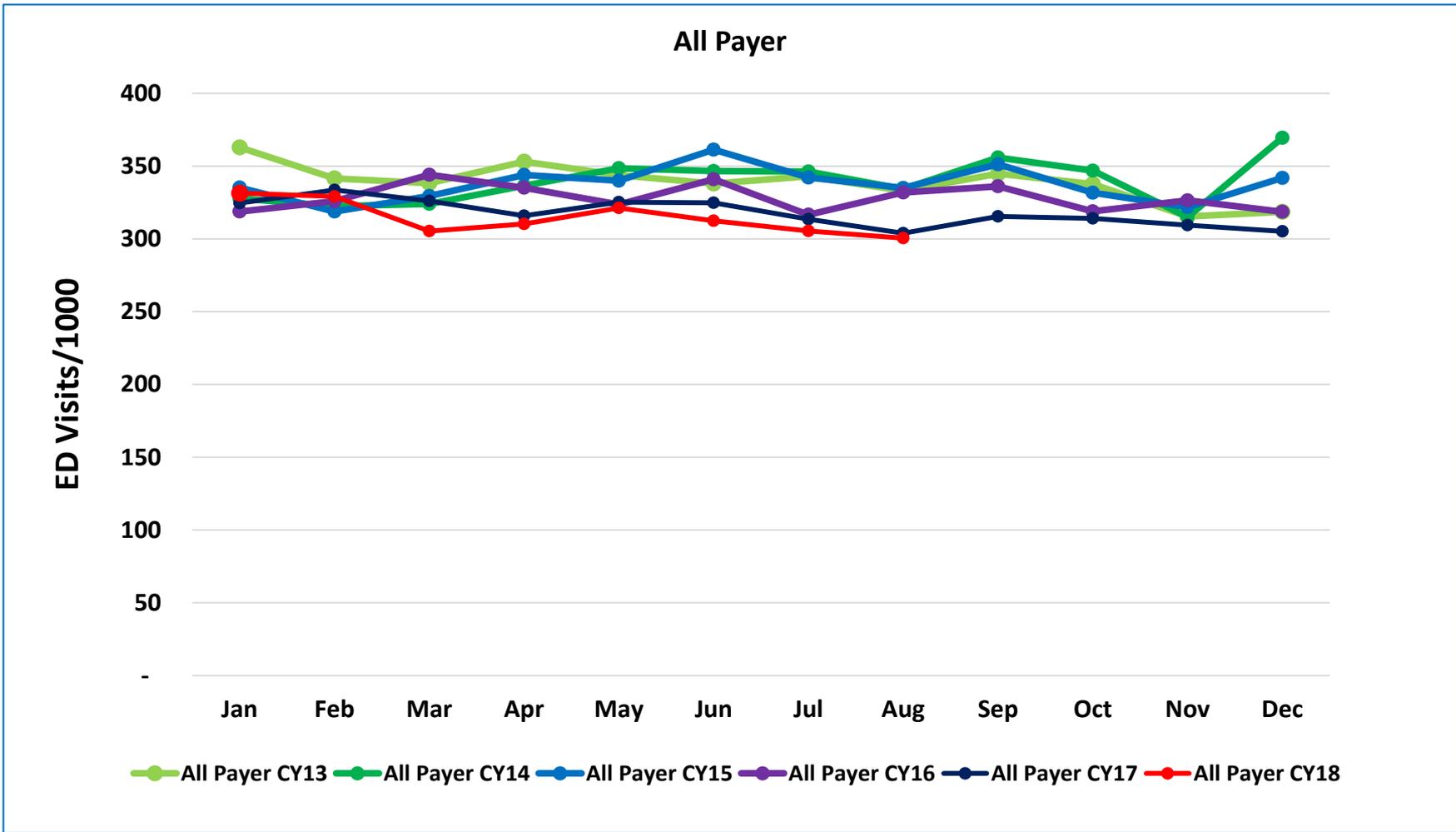
**Change in Medicare FFS BDK CYTD 16 vs. CYTD 17 = -4.71%**

**Change in Medicare FFS BDK CYTD 17 vs. CYTD 18 = -1.76%**



# Annual Trends for EDK Annualized

All Payer (CY 2013 through CY2018 August)

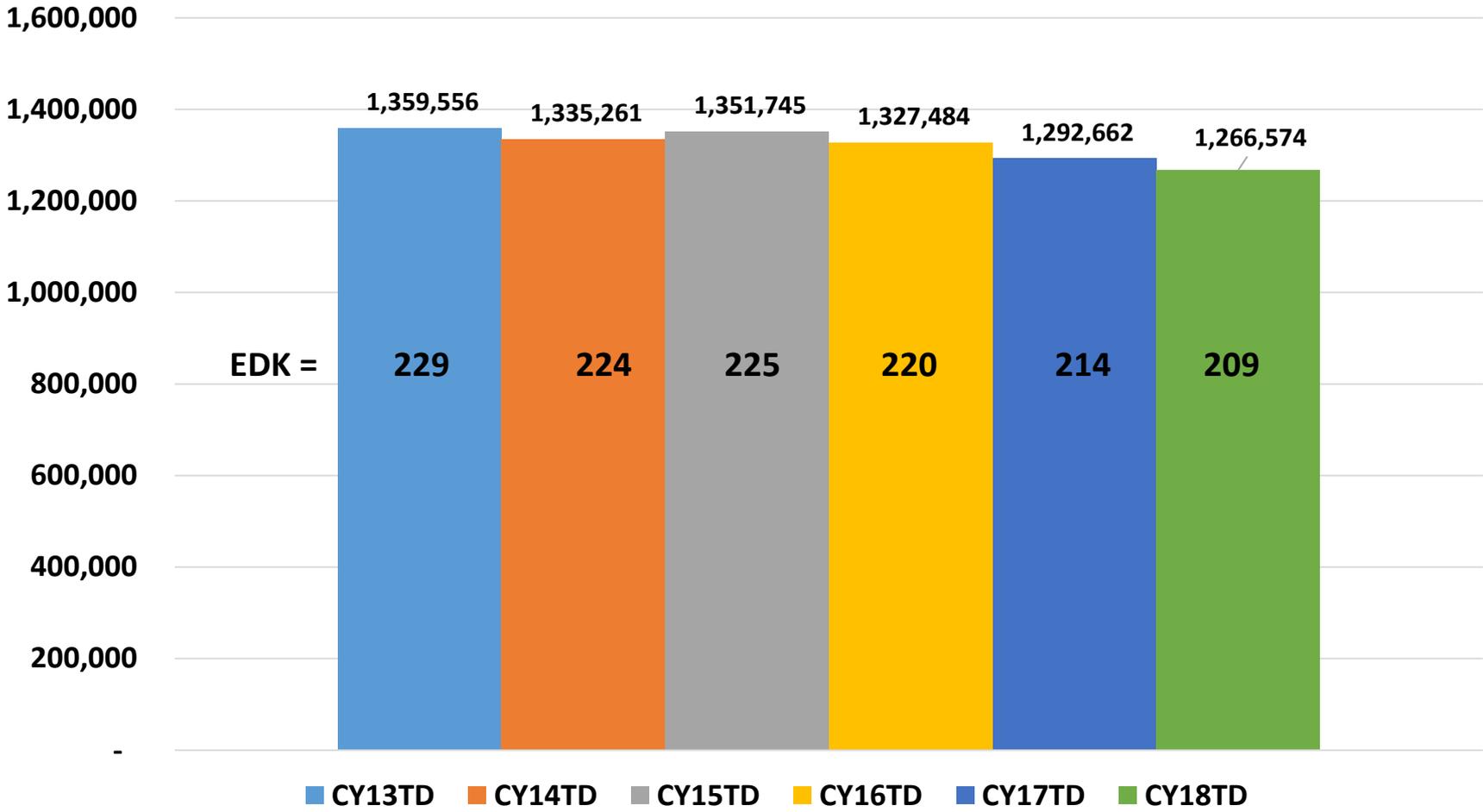


Note - The ED Visits do not include out of state migration or specialty psych and rehab hospitals.

# Actual Emergency Department Visits by Calendar YTD

## August (CY 2013 through CY 2018)

Emergency Visits All Payer - Actual



Note - The ED Visits do not include out of state migration or specialty psych and rehab hospitals.

# Change in ED Visits by Calendar YTD August

(CY 2013 through CY 2018)

**Change in ED Visits CYTD 13 vs. CYTD 14 = -1.79%**

**Change in ED Visits CYTD 14 vs. CYTD 15 = 1.23%**

**Change in ED Visits CYTD 15 vs. CYTD 16 = -1.79%**

**Change in ED Visits CYTD 16 vs. CYTD 17 = -2.62%**

**Change in ED Visits CYTD 17 vs. CYTD 18 = -2.02%**

**Change in EDK CYTD 13 vs. CYTD 14 = -2.41%**

**Change in EDK CYTD 14 vs. CYTD 15 = 0.72%**

**Change in EDK CYTD 15 vs. CYTD 16 = -2.19%**

**Change in EDK CYTD 16 vs. CYTD 17 = -3.06%**

**Change in EDK CYTD 17 vs. CYTD 18 = -2.02%**



# Purpose of Monitoring Maryland Performance

Evaluate Maryland's performance against All-Payer Model requirements:

**All-Payer total hospital per capita revenue growth ceiling** for Maryland residents tied to long term state economic growth (GSP) per capita

- 3.58% annual growth rate
- **Medicare payment savings** for Maryland beneficiaries compared to dynamic national trend. Minimum of \$330 million in savings over 5 years
- **Patient and population centered-measures** and targets to promote population health improvement
  - Medicare readmission reductions to national average
  - 30% reduction in preventable conditions under Maryland's Hospital Acquired Condition program (MHAC) over a 5 year period
  - Many other quality improvement targets

# Data Caveats

---

- Data revisions are expected.
- For financial data if residency is unknown, hospitals report this as a Maryland resident. As more data becomes available, there may be shifts from Maryland to out-of-state.
- Many hospitals are converting revenue systems along with implementation of Electronic Health Records. This may cause some instability in the accuracy of reported data. As a result, HSCRC staff will monitor total revenue as well as the split of in state and out of state revenues.
- All-payer per capita calculations for Calendar Year 2015 CY 2016 and FY 2017 rely on Maryland Department of Planning projections of population growth of .36% for FY18 and FY17, .52% for FY 16, and .52% for CY 15. Medicare per capita calculations use actual trends in Maryland Medicare beneficiary counts as reported monthly to the HSCRC by CMMI.



# Monitoring Maryland Performance Quality Data

October 2018 Commission Meeting Update



**HSCRC**

Health Services Cost  
Review Commission

---

# Quality Data Reporting Schedule

---

## ▶ Readmissions –

- ▶ Updated CMS Medicare Readmission Waiver Test is provided below.
- ▶ Updated RY 2020 RRIP Readmission Trending (with 2018 YTD data) is expected to resume in Nov 2018.

## ▶ MHAC -

- ▶ Staff will provide an update to PPC rates on a quarterly basis, with final (closed) data.
- ▶ Final Jan-Jun 2018 data was presented in September meeting.

## ▶ PAU -

- ▶ CY 2018 YTD PAU trends are unavailable this month.

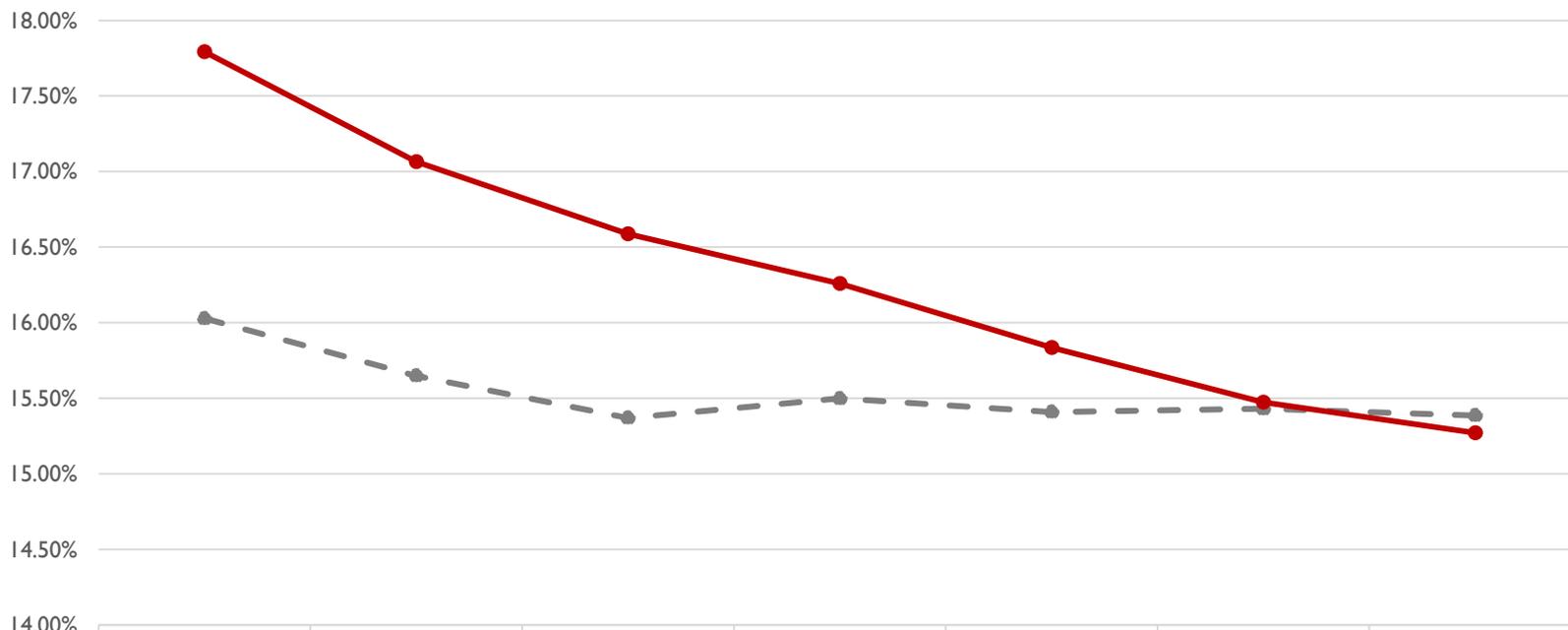


---

# Medicare Readmission Model Test

# Medicare Readmissions – Rolling 12 Months Trend

Readmissions - Rolling 12M through May



Data are currently available through June 2018 (Readmissions through May).

## Cases Closed

The closed cases from last month are listed in the agenda

H.S.C.R.C's CURRENT LEGAL DOCKET STATUS (OPEN)

AS OF OCTOBER 1, 2018

A: PENDING LEGAL ACTION : NONE  
 B: AWAITING FURTHER COMMISSION ACTION: NONE  
 C: CURRENT CASES:

Docket Number	Hospital Name	Date Docketed	Decision Required by:	Rate Order Must be Issued by:	Purpose	Analyst's Initials	File Status
2452A	Johns Hopkins Health System	9/6/2018	N/A	N/A	ARM	AP	OPEN
2453A	MedStar Health	9/6/2018	N/A	N/A	ARM	AP	OPEN
2454A	MedStar Health	9/11/2018	N/A	N/A	ARM	DNP	OPEN
2455A	Johns Hopkins Health System	9/25/2018	N/A	N/A	ARM	DNP	OPEN
2456A	University of Maryland Medical Center	9/25/2018	N/A	N/A	ARM	DNP	OPEN
2457A	Johns Hopkins Health System	9/25/2018	N/A	N/A	ARM	DNP	OPEN

PROCEEDINGS REQUIRING COMMISSION ACTION - NOT ON OPEN DOCKET

NONE

**IN RE: THE APPLICATION FOR  
ALTERNATIVE METHOD OF RATE  
DETERMINATION  
MEDSTAR HEALTH  
  
BALTIMORE, MARYLAND**

**\* BEFORE THE MARYLAND HEALTH  
\* SERVICES COST REVIEW  
\* COMMISSION  
\* DOCKET: 2018  
\* FOLIO: 2264  
\* PROCEEDING: 2454A**

---

**Staff Recommendation**

**October 10, 2018**

## **I. INTRODUCTION**

MedStar Health filed an application with the HSCRC on September 11, 2018 on behalf of Union Memorial Hospital (the “Hospital”) for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. MedStar requests approval from the HSCRC to continue to participate in a global arrangement for joint replacements with the National Orthopedic & Spine Alliance for a one year period beginning November 1, 2018.

## **II. OVERVIEW OF APPLICATION**

The contract will continue to be held and administered by Helix Resources Management, Inc. (“HRMI”). HRMI will continue to manage all financial transactions related to the global price contract including payments to the Hospital and bear all risk relating to services associated with the contract.

## **III. FEE DEVELOPMENT**

The hospital portion of the global rates was developed by calculating the mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

## **IV. IDENTIFICATION AND ASSESSMENT OF RISK**

The Hospital will continue to submit bills to HRMI for all contracted and covered services. HRMI is responsible for billing the payer, collecting payments, disbursing payments to the Hospital at its full HSCRC approved rates, and reimbursing the physicians. The Hospital contends that the arrangement between HRMI and the Hospital holds the Hospital harmless from any shortfalls in payment from the global price contract.

## **V. STAFF EVALUATION**

There was no activity under this arrangement during its prior approval; however, staff still believes that the Hospital can achieve a favorable experience under this arrangement.

## **VI. STAFF RECOMMENDATION**

The staff recommends that the Commission approve the Hospital's request for participation in the alternative method of rate determination for joint replacement services, for a one year period, commencing November 1, 2018. The Hospital will need to file a renewal application for review to be considered for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**IN RE: THE APPLICATION FOR  
ALTERNATIVE METHOD OF RATE  
DETERMINATION  
JOHNS HOPKINS HEALTH  
SYSTEM  
BALTIMORE, MARYLAND**

**\* BEFORE THE MARYLAND HEALTH  
\* SERVICES COST REVIEW  
\* COMMISSION  
\* DOCKET: 2018  
\* FOLIO: 2265  
\* PROCEEDING: 2455A**

---

---

**Staff Recommendation**

**October 10, 2018**

## **I. INTRODUCTION**

Johns Hopkins Health System (“System”) filed an application with the HSCRC on September 25, 2018 on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the “Hospitals”) and on behalf of Johns Hopkins HealthCare, LLC (JHHC) and Johns Hopkins Employer Health Programs, Inc. to add additional services to its existing global rate arrangement with Accarent for bariatric surgery, bladder surgery, anal rectal surgery, cardiovascular services, joint replacement surgery, pancreas surgery, spine surgery, parathyroid surgery, solid organ and bone marrow transplants, and Executive Health services approved February 14, 2018. The System would like to add services related to Eating Disorders and Gall Bladder Surgery to the arrangement effective November 1, 2018.

## **II. OVERVIEW OF APPLICATION**

The contract will be held and administered by Johns Hopkins HealthCare, LLC (“JHHC”), which is a subsidiary of the System. JHHC will manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

## **III. FEE DEVELOPMENT**

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs.

## **IV. IDENTIFICATION AND ASSESSMENT OF RISK**

The Hospitals will submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at

their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear risk of potential losses.

## **V. STAFF EVALUATION**

After reviewing the Hospital experience data, staff believes that the Hospitals can achieve a favorable experience under this arrangement.

## **VI. STAFF RECOMMENDATION**

The staff recommends that the Commission approve the Hospital's' application to add services related to Eating Disorders and Gall Bladder Surgery to its existing arrangement for an alternative method of rate determination for bariatric surgery, bladder surgery, anal rectal surgery, cardiovascular services, joint replacement surgery, pancreas surgery, spine surgery, parathyroid surgery, solid organ and bone marrow transplants, and Executive Health services with an effective date for the new services of November 1, 2018. The Hospitals will need to file a renewal application for review to be considered for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**IN RE: THE APPLICATION FOR  
ALTERNATIVE METHOD OF RATE  
DETERMINATION  
UNIVERSITY OF MARYLAND  
MEDICAL CENTER  
BALTIMORE, MARYLAND**

**\* BEFORE THE MARYLAND HEALTH  
\* SERVICES COST REVIEW  
\* COMMISSION  
\* DOCKET: 2018  
\* FOLIO: 2266  
\* PROCEEDING: 2456A**

---

**Staff Recommendation**

**October 10, 2018**

## **I. INTRODUCTION**

The University of Maryland Medical Center (the “Hospital”) filed a renewal application with the HSCRC on September 25, 2018 for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The Hospital requests approval from the HSCRC to continue to participate in a global rate arrangement for solid organ and blood and bone marrow transplant services with OptumHealth Care Solutions, Inc. for a one-year period, effective November 1, 2018.

## **II. OVERVIEW OF APPLICATION**

The contract will continue to be held and administered by University Physicians, Inc. (UPI), which is a subsidiary of the University of Maryland Medical System. UPI will manage all financial transactions related to the global price contract including payments to the Hospital and bear all risk relating to regulated services associated with the contract.

## **III. FEE DEVELOPMENT**

The hospital component of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

## **IV. IDENTIFICATION AND ASSESSMENT OF RISK**

The Hospital will continue to submit bills to UPI for all contracted and covered services. UPI is responsible for billing the payer, collecting payments, disbursing payments to the Hospital at its full HSCRC approved rates, and reimbursing the physicians. The Hospital contends that the arrangement between UPI and the Hospital holds the Hospital harmless from any shortfalls in payment from the global price contract. UPI maintains that it has been active in similar types of fixed fee contracts for several years, and that UPI is adequately capitalized to bear risk of potential losses.

## **V. STAFF EVALUATION**

The staff found that the actual experience under this arrangement for the prior year has

been favorable.

## **VI. STAFF RECOMMENDATION**

Staff recommends that the Commission approve the Hospital's application to continue to participate in an alternative method of rate determination for solid organ and blood and bone marrow transplant services for a one year period beginning November 1, 2018.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospital for the approved contract. This document would formalize the understanding between the Commission and the Hospital, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**IN RE: THE APPLICATION FOR  
ALTERNATIVE METHOD OF RATE  
DETERMINATION  
JOHNS HOPKINS HEALTH  
SYSTEM  
BALTIMORE, MARYLAND**

**\* BEFORE THE MARYLAND HEALTH  
\* SERVICES COST REVIEW  
\* COMMISSION  
\* DOCKET: 2018  
\* FOLIO: 2267  
\* PROCEEDING: 2357A**

---

---

**Staff Recommendation**

**October 10, 2018**

## **I. INTRODUCTION**

On September 25, 2018, the Johns Hopkins Health System (“System”) filed a renewal application on behalf of its member hospitals Johns Hopkins Hospital and Johns Hopkins Bayview Medical Center (the “Hospitals”) requesting approval from the HSCRC to continue to participate in a global rate arrangement for cardiovascular, pancreas, bariatric surgery and joint procedures with Quality Health Management. The Hospitals request that the Commission approve the arrangement for one year effective November 1, 2018.

## **II. OVERVIEW OF APPLICATION**

The contract will continue to be held and administered by Johns Hopkins HealthCare, LLC (“JHHC”), which is a subsidiary of the System. JHHC will continue to manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

## **III. FEE DEVELOPMENT**

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

## **IV. IDENTIFICATION AND ASSESSMENT OF RISK**

The Hospitals will continue to submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payment, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear the risk of potential losses.

## **V. STAFF EVALUATION**

Staff found that the experience under this arrangement for the prior year has been

favorable.

## **VI. STAFF RECOMMENDATION**

The staff recommends that the Commission approve the Hospitals' application for an alternative method of rate determination for cardiovascular, joint, pancreas, and bariatric surgery procedures for one year beginning November 1, 2018. The Hospitals must file a renewal  
x application annually for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document will formalize the understanding between the Commission and the Hospitals, and will include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, and confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.



# Care Redesign Program

Overview and Update

# Agenda

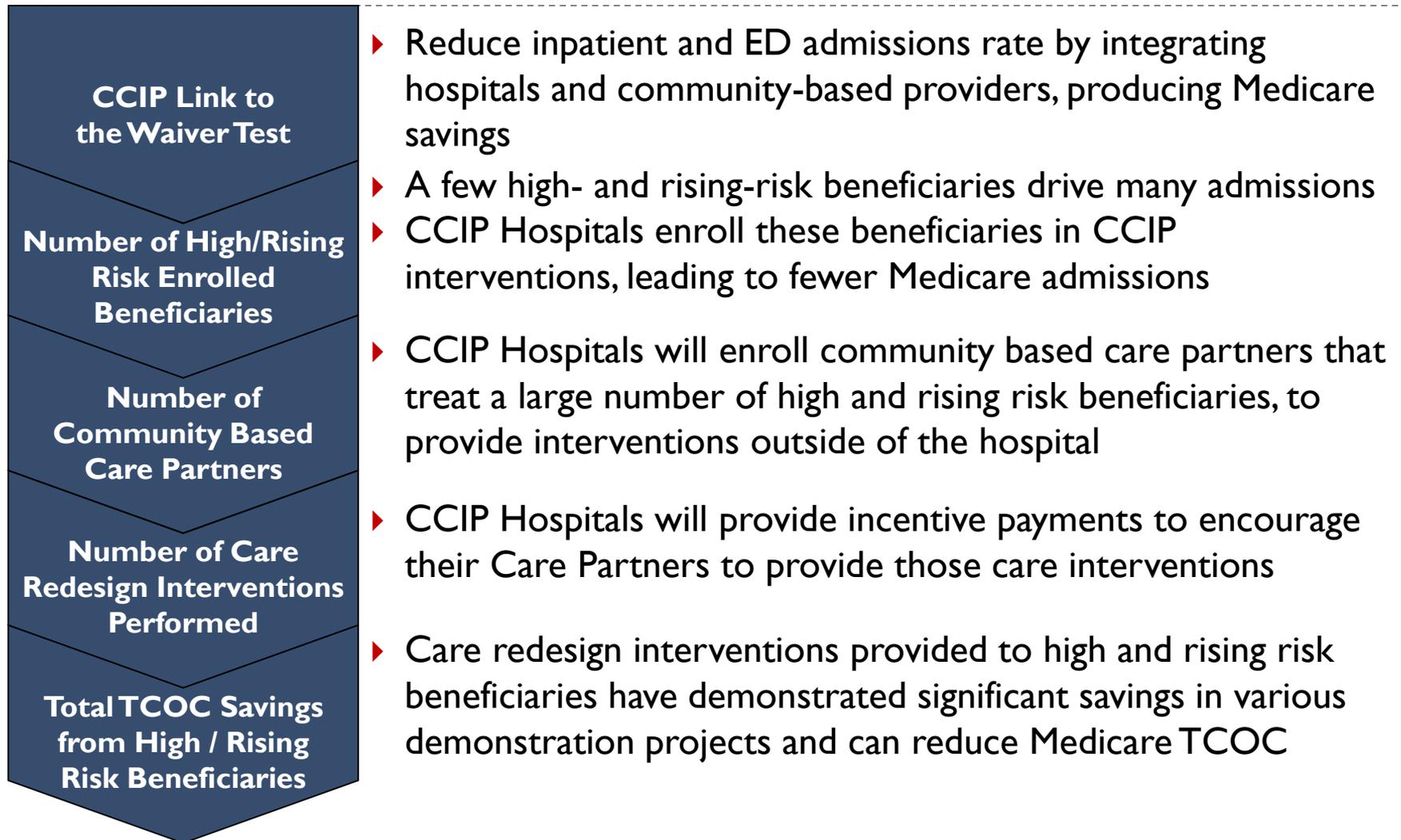
---

- ▶ Overview of Programs
- ▶ Complex and Chronic Care Improvement Program (CCIP)
- ▶ Hospital Care Improvement Program (HCIP)
- ▶ Episode Care Improvement Program (ECIP)
- ▶ Hospital Experiences in Care Redesign
- ▶ Looking Forward

# Care Redesign Program Overview

	Community Care (CCIP)	Hospitalization (HCIP)	Post-Acute Care (ECIP)
Target Population	20,000 beneficiaries with high/rising risk of potentially preventable hospitalization	100,000 Medicare hospital admissions	70,000 discharges for included clinical episodes
Interventions	Improve chronic care management by: <ul style="list-style-type: none"> <li>• 24/7 access to care</li> <li>• Perform health risk assessment</li> <li>• Complete and maintain care plans</li> <li>• Minimum 20 min. care mgt activities</li> </ul>	Increase adherence with hospital protocols for: <ul style="list-style-type: none"> <li>• Care coordination</li> <li>• Medication reconciliation</li> <li>• Patient safety</li> <li>• Other efficiency measures</li> </ul>	Improve post-acute care by: <ul style="list-style-type: none"> <li>• Increasing utilization of home health</li> <li>• Developing hospital/SNF clinical partnerships</li> </ul>
Savings Measure	Inpatient (IP) stays and ED visits per 1,000 beneficiaries	Length of IP stays for Medicare benes and reductions in resource use	Post-acute care costs during the 90 days post-discharge

# CCIP Theory of Change



# Status of CCIP

---

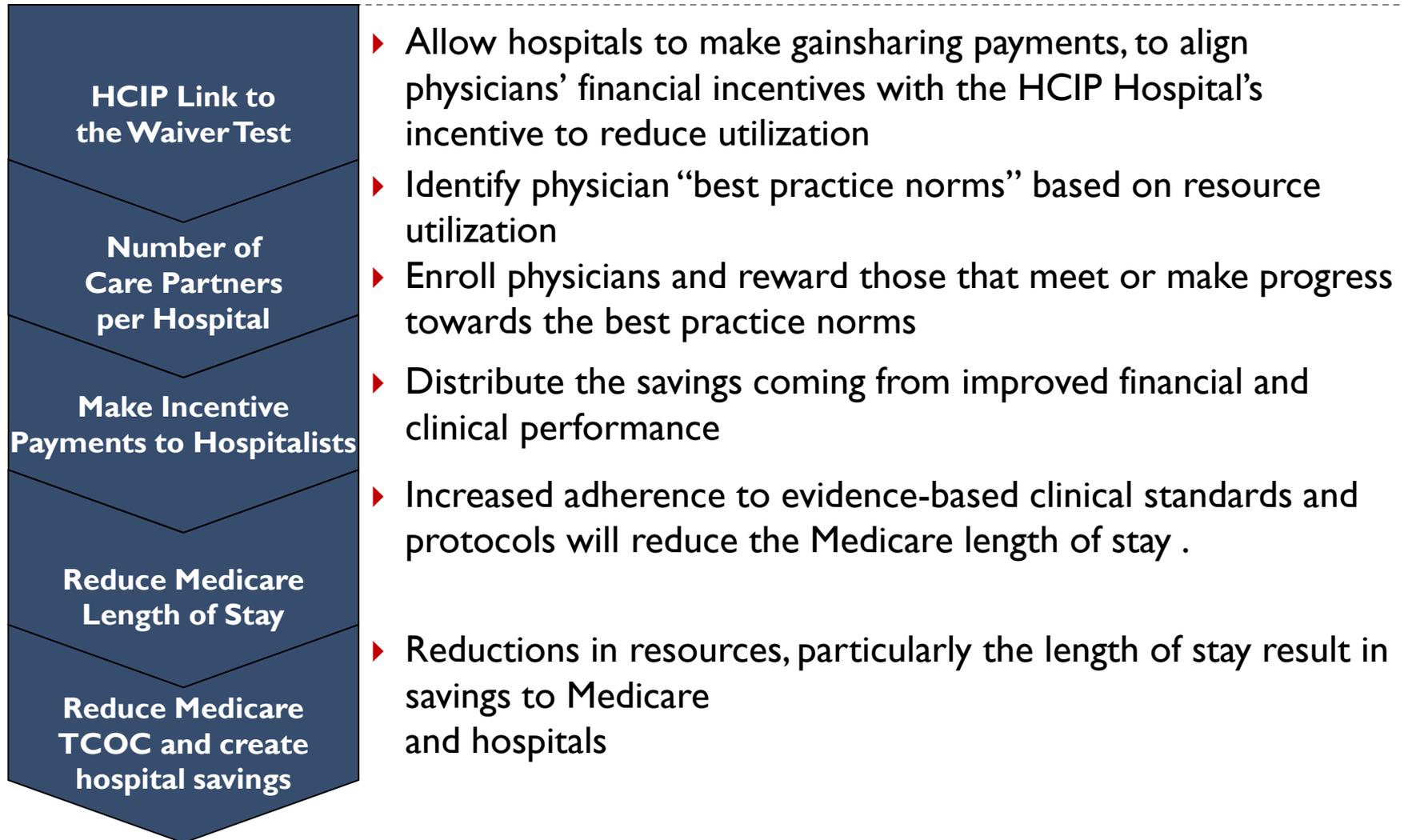
## ▶ **Original Purpose of the CCIP**

- ▶ Encourage chronic care management services necessary to bill Medicare for CCM fee
- ▶ Engage hospitals and clinicians in activities to potentially prepare them for MDPCP
- ▶ MDPCP requires physicians to perform the same chronic care management services.  
As a result, CMS prohibits physicians from participating in MDPCP and billing CCM

## **Participation**

- ▶ As a new “home-grown” program, CCIP had a relatively slow start, with some modest growth
  - ▶ Initially 6 hospitals participated, growing to 9
  - ▶ 5 or fewer hospitals expected in CY 2019, as focus turns to MDPCP
  - ▶ There are currently 432 CCIP care partners, unequally distributed among hospitals
  - ▶ CRISP has provided a range of tools to CCIP hospitals to support patient enrollment, but enrollment remains low (98)
- ▶ **Potential Revisions for 2020**
  - ▶ The CRP Steering Committee has discussed ending or revising the CCIP Track in 2020

# HCIP Theory of Change



# Status of HCIP

---

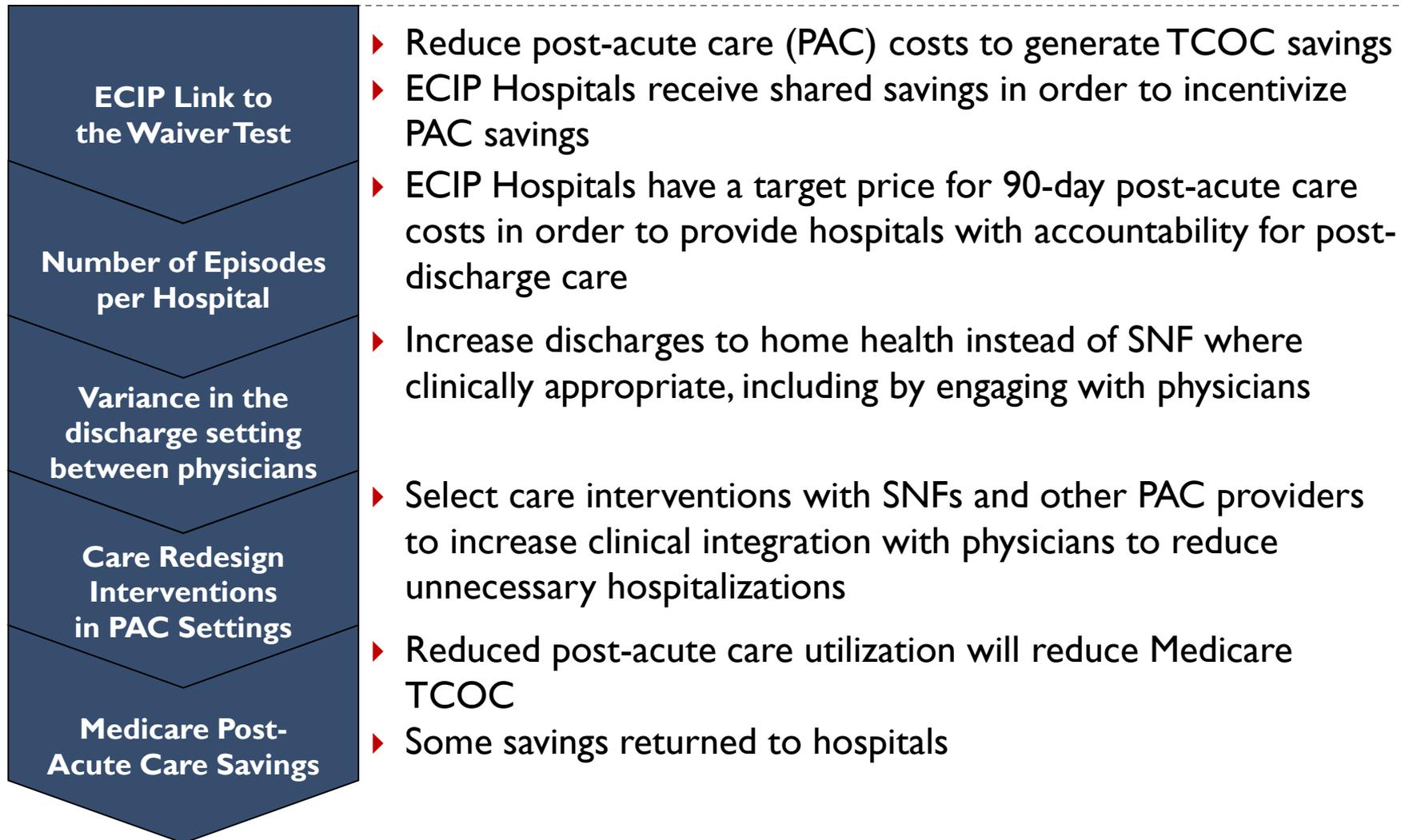
## **Original Purpose of the HCIP**

- ▶ Designed for hospitals and Care Partners practicing at hospitals
- ▶ Allow gainsharing between hospitals and physicians
- ▶ Improve care and save money to increase efficiency for inpatient care

## **Participation**

- ▶ Initially 10 hospitals participated, growing to 40
- ▶ The number of HCIP care partners grew to 747 through Performance Period 2 and continues to grow as incentives payouts begin
- ▶ Along with CRISP,AMS provides a range of tools to HCIP hospitals to guide areas of focus and physician engagement in care improvements

# ECIP Theory of Change



# Administration and Reports

---

- ▶ **CRISP serves as the administrator for CCIP, HCIP, and ECIP which means:**
  - ▶ Central point of contact for HSCRC staff, sub-contractors, and care redesign participants
  - ▶ Support for protocol submission, care partner vetting lists, other tactical items
  - ▶ Regular written reports to HSCRC leadership and participating in HSCRC CRP Steering Committee, Secretary's Vision Group, and Stakeholder Innovation Group
- ▶ **CRISP may offer assistance when the industry is considering new potential programs (e.g. high-level analytics for design discussions)**
- ▶ **CRISP provides Medicare CCLF-based reporting tool with use cases for population health, financial management, and clinical interventions**
- ▶ **Current program participation status:**
  - ▶ **CCIP: 9 hospital participants, 432 care partners (note: practices may not dually participate in CCIP and MDPCP), numbers decreasing in 2019**
  - ▶ **HCIP: 40 hospital participants, 747 care partners for the 15 hospitals in PPI and PP2**
  - ▶ **ECIP: 35 non-binding letters of intent for 2019 start**

# Hospital Experiences

## Common Challenges and Successes

---

### Successes

- ▶ Growing participation among hospitals and physicians, particularly in HCIP
- ▶ Significant engagement within CRP Committees and User Groups
- ▶ Improved discharge planning and patient flow
- ▶ Increased care management for eligible patients in CCIP

### Challenges

- ▶ Slow ramp-up for resources, particularly staffing
- ▶ Slow patient enrollment in CCIP due to opt-in requirement
- ▶ Significant administrative requirements
- ▶ Interactions with other programs (CRP, MDPCP, ACO)



# Looking Forward

---



## Stakeholder-Driven CRP Steering Committee

- ▶ **Scope includes:**
  - ▶ Refining CRP Tracks and metrics,
  - ▶ Aligning CRP Tracks and addressing areas of overlap,
  - ▶ Expanding CRP Tracks to other payers, provider types, and care interventions, and
  - ▶ Guiding sustainability and impact analysis.



## New Model Programs Development

- ▶ **Identify opportunities for additional CRP Tracks or synergy with New Model Programs that:**
  - ▶ Supplement the current portfolio of CRP Tracks,
  - ▶ Serve a high need population or care setting,
  - ▶ Meets requirements of the TCOC Model Agreement,
  - ▶ Allow non-hospitals to be conveners, and
  - ▶ Allow community-based organizations to be considered care partners.



## Financial Sustainability and Impact Analysis

- ▶ **Identify a sustainable business model to support CRP administration costs.**
- ▶ **Conduct a formal assessment of CRP Tracks to determine program impacts.**

---

## Appendix A: HCIP Supplemental Materials

# HCIP Physician Engagement

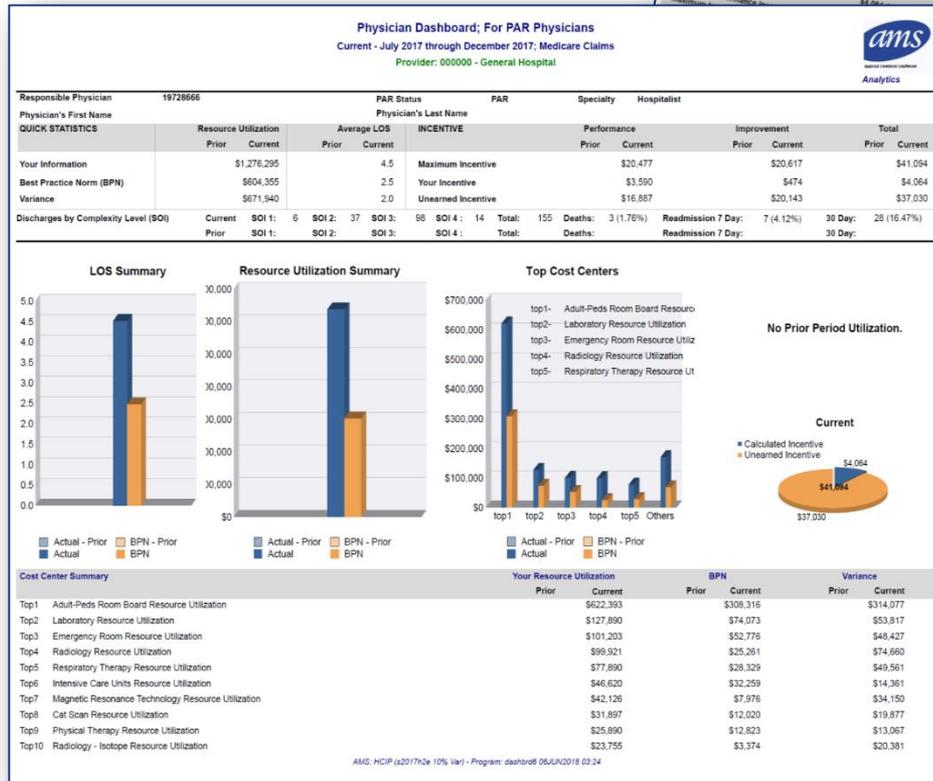
- Focus on physicians/service lines:
  - high utilization
  - opportunity to improve resource utilization
- Participation increases after first payment period

Hospitals	# Participating Physicians (as of 9/30/18)	2017 H2 (July-December)		
		Participating Physician Admissions	Total Admissions	Participating Physician % Total
<b>Performance Period 1</b>				
Hospital 1	13	592	1,012	58.5%
Hospital 2	164	1,495	1,889	79.1%
Hospital 3	27	1,671	3,234	51.7%
Hospital 4	3	20	789	2.5%
Hospital 5	12	109	3,677	3.0%
Hospital 6	31	1,665	2,089	79.7%
Hospital 7	43	1,802	2,982	60.4%
Hospital 8	7	98	2,659	3.7%
Hospital 9	4	59	1,700	3.5%
Hospital 10	44	1,711	2,635	64.9%
<b>Performance Period 2</b>				
Hospital 11	270	4,067	4,582	88.8%
Hospital 12	10	346	2,414	14.3%
Hospital 13	9	1,301	2,077	62.6%
Hospital 14	19	650	2,888	22.5%
Hospital 15	91	3,368	3,958	85.1%
<b>Total Performance Period 1 &amp; 2</b>	<b>747</b>	<b>18,954</b>	<b>38,585</b>	<b>49.1%</b>
<b>Performance 3 &amp; 4</b>				
Hospitals 16-41	125			



# HCIP Physician Reports

- HCIP data/reports provided every 6 months, including a data base
- Identify utilization reduction opportunities by physician, APR DRG, Service Line, Rate Center
- Prioritize initiatives
- Enroll physicians
- Complimentary to ECIP

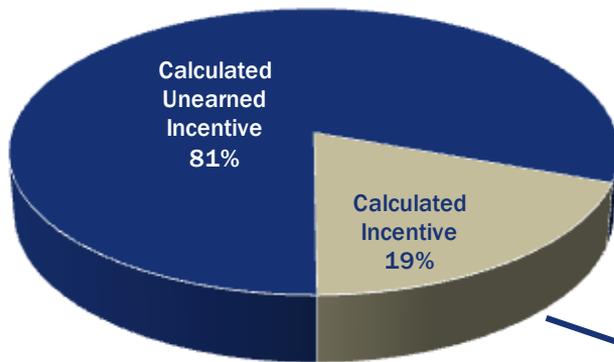


# HCIP Preliminary Results (10 Hospitals)

## Performance Period 1 (July – December 2017)

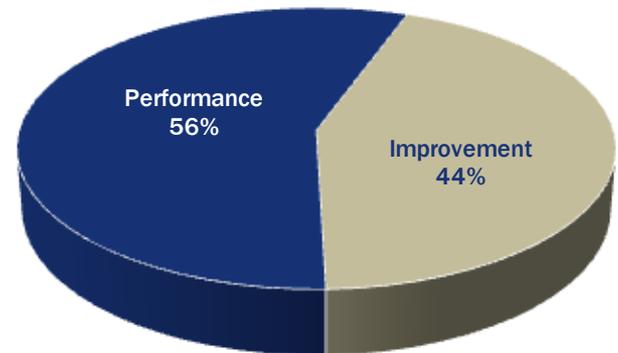
Incentives (Calculated)	
Potential Incentive	\$2,017,052
Calculated Incentives	\$389,542
Payment Adjustment/Conditions of Payment	(\$251,004)
Incentives Paid	\$138,538

Incentive Allocation		
Performance	\$218,152	56.0%
Improvement	\$171,390	44.0%
<b>Total</b>	<b>\$389,542</b>	<b>100.0%</b>



- Calculated Incentive
- Calculated Unearned Incentive

- 35.6% Paid
- 64.4% Payment Adjustment



- Improvement
- Performance

# HCIP Preliminary Results (10 Hospitals) (Continued)

- Year 1 (Payment Period 1 & 2) focus on implementation
- LOS reductions in most hospitals, but resource utilization overall increased
- What to expect:
  - Increase Care Partner participation
  - Resource utilization improvement/reductions in year 2
  - Continue to look at internal cost information to better measure cost reduction

## Performance Period 1 (July – December 2017)

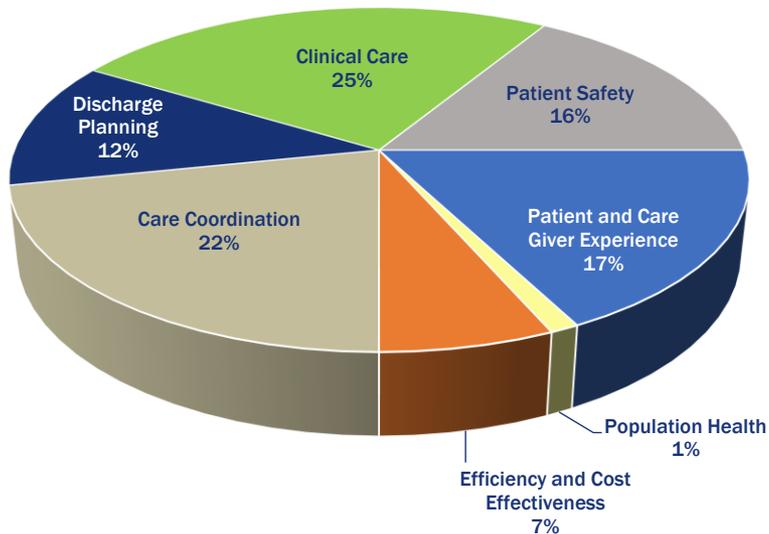
Resource Utilization		
Hospital	Responsible Physician Actual Resource Utilization Reduction (Incease)	LOS Reduction (Increase)
Hospital 1	(\$390,019)	(0.30)
Hospital 2	(\$907,658)	0.07
Hospital 3	(\$65,559)	0.39
Hospital 4	(\$2,421)	(0.13)
Hospital 5	\$4,487	0.14
Hospital 6	\$33,732	0.56
Hospital 7	(\$258,519)	0.08
Hospital 8	(\$32,508)	(0.28)
Hospital 9	\$147,590	0.28
Hospital 10	(\$1,439,406)	(0.36)
<b>Total</b>	<b>(\$2,910,280)</b>	<b>0.46</b>



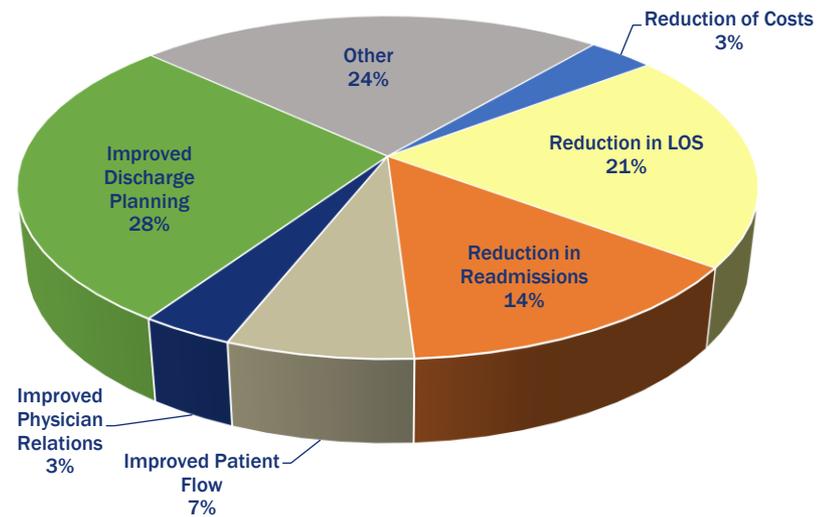
# Care Redesign Interventions/Conditions of Payment

- Interventions selected fall into general categories
- Typically 2-5 interventions – data availability/tracking are key considerations
- Interventions used as Conditions of Payment
- Hospitals reviewing and modifying interventions for Performance Period 4
- Hospitals include comments on CRP Report – generally favorable

Allowable CRP Interventions



Institutional Impact



## HCIP/CRP Reports – Hospital Comments

---

- Physicians becoming more interested in the hospital's performance
- During the initial periods, pulling data has proven challenging and required infrastructure development
- Two sepsis rapid improvement projects resulted in new processes to improve compliance
- Incentive payment had “the place abuzz” as physicians became more interested in the hospital's performance as well as their own
- HCIP program resulted in a number of protocols being developed to enhance care (e.g. surgical diets, ED TIA discharge and follow-up, IV antibiotic utilization)
- CRP Committee meetings resulted in productive conversations regarding Joint Program
- The hospital was able to reduce the ALOS for heart failure patients from 4.1 to 3.4, the lowest average in the last year
- We are seeing a decrease in MHAC for both hospitalists and surgeons
- Majority of participating surgeons have a reduction in ALOS
- Individual metrics that are shared with physicians have increased understanding of the drivers of performance
- One-on-one meetings with physicians have enhanced communication and sharing of ideas

---

## Appendix B: Data Availability and Uses

# Medicare Data & Analytics Engine (MADE)

---

- ▶ **MADE provides reports across four modules:**
  - ▶ Population
    - ▶ Patient- and population-level details for your attributed populations
  - ▶ Episode
    - ▶ Acute and post-acute care utilization for 90-day episodes of care following a hospitalization
  - ▶ Pharmacy
    - ▶ Reports categorized by utilization, volume, cost, high-risk medications, utilization by top therapeutic categories and many more
  - ▶ Monitoring
    - ▶ High-level trend reports to track population changes over time

# Common Use Cases for MADE Reports

---

## Executive/Population Health Manager

- ▶ Overall program and population monitoring

## Financial

- ▶ Identify the opportunity to streamline patient care at the population-level

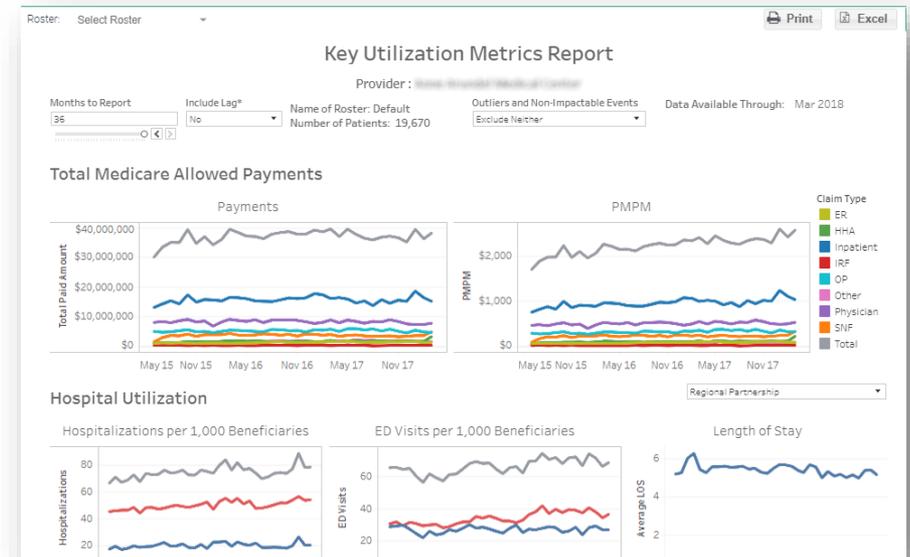
## Clinical

- ▶ Access to patient-level claims to assist in care management and patient tracking

			
Population	✓		✓
Episodes	✓	✓	
Pharmacy	✓	✓	
Monitoring	✓	✓	

# Use Case: Executive Monitoring

- ▶ **Key Utilization Metrics Report**
  - ▶ “30,000ft Perspective” on population and roster utilization metrics over 36 months
- ▶ **SNF Utilization Report**
  - ▶ Comparative risk-adjusted data to further develop provider network
- ▶ **Acute & Post-Acute Care Management**
  - ▶ Provides overall readmission rates and discharge patterns for episodes initiated in a given hospital
- ▶ **Population Analytics**
  - ▶ Population-level reports across a defined roster
  - ▶ High-level utilization and trends



# Use Case: Financial Tracking

- ▶ **Opportunity Summary Report**
  - ▶ Identifies potential savings opportunities by streamlining discharge patterns out of the hospital
- ▶ **Post Acute Variance Explorer (PAVE) Report**
  - ▶ Identifies discharge patterns by physicians and clusters them to determine savings opportunities
- ▶ **Episode Benchmarks**
  - ▶ Compares hospital performance relative to aggregate target prices using CMMI BPCI guidelines
- ▶ **Pharmacy Reports**
  - ▶ Compare brand/generic substitution and medication synchronization



# Use Case: Clinical Intervention

## ▶ Population Navigator (PHI)

- ▶ Create and manage patient rosters
- ▶ Identify patients according to pre-defined measures
- ▶ View detailed patient care history visually through the Patient Timeline

## ▶ Population Analytics

- ▶ Population-level reports across a defined roster
- ▶ High-level utilization and trends

The screenshot displays the CRISP MED CARE CCLF DATA EXPLORER interface. The main navigation bar includes Home, Population, Episodes, Pharmacy, Monitoring, Administration, and Help. The Population Navigator sidebar on the left lists various analytics reports such as PMPM by Demographics, County Characteristics, and DRG Summary. The main content area shows a table of patient data with columns for Master Patient ID, Gender, DOB, Patient Name, Physician, and Expired. A 'Patient Timeline' view is visible for a selected patient. The Measures section on the right provides a summary of clinical conditions and medications, including counts for various categories like Antidepressants and Diabetes. Annotations with orange lines point to key features: 'Collapsible Menu' (sidebar), 'Roster Selection' (dropdown), 'Create Roster' (button), 'Excel' (button), 'Hospital Filter' (dropdown), 'Attribution Selector' (dropdown), and 'Collapsible Measures Menu' (button).

Master Patient ID	Gender	DOB	Patient Name	Physician	Expired
00000000000000000000	Male	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No
00000000000000000000	Male	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No
00000000000000000000	Male	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No
00000000000000000000	Female	00/00/1900	000000000000000000		No

Filter	Measures ↑	Value	Count
CCW Chronic Conditions (Filtered:0)			
Other Clinical (Filtered:0)			
Quality Reporting Conditions and Medications (Filtered:0)			
<input type="checkbox"/>	Antidepressants	Both	430
<input type="checkbox"/>	Antipsychotic	Both	352
<input type="checkbox"/>	Asthma	Both	188
<input type="checkbox"/>	CHF Diagnosis	Yes	941
<input type="checkbox"/>	CKD Diagnosis	Yes	592
<input type="checkbox"/>	COPD	Both	379
<input type="checkbox"/>	Dementia	Both	186
<input type="checkbox"/>	Diabetes	Both	1,397
<input type="checkbox"/>	Dialysis	Yes	22
<input type="checkbox"/>	Disease Modifying Anti-Rheum...	Both	18

# ECIP Data Visualization

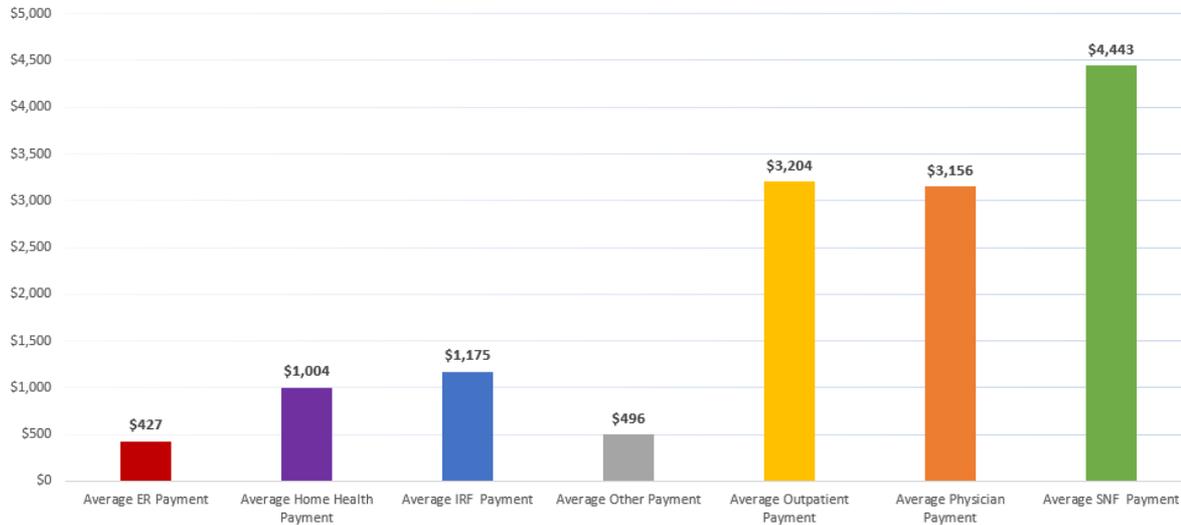
## Episode Payment Visualization



Back to Home

Copyright © 2018 hMetrix, LLC

Episode Payment Distribution



### Clinical Episode Category

- Acute myocardial infarction (AMI)
- Back and neck except spinal fusion
- Cardiac arrhythmia
- Cardiac valve
- Cellulitis
- Cervical spinal fusion / Combined anterior posterior s...
- Chronic obstructive pulmonary disease (COPD), bronc...
- Congestive heart failure (CHF)
- Coronary artery bypass graft surgery (CABG)
- Fractures, femur and hip/pelvis
- Gastrointestinal hemorrhage
- Gastrointestinal obstruction
- Hip and femur procedures except major joint
- Lower extremity and humerus procedure except hip, ...

Provider Name: 999999 - Sample Hospital  
 Clinical Episode Category: Acute myocardial infarction (AM)

Row Labels	Mean Historic Payment Amount
Average ER Payment	\$427
Average Home Health Payment	\$1,004

# **Final Recommendation for the Maximum Revenue Guardrail for Maryland Hospital Quality Programs for Rate Year 2020**

October 10, 2018

Health Services Cost Review Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215  
(410) 764-2605  
FAX: (410) 358-6217

This document contains the final staff recommendations for updating the Maximum Guardrail Policy for RY 2020.

## Table of Contents

List of Abbreviations .....	1
Introduction.....	2
Background.....	2
1. Federal Quality Programs .....	2
2. Maryland’s Quality-Based Programs .....	3
Assessment .....	4
Maximum Revenue at-risk Hospital Guardrail.....	5
Stakeholder Comments and Responses .....	5
Recommendation .....	6
Appendix A. Comparison of Aggregate Revenue At-Risk for Maryland quality-based payment programs compared to Medicare Programs .....	7

## **LIST OF ABBREVIATIONS**

CMS	Centers for Medicare & Medicaid Services
CY	Calendar year
FFY	Federal fiscal year
FY	State fiscal year
HSCRC	Health Services Cost Review Commission
MHAC	Maryland Hospital-Acquired Conditions Program
PAU	Potentially avoidable utilization
PQI	Prevention quality indicator
QBR	Quality-based reimbursement
RRIP	Readmissions Reduction Incentive Program
RY	State rate year
VBP	Value-based purchasing

## INTRODUCTION

The Maryland Health Services Cost Review Commission's (HSCRC's or Commission's) performance-based payment methodologies are important policy tools that provide strong incentives for hospitals to improve their quality performance over time. These performance-based payment programs hold amounts of hospital revenue at-risk directly related to specified performance benchmarks. Because of its long-standing Medicare waiver for its all-payer hospital rate-setting system, special considerations were given to Maryland, including exemption from the federal Medicare quality-based programs. Instead, the HSCRC implements various Maryland-specific quality-based payment programs, which are discussed in further detail in the background section of this report.

Maryland entered into an All-Payer Model Agreement with the Centers for Medicare & Medicaid Services (CMS) on January 1, 2014 and will enter into a Total Cost of Care Model agreement on January 1, 2019. One of the requirements under both agreements is that the proportion of hospital revenue that is held at-risk under Maryland's quality-based payment programs must be greater than or equal to the proportion that is held at-risk under national Medicare quality programs. Given Maryland's programs are fundamentally different from the nation in how revenue adjustments are determined (e.g., most programs have prospective incremental revenue adjustment scales with both rewards and penalties), the at-risk is measured both as potential risk (i.e., highest maximum penalty per program) and realized risk (absolute average of adjustments per program).

The purpose of this report is to make a recommendation for the maximum amount one hospital can be penalized for RY 2020, otherwise known as the maximum revenue guardrail. The recommendations for the maximum penalties and rewards for each quality program are set forth in the individual policies rather than in an aggregate at-risk policy.

## BACKGROUND

### 1. Federal Quality Programs

In developing the recommendation for the maximum revenue guardrail, the staff first analyzed the aggregate revenue at-risk for Maryland's quality-based payment programs compared to the amount at-risk for the following national Medicare quality programs:

- The Medicare Hospital Readmissions Reduction Program (HRRP), which reduces payments to inpatient prospective payment system hospitals with excess readmissions.<sup>1</sup>

---

<sup>1</sup> For more information on the Medicare Hospital Readmissions Reduction Program, see <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program.html>.

- The Medicare Hospital-Acquired Condition Reduction Program (HACRP), which ranks hospitals according to performance on a list of hospital-acquired conditions and reduces Medicare payments to the hospitals in the lowest performing quartile.<sup>2</sup>
- The Medicare Value Based Purchasing (VBP) Program, which adjusts hospitals' payments based on their performance on the following four hospital quality domains: clinical care, patient experience of care, safety, and efficiency.<sup>3</sup>

## 2. Maryland's Quality-Based Programs

As discussed in the introduction section of this report, Maryland is exempt from the federal Medicare hospital quality programs. Instead, Maryland implements the following quality-based payment programs:

- The Quality Based Reimbursement (QBR) program employs measures in several domains, including clinical care, patient experience, and safety. Starting in FY 2019, the QBR program revenue adjustments were linked to a preset scale instead of relatively ranking hospitals, which was designed to provide hospitals with more predictable revenue adjustments. Furthermore, the Commission approved a modified full scaling approach to ensure that rewards would only be given out to hospitals that perform well compared to the nation. For additional discussion on the QBR scale, please refer to the [RY 2020 QBR policy](#) posted to the HSCRC website.
- The Maryland Hospital Acquired Conditions (MHAC) program measures hospital performance using 3M's potentially preventable complications. HSCRC calculates observed-to-expected ratios for each complication and compares them with statewide benchmarks and thresholds. As with the QBR program, the MHAC program uses a pre-set scale to provide hospitals with the ability to prospectively estimate revenue adjustments. For additional discussion on the MHAC scale, please refer to the [RY 2020 policy](#) posted to the HSCRC website.
- The Readmission Reduction Incentive Program (RRIP) establishes a readmissions reduction target, an attainment target, and a scale for rewards/penalties for hospitals. The statewide minimum improvement target is established to eliminate the gap between the national Medicare readmission rate and the Maryland Medicare readmission rate. For additional discussion on the improvement target, please refer to the [RY 2020 policy](#) posted to the HSCRC website.
- In addition to the three programs described above, two additional performance-based payment adjustments are implemented to hospital revenues prospectively as part of the

---

<sup>2</sup> For more information on the Medicare Hospital-Acquired Condition Reduction program, see <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/HAC-Reduction-Program.html>.

<sup>3</sup> For information on the Medicare VBP program, see <https://www.medicare.gov/hospitalcompare/Data/hospital-vbp.html>.

annual update factor. The Potentially Avoidable Utilization (PAU) Savings Program reduces each hospital's approved revenues prospectively based on revenue associated with avoidable admissions and readmissions. The demographic PAU efficiency adjustment reductions are applied to global budgets to reduce allowed volume growth based on the percentage of revenue associated with PAU for each hospital.

Figure 1 below provides the maximum penalties or rewards for the three CMS and Maryland quality programs for RY/FFY 2019 and RY/FFY 2020. In general, CMS programs relatively rank hospital performance when determining penalties or rewards, whereas Maryland's quality programs use prospectively determined preset scales. For RY 2019 and RY 2020 staff believe that the Maryland quality programs have met or exceeded the national potential risk. Furthermore, staff estimate that through RY 2018 the State has also met or exceeded the national realized risk (FFY 2019 revenue adjustments not yet available). These estimates use the methodology that HSCRC and CMMI agreed upon, but final numbers are pending CMMI review. See Appendix A for additional details on the aggregate at-risk test.

**Figure 1. 2018 Maximum Quality Penalties or Rewards for Maryland and The Nation**

MD All-Payer	Max Penalty %	Max Reward %	National Medicare	Max Penalty %	Max Reward %
<b>RY/FFY 2019</b>					
MHAC	2.0%	1.0%	HAC	1.0%	N/A
RRIP	2.0%	1.0%	HRRP	3.0%	N/A
QBR	2.0%	1.0%	VBP	2.0%	2.0%
<b>RY/FFY 2020</b>					
MHAC	2.0%	1.0%	HAC	1.0%	N/A
RRIP	2.0%	1.0%	HRRP	3.0%	N/A
QBR	2.0%	2.0%	VBP	2.0%	2.0%

## ASSESSMENT

In order to develop the maximum revenue at-risk guardrail for RY 2020 quality programs, HSCRC staff considered CMS relevant policies, conducted analyses, and solicited input from the Performance Measurement Workgroup.<sup>4</sup> During its February meeting, the Performance Measurement Workgroup reviewed data comparing the amount of revenue at-risk in Maryland with the national Medicare programs. Again the RY 2020 aggregate at-risk amounts were approved as part of the actual quality program policies, and this report only presents a recommendation for the maximum revenue guardrail.

---

<sup>4</sup> For more information on the Performance Measurement Workgroup, see <https://hscrc.maryland.gov/Pages/hscrc-workgroup-performance-measurement.aspx>

## Maximum Revenue at-risk Hospital Guardrail

As the HSCRC increases the maximum revenue adjustments statewide, the potential for a particular hospital to receive significant revenue reductions has raised concerns that such penalties may generate unmanageable financial risk. Similar to the risk corridors in other VBP programs, a maximum penalty guardrail may be necessary to mitigate the detrimental financial impact of unforeseen large adjustments in Maryland programs. Given the increases in risk levels in other programs, a hospital-specific guardrail will provide better protection than a statewide limit. In RY 2017, RY2018, and RY 2019, the hospital maximum penalty guardrail was set at 3.50 percent of total hospital revenue. Staff used the inpatient Medicare aggregate amount at-risk total as the benchmark to calculate the hospital maximum penalty guardrail (e.g. 6 percent \* 58 percent revenue attributable to inpatient services). For RY 2020, staff recommend updating the percent of inpatient revenue (dropped from 58 to 57 percent) for calculating the maximum guardrail, which results in a slightly reduced maximum revenue guardrail of 3.40 percent. This maximum revenue guardrail applies to QBR, MHAC, RRIP, and net PAU Savings. Historically, no hospital penalties have reached the maximum revenue guardrail. For reference, in RY 2019 the highest revenue adjustment was a 2.05 percent total revenue reduction (which corresponds to 2.74 percent revenue reduction for inpatient revenue). See Appendix B for by hospital net revenue adjustments across quality programs included in the maximum guardrail calculation.

## STAKEHOLDER COMMENTS AND RESPONSES

HSCRC staff received one comment letter from the Maryland Hospital Association that expressed general support for the recommendation to limit the maximum negative revenue adjustment one hospital could receive to 3.4 percent of total hospital revenue. However the letter outlined the following considerations related to the aggregate revenue at-risk and the maximum penalty guardrail for future years:

1. Rethink the magnitude of potential and realized risk on quality programs where Maryland has made significant gains or is outperforming the nation.
2. Include the Medicare Performance Adjustment risk in future calculations of the guardrail and both the potential and realized revenue at risk.

### ***Staff Response:***

- ***Staff appreciates MHAs support of this year's policy and would be willing to engage stakeholders to get input on the additional considerations for future years.***
- ***In terms of the revenue at-risk for Maryland quality programs, staff would want to engage stakeholders to discuss reducing revenue at-risk or moving revenue away from programs where Maryland has done well, and focusing the revenue adjustments on areas where improvement is still needed. While staff acknowledge***

*that historically the Commission has increased risk in areas of needed improvement (i.e., performance on patient satisfaction surveys), there are concerns about decreasing revenue at risk in other areas and whether gains in improvement will decline. Again, as staff work with stakeholders to develop quality policies over the next few years, these issues should be discussed.*

- *Staff recognizes the additional revenue at-risk for Maryland hospitals under the full 1 percent Medicare Performance Adjustment in RY 2021. For the RY 2021 maximum guardrail policy, staff will engage with stakeholders to consider adding the Medicare Performance Adjustment to the RY 2021 maximum guardrail policy. Among the concerns that may need to be discussed include whether there is any significant impact on other payers by including a payer specific program in aggregate at risk calculations and the max guardrail policy.*

## **RECOMMENDATION**

For RY 2020, the maximum penalty guardrail should be set at 3.40 percent of total hospital revenue.

## APPENDIX A. COMPARISON OF AGGREGATE REVENUE AT-RISK FOR MARYLAND QUALITY-BASED PAYMENT PROGRAMS COMPARED TO MEDICARE PROGRAMS

After discussions with CMS, HSCRC staff performed analyses of both “potential” and “realized” revenue at-risk. Potential revenue at-risk refers to the maximum amount of revenue that is at-risk in the measurement year. Realized risk refers to the actual amounts imposed by the programs. The comparison with the national amounts is calculated on a cumulative basis. Exhibit 1 compares the potential amount of revenue at-risk in Maryland with the amount at-risk in the national programs. The difference between the national Medicare and Maryland all-payer annual amounts are summed after each year’s experience to compare the annual difference.

The top half of Exhibit 1 displays the percentage of potential inpatient revenue at-risk in Maryland for all payers for each of Maryland’s quality-based payment programs for RYs 2014 through 2020. The bottom half of the figure displays the percentage of potential national Medicare inpatient revenue at-risk for quality-based payment programs for FFYs 2014 through 2020. These potential at-risk numbers are the absolute values of the maximum penalty or reward. Due to efforts to align Maryland’s quality-based payment programs with the national programs and the increasing emphasis on value-based payment adjustments, Maryland has exceeded the national aggregate maximum at-risk amounts since RY 2016.

**Exhibit 1. Potential Revenue at-risk for Quality-Based Payment Programs, Maryland Compared with the National Medicare Programs, 2014-2020**

% of MD All-Payer Inpatient Revenue	RY 2014	RY 2015	RY 2016	RY 2017	RY 2018	RY 2019	RY 2020
MHAC	2.0%	3.0%	4.0%	3.0%	3.0%	2.0%	2.0%
RRIP			0.5%	2.0%	2.0%	2.0%	2.0%
QBR	0.5%	0.5%	1.0%	2.0%	2.0%	2.0%	2.0%
Subtotal	2.5%	3.5%	5.5%	7.0%	7.0%	6.0%	6.0%
PAU Savings*	0.4%	0.9%	1.4%	4.5%	5.9%	5.8%	5.8%
Demographic PAU Efficiency Adjustment*	0.5%	0.9%	1.1%	1.3%	0.5%	0.8%	0.8%
<b>MD Aggregate Max. At Risk</b>	3.4%	5.2%	8.0%	12.8%	13.4%	12.6%	12.6%
*Italicized numbers subject to change							

% of National Medicare Inpatient Revenue	FFY2014	FFY2015	FFY2016	FFY2017	FFY2018	FFY2019	FFY2020
HAC		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Readmissions	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
VBP	1.3%	1.5%	1.8%	2.0%	2.0%	2.0%	2.0%
<b>Medicare Aggregate Max. At Risk</b>	3.3%	5.5%	5.8%	6.0%	6.0%	6.0%	6.0%
<b>Annual MD-US Difference</b>							
	0.2%	-0.3%	2.2%	6.8%	7.4%	6.6%	6.6%
*Please note that these numbers are rounded in the table to the 10 <sup>th</sup> decimal and results in some discrepancies compared to calculations done with the table numbers.							

As Maryland’s programs moved away from revenue neutral rewards and penalties and toward payment adjustments based on preset payment scales, the actual amounts imposed in quality-based programs differ from the maximum amounts established in the policies and none of the hospitals may be subject to the maximum penalty when the payment adjustments are implemented. On the other hand, the national Medicare programs may make payment adjustments only to the lowest performing hospitals, limiting the reach of the performance-based adjustments. CMMI and HSCRC staff worked on a methodology to compare the total actual payment adjustments by summing the absolute average payment adjustments across all programs, namely aggregate realized at-risk. Maryland is expected to meet or exceed both the potential and realized at-risk amounts of the national Medicare programs but final approval is pending CMMI confirmation. Exhibit 2 provides a comparison of the average adjustment amount between Maryland and national programs. Maryland’s overall aggregate average adjustments were 5.25 percent of the total inpatient revenue in RY 2019, compared to 1.33 percent in the national Medicare programs in FFY 2018 (FFY 2019 revenue adjustments in table are estimates based on FFY 2018; if available final policy will include actual FFY 2019 adjustments). While the PAU savings revenue adjustments account for a large proportion of Maryland’s higher realized risk, Maryland meets the realized risk requirement even without the PAU savings or demographic PAU efficiency adjustment.

**Exhibit 2. Realized Revenue at-risk for Quality-Based Payment Programs, Maryland Compared with the National Medicare Programs, 2014-2019**

<b>% of MD All-Payer Inpatient Revenue</b>	<b>RY 2014</b>	<b>RY 2015</b>	<b>RY 2016</b>	<b>RY 2017</b>	<b>RY 2018</b>	<b>RY 2019</b>
MHAC	0.22%	0.11%	0.18%	0.40%	0.50%	0.25%
RRIP			0.15%	0.57%	0.61%	0.58%
QBR	0.11%	0.14%	0.30%	0.26%	0.59%	0.64%
Subtotal	0.34%	0.25%	0.63%	1.23%	1.70%	1.47%
PAU Savings	0.29%	0.64%	0.93%	2.55%	3.05%	3.57%
Demographic PAU Efficiency Adjustment	0.28%	0.33%	0.39%	0.35%	0.22%	0.21%
<b>MD Aggregate Max.At Risk</b>	<b>0.90%</b>	<b>1.22%</b>	<b>1.95%</b>	<b>4.13%</b>	<b>4.97%</b>	<b>5.25%</b>
<b>% of National Medicare Inpatient Revenue</b>	<b>FFY 2014</b>	<b>FFY2015</b>	<b>FFY2016</b>	<b>FFY2017*</b>	<b>FFY2018*</b>	<b>FFY2019*</b>
HAC		0.22%	0.23%	0.24%	0.24%	0.24%
Readmits	0.28%	0.52%	0.51%	0.61%	0.56%	0.56%
VBP	0.20%	0.24%	0.40%	0.51%	0.53%	0.53%
<b>Medicare Aggregate Max. At Risk</b>	<b>0.47%</b>	<b>0.97%</b>	<b>1.14%</b>	<b>1.36%</b>	<b>1.33%</b>	<b>1.33%</b>
<b>Annual MD-US Difference</b>	<b>0.43%</b>	<b>0.25%</b>	<b>0.81%</b>	<b>2.77%</b>	<b>3.63%</b>	<b>3.92%</b>
*The CMS realized risk was calculated by the HSCRC and are subject to CMS validation.						

In summary, staff estimate that Maryland outperformed the national programs in the potential and realized aggregate payment amounts for RY 2019. Maryland hospitals continued to improve their performance in reducing complications and readmissions. However, further reductions in revenue associated with PAU will be important for financial success under the all-payer and Total Cost of Care model. Finally, as additional performance-based revenue adjustments are implemented, such as the Medicare Performance Adjustment for total cost of care, the potential aggregate at-risk amounts for other programs should be evaluated. Staff will continue to discuss the appropriate amounts for performance-based payment programs with the workgroups and other stakeholders.

**Appendix B. Consolidated Net Revenue Adjustments for All Quality-Based Payment Programs for Rate Year 2019, by Hospital**

HOSP ID	Hospital Name	FY 17 Total Permanent Revenue	FY 17 Permanent Inpatient Revenue	MHAC % Inpatient	RRIP % Inpatient	QBR % Inpatient	PAU Savings % Inpatient	PAU Net Impact % Inpatient	PAU Demographic % Inpatient	Total Impact % Inpatient	Total Impact % Total Revenue
210003	UM-PG	\$287,707,710	\$215,464,625	0.13%	-0.98%	-1.49%	-2.41%	-0.41%	-0.05%	-2.74%	-2.05%
210004	HOLY CROSS	\$489,724,686	\$340,412,069	0.24%	-1.63%	-1.08%	-2.57%	-0.25%	-0.03%	-2.72%	-1.89%
210001	MERITUS	\$321,955,560	\$190,799,459	-0.18%	-1.02%	-1.07%	-3.71%	-0.82%	-0.38%	-3.09%	-1.83%
210062	SOUTHERN MD	\$271,260,318	\$163,844,003	-0.89%	-0.04%	-1.05%	-4.49%	-0.94%	-0.33%	-2.92%	-1.76%
210022	SUBURBAN	\$313,631,832	\$197,431,392	-0.04%	-1.18%	-1.23%	-2.61%	-0.34%	-0.20%	-2.79%	-1.76%
210015	FRANKLIN SQ	\$522,059,009	\$300,623,972	-0.22%	-1.19%	-0.85%	-3.14%	-0.67%	-0.04%	-2.93%	-1.69%
210034	HARBOR	\$186,978,444	\$112,526,840	0.00%	-1.47%	-0.88%	-3.00%	-0.45%	-0.02%	-2.80%	-1.68%
210033	CARROLL	\$225,263,359	\$132,801,017	-0.62%	-0.35%	-0.56%	-4.56%	-1.29%	-0.36%	-2.83%	-1.67%
210065	HC GERMAN	\$102,303,760	\$60,632,167	0.38%	-1.56%	-0.51%	-3.54%	-0.82%	-0.22%	-2.51%	-1.49%
210002	UMMC	\$1,399,559,924	\$919,253,797	-0.31%	-0.36%	-0.83%	-2.12%	-0.65%	-0.04%	-2.16%	-1.42%
210005	FREDERICK	\$338,085,918	\$220,972,343	0.07%	-0.06%	-0.89%	-3.50%	-1.21%	-0.41%	-2.09%	-1.37%
210032	UNION OF CECIL	\$158,683,870	\$66,514,320	0.00%	-1.80%	-0.57%	-4.31%	-0.76%	-0.37%	-3.13%	-1.31%
210024	UNION MEMORIAL	\$421,547,476	\$235,346,415	-0.71%	0.09%	-0.67%	-3.43%	-0.99%	-0.03%	-2.28%	-1.27%
210018	MS MONTGOMERY	\$172,101,071	\$77,808,657	0.16%	-0.56%	-1.51%	-4.36%	-0.75%	-0.32%	-2.66%	-1.20%
210029	HOPKINS BAYVIEW	\$647,476,458	\$357,620,585	0.00%	-0.84%	-0.56%	-3.27%	-0.65%	0.00%	-2.05%	-1.13%
210048	HOWARD	\$298,460,107	\$183,348,539	-0.62%	-0.11%	-0.45%	-3.39%	-0.64%	-0.36%	-1.82%	-1.12%
210056	GOOD SAMARITAN	\$264,597,392	\$140,674,848	0.09%	0.28%	-1.10%	-5.21%	-1.05%	0.00%	-1.78%	-0.95%
210010	DORCHESTER	\$49,226,292	\$26,021,222	0.31%	-0.83%	-0.64%	-3.42%	-0.63%	-0.05%	-1.79%	-0.94%
210019	PRMC	\$431,713,670	\$241,466,813	0.00%	-0.66%	-0.43%	-3.09%	-0.28%	-0.15%	-1.37%	-0.77%
210016	WASHADVENTIST	\$265,729,172	\$158,337,604	0.13%	0.28%	-1.12%	-3.03%	-0.57%	-0.14%	-1.28%	-0.76%
210055	UM-LAUREL	\$99,871,376	\$58,931,276	0.44%	0.35%	-1.61%	-2.98%	-0.47%	-0.14%	-1.28%	-0.76%
210009	JOHNS HOPKINS	\$2,352,963,223	\$1,378,259,901	0.00%	-0.28%	-0.36%	-2.52%	-0.58%	-0.04%	-1.22%	-0.72%
210051	DOCTORS	\$239,227,750	\$144,686,192	0.22%	-0.05%	-0.31%	-4.67%	-1.00%	-0.37%	-1.14%	-0.69%
210006	HARFORD	\$102,314,327	\$48,557,781	0.38%	-0.42%	-0.91%	-5.66%	-0.46%	-0.76%	-1.42%	-0.67%
210027	WESTERN MD	\$320,642,519	\$171,000,183	-0.44%	0.01%	-0.09%	-3.47%	-0.72%	0.00%	-1.24%	-0.66%

Final Recommendations for the Maximum Revenue Guardrail for Maryland Hospital Quality Programs for Rate Year 2020

HOSP ID	Hospital Name	FY 17 Total Permanent Revenue	FY 17 Permanent Inpatient Revenue	MHAC % Inpatient	RRIP % Inpatient	QBR % Inpatient	PAU Savings % Inpatient	PAU Net Impact % Inpatient	PAU Demographic % Inpatient	Total Impact % Inpatient	Total Impact % Total Revenue
210011	ST. AGNES	\$422,820,202	\$237,889,236	0.29%	0.12%	-0.70%	-4.24%	-0.85%	-0.05%	-1.14%	-0.64%
210043	UM-BWMC	\$409,703,662	\$229,151,792	0.13%	0.38%	-0.92%	-4.20%	-0.67%	-0.46%	-1.07%	-0.60%
210038	UMMC MIDTOWN	\$234,227,770	\$117,217,727	0.40%	-0.29%	-0.62%	-3.61%	-0.67%	0.00%	-1.18%	-0.59%
210061	AGH	\$105,151,502	\$37,316,219	0.53%	0.07%	-0.96%	-4.26%	-1.10%	-0.28%	-1.45%	-0.52%
210057	SHADY GROVE	\$387,674,359	\$231,939,525	0.00%	0.01%	-0.20%	-2.88%	-0.66%	-0.17%	-0.85%	-0.51%
210028	MS ST. MARY	\$177,161,733	\$76,303,058	0.49%	0.18%	-0.75%	-4.63%	-1.04%	-0.51%	-1.13%	-0.48%
210023	AAMC	\$609,013,273	\$299,264,995	0.33%	-0.02%	-0.64%	-2.93%	-0.63%	-0.21%	-0.96%	-0.47%
210044	G.B.M.C.	\$442,204,396	\$225,145,722	-0.71%	0.40%	-0.38%	-2.54%	-0.18%	-0.03%	-0.87%	-0.44%
210012	SINAI	\$752,409,746	\$398,036,508	-0.31%	1.00%	-0.73%	-2.78%	-0.49%	0.00%	-0.53%	-0.28%
210008	MERCY	\$516,410,170	\$223,932,822	0.00%	0.21%	-0.18%	-2.08%	-0.45%	-0.02%	-0.42%	-0.18%
210060	FT WASHINGTON	\$48,244,588	\$19,548,527	0.62%	1.00%	-1.42%	-5.82%	-0.65%	-0.34%	-0.44%	-0.18%
210037	EASTON	\$202,561,563	\$105,222,295	0.31%	-0.27%	-0.31%	-2.93%	0.01%	-0.19%	-0.26%	-0.13%
210017	GARRETT	\$54,328,266	\$21,075,334	0.00%	1.00%	-0.73%	-3.41%	-0.54%	-0.30%	-0.27%	-0.10%
210013	BON SECOURS	\$115,902,722	\$65,798,042	0.00%	0.97%	-0.37%	-3.18%	-0.56%	0.00%	0.04%	0.02%
210035	UM-CHARLES	\$148,909,451	\$75,199,112	0.38%	0.34%	-0.32%	-4.08%	-0.35%	-0.49%	0.04%	0.02%
210064	LEVINDALE	\$58,867,710	\$56,105,767	-0.62%	0.85%		-1.25%	-0.16%	-0.16%	0.06%	0.06%
210058	UMROI	\$120,638,692	\$69,966,359	0.00%	0.22%		-0.12%	-0.11%	0.00%	0.11%	0.06%
210045	MCCREADY	\$15,618,329	\$3,033,907		0.38%		-6.87%	0.00%	-0.40%	0.38%	0.07%
210049	UM-UCH	\$334,751,759	\$130,150,364	0.18%	1.00%	-0.04%	-4.62%	-0.85%	-0.47%	0.29%	0.11%
210040	NORTHWEST	\$255,493,814	\$133,828,758	0.18%	0.89%	-0.07%	-4.96%	-0.78%	-0.11%	0.22%	0.11%
210063	UM ST. JOE	\$398,711,781	\$237,924,618	0.00%	0.32%	0.12%	-2.17%	-0.23%	-0.08%	0.21%	0.12%
210039	CALVERT	\$143,263,199	\$63,677,722	0.11%	1.00%	-0.02%	-4.17%	-0.65%	-0.59%	0.44%	0.20%
210030	UM-Chester	\$55,473,722	\$21,139,936	0.00%	0.62%	0.24%	-5.06%	0.23%	-0.45%	1.09%	0.41%
<b>State</b>	<b>Statewide</b>	<b>\$16,292,627,632</b>	<b>\$9,222,204,362</b>	<b>-0.06%</b>	<b>-0.21%</b>	<b>-0.63%</b>	<b>-3.09%</b>	<b>-0.61%</b>	<b>-0.13%</b>	<b>-1.52%</b>	<b>-0.86%</b>



Maryland  
Hospital Association

September 18, 2018

Allan Pack  
Principal Deputy Director  
Director, Population Based Methodologies  
Health Services Cost Review Commission  
4160 Patterson Avenue  
Baltimore, MD 21215

Dear Allan:

On behalf of Maryland's 63 hospital and health system members, we appreciate the opportunity to comment on the Health Services Cost Review Commission's (HSCRC) *Draft Recommendation for the Maximum Revenue Guardrail for Maryland Hospital Quality Programs for Rate Year 2020*. We support the draft recommendation to limit the maximum total revenue adjustment for a single hospital's revenue base to 3.4 percent. However, we recommend two additional considerations for future years:

- Rethink the magnitude of potential and realized risk on quality programs where Maryland has made significant gains or is outperforming the nation
- Include the Medicare Performance Adjustment risk in future calculations of the guardrail and both the *potential* and *realized* revenue at risk

As Maryland's hospitals work to manage the total cost of care statewide, they will need to employ new interventions and find new ways to work with care partners. Overzealous improvement targets tied to strong penalties and rewards on measures where hospitals have already made significant progress distract from the work needed to improve care outside hospitals. Rethinking how penalties and rewards are set relative to targets can help ensure the emphasis is on activities that align with total cost of care goals.

The recommendation does not include the 0.5 percent of Medicare revenue at risk under the Medicare Performance Adjustment (MPA) policy. In fiscal 2021, the MPA risk should be included in the maximum guardrail and the calculation of revenue at risk. The MPA risk is clearly additional risk that should be included in the determination of hospitals' risk relative to the nation. Likewise, the guardrail is an important stop-loss mechanism to protect hospitals from overwhelming financial risk and should include the MPA. The guardrail has been in place since fiscal 2017 and is even more important as hospitals take on additional risk under the new Total Cost of Care Model.

Allan Pack  
September 18, 2018  
Page 2

We look forward to working with you on these policies.

Sincerely,



Traci La Valle  
Vice President

cc: Nelson Sabatini, Chairman  
Joseph Antos, Ph.D., Vice Chairman  
Victoria W. Bayless  
John M. Colmers

James N. Elliott, M.D  
Adam Kane  
Jack Keane  
Katie Wunderlich, Executive Director

---

Draft Recommendation: RY 2021 (Y2)  
Medicare Performance Adjustment  
(MPA)



# Medicare Performance Adjustment (MPA)

---

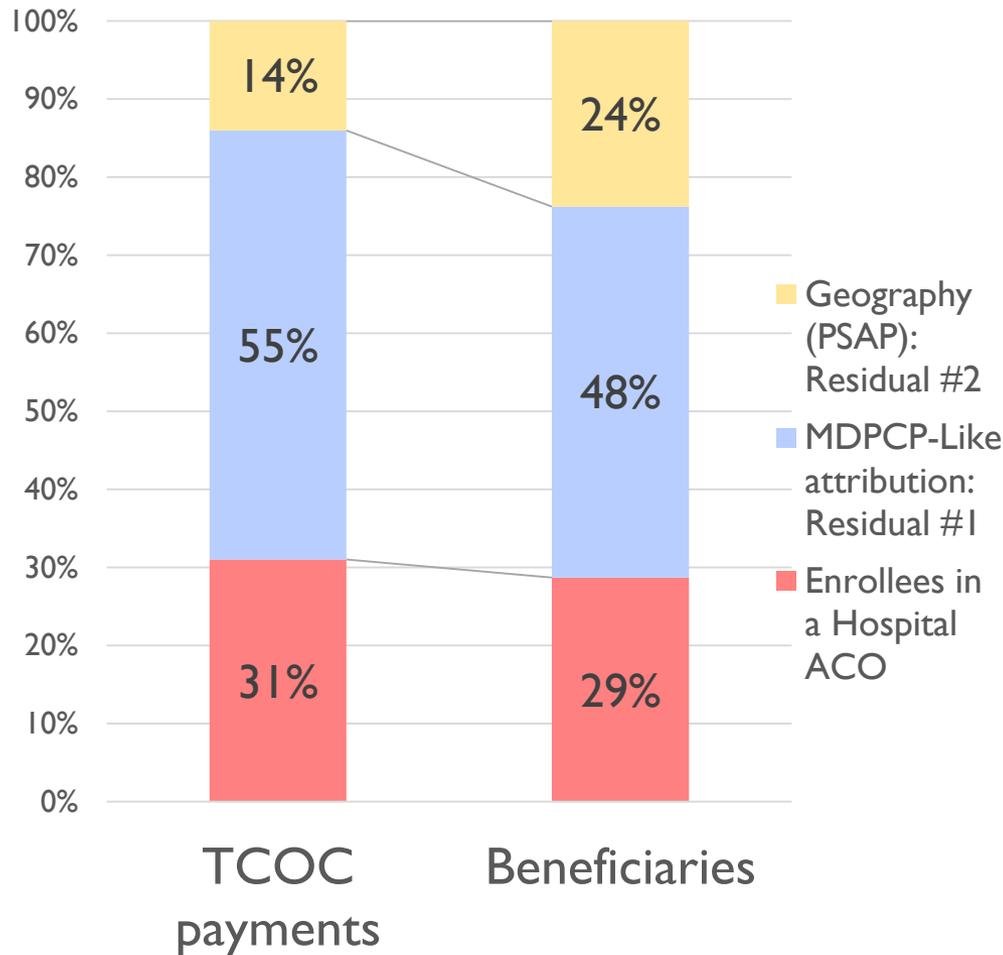
## ▶ **What is it?**

- ▶ A scaled adjustment for each hospital based on its performance relative to a Medicare Total Cost of Care (TCOC) benchmark

## ▶ **Objectives**

- ▶ Brings direct accountability to individual hospitals on Medicare TCOC performance
- ▶ Links non-hospital costs and quality measures to the TCOC Model, allowing participating clinicians to be eligible for bonuses under MACRA
- ▶ Additional flexibility to use as Efficiency Adjustment and as a Care Redesign tool

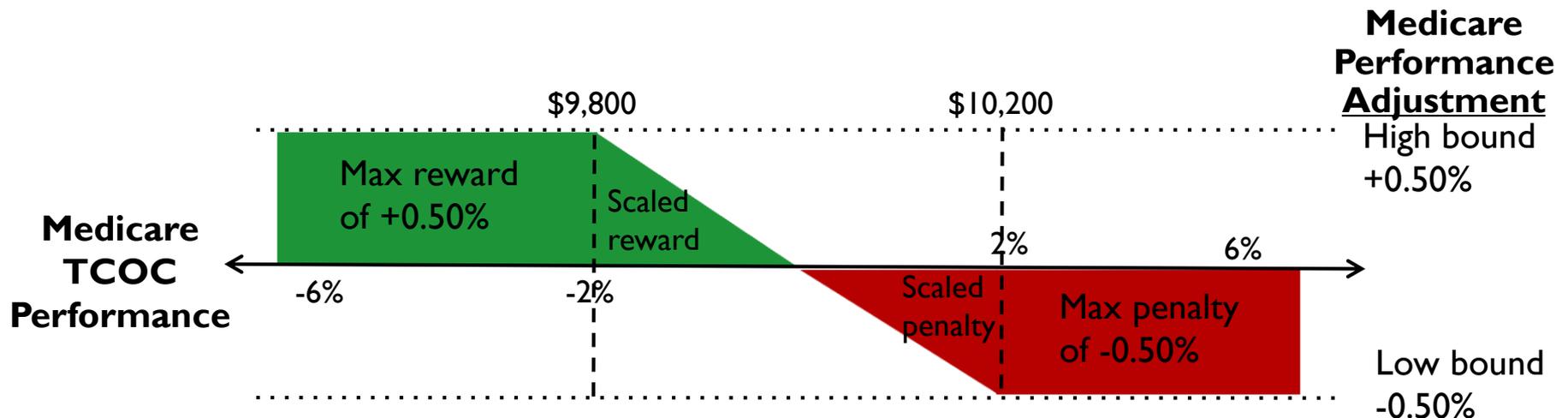
# Refresher: Y1 MPA Attribution Algorithm



- ▶ Attribution occurs prospectively, based on utilization in prior 2 federal fiscal years, but then using their current CY TCOC
- 1. Beneficiaries attributed first based on service use of clinicians in hospital-based ACO
- 2. Beneficiaries not attributed through ACO-like are attributed based on MDPCP-like
- 3. Finally, beneficiaries still not attributed would be attributed with a Geographic approach
- ▶ Performance assessed on TCOC spending per capita
- ▶ For hospitals not in an ACO, attribution would be MDPCP-like + Geography, among beneficiaries not in a hospital-based ACO

# Refresher: Y1 MPA Assessment on Medicare TCOC Improvement

- ▶ Maximum Medicare Revenue at Risk = 0.5%
- ▶ Maximum Performance Threshold = 2%
- ▶ TCOC Benchmark = National Medicare FFS growth – 0.33%
- ▶ Example: If CY 2018 per capita TCOC is:
  - ▶ \$10,200+ (2%+ above Benchmark), then full -0.5% MPA
  - ▶ \$9,800 or less (2%+ below Benchmark), then full +0.5% MPA
  - ▶ Scaled MPA ranging from -0.5% to +0.5% between \$9,800 and \$10,200



# Summary of Key Y2 MPA Policy Changes in Draft Recommendation

---

## ▶ Algorithm Reorganization

- ▶ Attribution algorithm reorganized into two sections:
  - ▶ 1) Beneficiary Attribution
  - ▶ 2) Provider-to-Hospital Linkage
- ▶ Ensures that all of a provider's attributed beneficiaries are linked with the same hospital

## ▶ Other Algorithm Changes

- ▶ Added MDPCP-actual to both the beneficiary attribution and provider-to-hospital linkage steps
- ▶ Added employment as a provider-to-hospital linkage step after MDPCP and ACO linkages
- ▶ Added formal review period for hospitals

## ▶ Y2 Performance Assessment

- ▶ Add New Enrollee Risk Adjustment and continue to work on TCOC benchmarking methodology for attainment

# Summary Diagram of MPA Y2 Attribution

---

**Goal:** Develop an attribution algorithm that accurately captures the beneficiary-to-provider and provider-to-hospital relationships.

Step:

01

## Beneficiary Attribution

*1A. MDPCP-Actual*

*1B. ACO-Like*

*1C. PCP-Like*

02

## Provider-to-Hospital Linkage

*2A. MDPCP Provider  
to CTO Hospital*

*2B. ACO Provider to  
ACO Hospital*

*2C. Employment  
Linkage*

*2D. Referral Pattern  
Linkage*

03

## Remaining Beneficiary Geographic Attribution



# Formal Review Period

---

1. Review Period to resolve issues for attribution to work as intended
    - ▶ For example, if a provider is inadvertently attributed to two hospitals
    - ▶ Not for fundamental changes to the statewide attribution policy
  2. Review Period for unique situations that may merit alternative approach
    - ▶ For example, if two hospitals agree to share responsibility for certain physicians and their beneficiaries
    - ▶ Not for fundamental changes to the statewide attribution policy
- ▶ Any changes based on submissions during Review Period would require HSCRC approval



# Draft Y2 Recommendation: MPA Improvement Reflects Some Risk Adjustment

---

- ▶ Captures certain demographic changes in hospital's MPA attribution population on year-over-year basis
- ▶ CMS-HCC New Enrollee (NE) Risk Scores based on national data
  - ▶ Relies on Gender/Age-Band/Dual Status/ESRD Status
  - ▶ Risk Scores published for Medicare Advantage, generally for those without 12 months of claims experience (same buckets as above)
  - ▶ Does not adjust for diagnoses

# Looking Forward on MPA Policy

---

- ▶ Impact to RY 2021 maximum revenue guardrail for quality programs
- ▶ Continue to monitor MPA performance, tools, and possible changes with TCOC Work Group
- ▶ Attainment adjustment makes sense conceptually
  - ▶ But need appropriate benchmarks/comparisons
  - ▶ Benchmarking work has begun
- ▶ Additional risk adjustment merited when including attainment?

# **Draft for the Medicare Performance Adjustment (MPA) Policy for Rate Year 2021**

October 2018

Health Services Cost Review Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215  
(410) 764-2605  
FAX: (410) 358-6217

This document contains the draft staff recommendations for updating the Medicare Performance Adjustment (MPA) Policy for RY 2021. Please submit comments on this draft to the Commission by Wednesday, October 17, 2018, via email to [hsrcr.tcoc@maryland.gov](mailto:hsrcr.tcoc@maryland.gov).

## Table of Contents

Potential Draft Recommendations for RY 2021 MPA Policy .....	1
Introduction.....	2
Medicare Performance Adjustment Mechanics .....	2
Total Cost of Care Attribution Algorithm .....	2
Performance Assessment .....	6
Medicare Performance Adjustment Methodology.....	7
Potential Draft Recommendations for RY 2021 MPA Policy .....	8
Appendix I. Background.....	11
Appendix II. Assessment principles .....	12
Appendix III. Estimated Timeline and hospital submission.....	13
Appendix IV. Beneficiary Attribution Algorithm .....	14
MDPCP-actual beneficiary attribution .....	14
ACO-like beneficiary attribution .....	14
PCP-like beneficiary attribution .....	15
Geographic beneficiary attribution .....	16
Appendix V. Provider-to-hospital linkage.....	18

## POTENTIAL DRAFT RECOMMENDATIONS FOR RY 2021 MPA POLICY

- 1) Measure Medicare Total Cost of Care (TCOC) by attributing Medicare fee-for-service beneficiaries to providers, primarily based on use of primary care services, and then linking providers to hospitals based on existing relationships.
  - a) Use a hierarchy of Maryland Primary Care Program (MDPCP)-actual, Accountable Care Organization (ACO)-like, PCP-like, and Primary Service Area-Plus (PSAP) attribution for beneficiary-to-provider attribution
  - b) Use existing provider-hospital relationships to link providers to hospitals based on a hierarchy of hospital-affiliated Care Transformation Organizations (CTOs), hospital-affiliated ACOs, hospital employment, and provider referral patterns
  - c) Implement official algorithm result review period
- 2) Set the maximum penalty at 1.0% and the maximum reward at 1.0% of federal Medicare revenue with maximum performance threshold of  $\pm 3\%$ .
- 3) Set the TCOC benchmark as each hospital's risk-adjusted (demographics only) TCOC from 2018, updated with a Trend Factor of 0.33% below the national Medicare FFS growth rate for CY 2019.
- 4) Continue to assess performance on each hospital's own improvement in its attributed population's per capita TCOC
  - a) Adjust for year-over-year changes in the demographic characteristics of the hospital's attributed population
  - b) For future years, continue to explore incorporating attainment and further risk adjustment into the MPA's performance assessment
- 5) Include the MPA as part of the aggregate revenue at risk under HSCRC quality programs.
- 6) Continue to evaluate the MPA throughout the year and consider enhancements for future MPA policies, obtaining input through continued meetings of the TCOC Work Group.
- 7) Provide national Medicare growth rate estimates relative to Maryland throughout the year to help hospitals monitor their progress.
- 8) Continue to work with CMS and CRISP to provide information to hospitals so they can more effectively engage in care coordination and quality improvement activities, assess their performance, and better manage the TCOC by working in alignment with both independent and affiliated providers whose beneficiaries they serve.

## INTRODUCTION

The State implemented a value-based payment adjustment, referred to as the Medicare Performance Adjustment (MPA) with performance beginning in Calendar Year (CY) 2018. The MPA increases the responsibility on providers by placing hospitals' federal Medicare payments at risk, based on the total cost of care for Medicare fee-for-service (FFS) beneficiaries attributed to a hospital.

## MEDICARE PERFORMANCE ADJUSTMENT MECHANICS

To calculate the MPA percentage adjustment to each hospital's federal Medicare payments (limited in the second year, RY 2021, to a positive or negative adjustment of no more than 1.0%), the policy must determine the following: an algorithm for attributing Maryland Medicare beneficiaries and their TCOC to one or more hospitals without double-counting; a methodology for assessing hospitals' TCOC performance based on the beneficiaries and TCOC attributed to them; and a methodology for determining a hospital's MPA based on its TCOC performance.

The HSCRC explored potential changes to the MPA based on extensive feedback from the industry and other stakeholders via its Total Cost of Care Workgroup and other meetings. This recommendation reflects valuable insights provided by the work group—which has held regular public meetings over the past two years—as well as analyses by HSCRC contractors LD Consulting and Mathematica Policy Research (MPR), and other communications and meetings with stakeholders.

The key objective of the MPA for Year 2 is to further Maryland's progression toward developing the systems and mechanisms to control TCOC, by increasing hospital-specific responsibility for Medicare TCOC (Part A and B) over time — not only in terms of increased financial accountability, but also increased accountability for care, outcomes, and population health.

### Total Cost of Care Attribution Algorithm

For Year 1 of the MPA, a multi-step prospective attribution method assigned beneficiaries and their costs to Maryland hospitals based primarily on beneficiaries' treatment relationship with a primary care provider (PCP) and that PCP's relationship to a hospital. Based on the Total Cost of Care Work Group's input and discussion, as well as initial Year 1 experience, HSCRC staff recommends keeping the main elements of the existing algorithm, but with some reorganization and a few key new elements. This recommendation focuses on explaining the new or changed components. The appendices provide additional detail.

## **General algorithm organization and provider-to-hospital consistency**

In response to Maryland Hospital Association comments, staff has reorganized the structure of the algorithm for the RY 2021 policy to first attribute beneficiaries to providers and then link providers with hospitals, rather than performing the steps simultaneously. This change ensures that each PCP with attributed beneficiaries will be linked with only one hospital, regardless of how a beneficiary is attributed to that PCP. These beneficiaries are attributed to providers based on their use of primary care services. Beneficiaries that cannot be attributed to a provider through MDPCP-actual, ACO-like or PCP-like are attributed directly to a hospital based on geography (that is, where the beneficiary resides). Providers with attributed beneficiaries are linked to hospitals based on existing provider-hospital relationships.

### **Beneficiary attribution algorithm changes**

#### **Addition of Maryland Primary Care Program (MDPCP)-actual beneficiary attribution.**

With the launch of Maryland Primary Care Program (MDPCP) in January 2019, the TCOC Work Group generally supports alignment between the MPA and MDPCP to further aligning accountability, improve care, and strengthen physician engagement in controlling Medicare TCOC. To align to this important initiative, staff recommends that beneficiaries are first attributed to PCPs in MDPCP-actual. Beneficiaries' relationships with primary care providers are determined through their use of PCP services, as determined in the MDPCP. Beneficiaries not attributed under MDPCP-actual are then assessed for attribution under the ACO-like and, if necessary, PCP-like and Primary Service Area-Plus (PSAP).

**ACO-like beneficiary attribution.** Staff recommends no change to the Accountable Care Organization (ACO)-like beneficiary attribution. Under ACO-like, beneficiaries are attributed based on primary care use of clinicians in hospital-based Accountable Care Organization (ACO). Assignment is based on elements of ACO attribution logic, which assigns beneficiaries to ACOs according to their PCP use, then use of certain specialists if a traditional PCP cannot be identified.

**PCP-like beneficiary attribution.** Staff recommends changing the name of the "MDPCP-like" portion of the algorithm to "PCP-like," but otherwise recommends no changes to this component. Beneficiaries not assigned to providers through the MDPCP-actual or ACO-like methods will then be considered for attribution to providers based on their use of PCP services, as approved in the Y1 MPA policy.

**Geographic attribution.** Staff recommends no changes to this component. Any beneficiaries not attributed through MDPCP-actual, ACO-like, or PCP-like components are attributed using the primary service areas listed in each hospital's global budget revenue agreement, and as well as additional zip codes not claimed in any hospital's primary service area (PSA) based on plurality of hospital utilization and drive time. This approach is also referred to as Medicare PSA-Plus or PSAP.

### **Provider-to-hospital relationships**

Year 1 of the MPA included recognizing relationships between ACO providers and hospital-affiliated ACOs, as well as a provider's referral patterns. However, many hospitals expressed strong interest in the MPA accounting for additional relationships. For Year 2 of the MPA, eligible provider-to-hospital relationships begin with MDPCP provider participation with a hospital-affiliated Care Transformation Organization (CTO), followed by ACO provider participation with an ACO-affiliated hospital. If the provider does not participate with a hospital in these programs, providers may be linked with hospitals based on employment. All remaining providers with attributed beneficiaries will be linked to hospitals based on the referral patterns of their attributed beneficiaries, as described below and in the appendices. Throughout the linkage steps, providers participating in an MDPCP practice will be considered together for the purposes of linkage between providers and hospitals. This ensures that all providers in an MDPCP practice are linked with the same hospital, regardless of the method of linking.

**Addition of linkage of MDPCP provider to CTO hospital.** Many hospitals are participating in MDPCP as Care Transformation Organizations (CTOs) that help practices provide high-quality care for their beneficiaries. Because of these significant financial investments, staff recommends adding the relationship between MDPCP practices and hospital-affiliated CTOs as the first linkage under the MPA between providers and hospitals. MDPCP practices participating with a hospital-affiliated care transformation organization (CTO) will be linked with the corresponding hospital, and all attributed beneficiaries for that practice will be attributed to that hospital. All remaining providers and practices will be assessed for linkage under ACO approach.

**Linkage of ACO provider to ACO hospital.** Staff recommends no changes. Remaining providers with attributed beneficiaries not linked under the MDPCP-CTO linkage will be assessed for ACO linkage. Providers participating in an MDPCP practice with a non-hospital affiliated CTO or no CTO will be assessed together as a practice group under ACO approach. ACO providers participating with a hospital-affiliated ACO will be linked with the corresponding hospital, and all attributed beneficiaries for that provider (regardless of beneficiary attribution method) will be attributed to a hospital. As in the Y1 policy, ACOs with multiple hospitals may designate ACO PCPs to specific ACO hospitals, which will ensure that beneficiaries attributed to those PCPs are attributed to a single hospital; otherwise TCOC will be distributed by Medicare market share (based on federal Medicare FFS hospital payments) of the hospitals in the ACO. All remaining providers and practices will be assessed for linkage under employment approach.

**Employment linkage.** Throughout the past year, some hospital stakeholders have expressed that employment represents one of the strongest links between hospitals and providers. HSCRC staff agree that employment allows for easier coordination and sharing of resources, and therefore should be included in the algorithm, but also believe it is crucial to continue encouraging participation in official payment structures with CMS oversight, such as MDPCP or ACOs. In addition, there is no consistent definition of employment agreed to by all hospitals, and HSCRC will have to rely on voluntary submission of hospital lists that cannot be easily validated. To balance these considerations, HSCRC recommends using employment as a voluntary link

between providers and hospitals after the MDPCP and ACO-like linkages. Any providers not linked to hospitals through the CTO or ACO linkages may be linked to hospitals based on voluntary hospital-submitted employment lists. HSCRC will accept the Maryland Hospital Association definition of employment as the eligible providers who will receive a W-2 from the hospital or its parent or subsidiary organization for the calendar year preceding the performance period with full time status. These lists must be submitted to HSCRC by a specified date and represent full-time, fully employed providers with a single hospital/hospital system. Remaining providers participating in an MDPCP practice not linked with hospital-affiliated CTO or ACO will be assessed together as a practice group under employment approach.

**Referral pattern linkage.** Remaining providers will be assigned to the hospital from which that provider's attributed beneficiaries receive the plurality of their care, as in the Y1 MPA policy. Remaining providers participating in an MDPCP practice not linked with hospital-affiliated CTO, ACO, or employment, will be assessed together as a practice group under referral pattern linkage approach.

### **Review period**

While staff has worked to address some concerns of the TCOC Work Group, no attribution method is perfect. Therefore, staff recommends the implementation of an official algorithm review period. Subsequent to the initial running of the attribution algorithm for Year 2, hospitals will have the opportunity to raise concerns about the attribution algorithm output. This period is intended to ensure the attribution algorithm is performing as expected, not as an opportunity to revisit the core elements of the algorithm. The review period is intended to serve two purposes: (1) identify and correct mechanical errors (e.g., incorrect data submissions); and (2) address specific cases of unintended and misaligned linkages that do not reflect the intent of the MPA policy. For example, in some scenarios, a provider may have significant relationships with more than one hospital. In this case, the hospitals involved may propose to have joint accountability for the total cost of care. In practice, this could result in a portion of the total cost of care attributed to one hospital and the other portion to another hospital. In evaluating any such proposals, HSCRC staff will consider whether the request is reasonable based on the situation, can be implemented into MPA monitoring reports without significant burden. HSCRC staff will work with the TCOC Work Group to determine guidelines associated with review period proposals.

### **Opportunities for improving linkages/attribution**

Consistent with the Commission's Year 1 MPA final recommendation, HSCRC staff have been working with the TCOC Work Group, the Maryland Hospital Association, and other stakeholders to explore merited changes to the attribution, including attributing providers based on existing physician contractual relationships with hospitals or grouping providers in a practice together. With the start of MDPCP, HSCRC is able to group providers in MDPCP practices together throughout the linkage process and ensure providers in an MDPCP practice are linked

with the same hospital. Data is limited on extending these approaches outside of MDPCP and analyses performed to date have not revealed a consistent approach that can be consistently applied across hospitals.<sup>1</sup> Staff remain committed to exploring these options with the TCOC Work Group and stakeholders.

## Performance Assessment

For Rate Year 2021, which is the MPA's second year of implementation, hospital performance on Medicare TCOC per capita in the performance year (CY 2019) will be compared against the TCOC Benchmark. The TCOC Benchmark will be the hospital's prior (CY 2018) TCOC per capita, updated by a TCOC Trend Factor determined by the Commission, as described in greater detail below. This approach is a year-over-year comparison, based on each hospital's own improvement. The attribution of Medicare beneficiaries to hospitals will be performed prospectively. Specifically, beneficiaries' connection to hospitals is determined based on the two Federal fiscal years preceding the performance year, so that hospitals can know in advance the providers for whom they will be assuming responsibility in the coming performance year. For attribution for Performance Year 2019, data for the two years ending September 30, 2018 will be used. For attribution for Base Year 2018, data for the two years ending September 30, 2017 will be used.<sup>2</sup>

In response to work group concerns around changes in hospital-attributed populations over time, staff is recommending to add risk adjustment to the year over year comparison. This risk adjustment will use Medicare New Enrollee Demographic Risk Score.

The total costs for a hospital's beneficiaries attributed through all methods will be summed and divided by the total number of beneficiaries attributed to the hospital through those methods to result in a single total cost of care per capita number. This approach is intended to recognize that hospitals can most easily identify and influence the quality and costs of patients who use them and their affiliated providers, while ensuring that responsibility for other beneficiaries is equitably assigned. The State's objective is to incentivize hospitals and hospital-based physicians/clinicians to work effectively with community-based physicians/clinicians in order to coordinate care and care transitions, provide effective and efficient care, and focus on high-needs beneficiaries.

This policy for RY2021 represents a continuation of an improvement-only methodology. HSCRC staff is not recommending adopting an attainment policy at this time. An attainment

---

<sup>1</sup> Staff performed extensive analyses of CMS-provided deidentified Tax Identification Numbers (TINs). The source data and staff analysis was shared with the Maryland Hospital Association, and any further insights will be explored.

<sup>2</sup> For Base Year 2018 and Performance Year 2019, the algorithm will rely on 2019 ACO lists, MDPCP lists, and employment lists. As a result, each hospital's TCOC performance as assessed for 2018 as the base year will differ from that calculated for 2018 as the performance year, which is based on 2018 ACO lists.

policy for the MPA requires consideration of a number of complex issues, such as an appropriate attainment benchmark, intrinsic differences between hospital payment rates (such as labor market differences, Graduate Medical Education payments, etc.), and an appropriate risk adjustment methodology. In addition, staff is concerned about alignment and performance on the State's Medicare TCOC financial tests with the federal government, which are improvement-only, if an attainment policy is adopted. Staff acknowledge stakeholder support for an attainment policy that may help mitigate concerns about penalizing hospitals that have reduced total cost of care and explain some variation in spending growth. However, staff believe further discussion and analyses are necessary to implement a responsible and fair attainment policy. HSCRC staff is actively pursuing new options and methodologies for developing benchmarks and are hopeful these efforts will aid in developing an attainment policy. The Total Cost of Care Work Group will continue to discuss attainment as part of its work plan.

### **TCOC Trend Factor**

The MPA for Rate Year 2021, which begins July 2020, will be based on hospital performance on Medicare TCOC per capita in the performance year (CY 2019) compared to its TCOC Benchmark. The TCOC Benchmark will be the hospital's prior (CY 2018) TCOC per capita, updated by the TCOC Trend Factor. Final Medicare TCOC data for the State and the nation for calculating the MPA will be available in May 2020.

Consistent with the RY 2020 policy, HSCRC staff proposes that the TCOC Trend Factor for RY 2021 remains set at 0.33% below the national Medicare FFS growth rate. This is the growth rate calculated as necessary to attain the required Medicare TCOC savings by 2023 under the TCOC Model Agreement with the federal government. Even after being approved by the Commission and CMS, however, the TCOC Trend Factor may be adjusted by the Commission and CMS if necessary to meet Medicare financial tests.

Staff recognizes that some stakeholders have expressed interest in fixing a pre-set Trend Factor prior to the start of the performance period. While this would give hospitals the appearance of greater certainty regarding the targets, a pre-set Trend Factor could result in problems if, for example, the Trend Factor was not set aggressively enough. If actual national Medicare growth was substantially lower than the projections on which the pre-set factor was based, hospitals could receive a reward even if the State had an unfavorable year compared to the nation. Such a scenario could cause concerns with model performance requirements, compelling the Commission to adjust the pre-set Trend Factor after the performance period, resulting in dissatisfaction due to changing expectations.

### **Medicare Performance Adjustment Methodology**

For each hospital, its TCOC Performance compared to the TCOC Benchmark, as well as an adjustment for quality, will be used to determine the MPA's scaled rewards and penalties. For RY 2021, the agreement with CMS requires the maximum penalty be set at 1.0% and the maximum reward at 1.0% of hospital federal Medicare revenue. The expectation is that the

potential penalties and rewards will increase over time, as hospitals adapt to the new policy and desirable modifications are indicated, developed, and implemented.

The agreement with CMS also requires that the Maximum Performance Threshold (that is, the percentage above or below the TCOC Benchmark at which the Maximum Revenue at Risk is attained) be set at 3% for RY 2021. Before reaching the RY 2021 Maximum Revenue at Risk of  $\pm 1.0\%$ , the Maximum Performance Threshold results in a scaled result — a reward or penalty equal to one-third of the percentage by which the hospital's TCOC differs from its TCOC target.

In addition, the agreement with CMS requires that a quality adjustment be applied that includes the measures in the HSCRC's Readmission Reduction Incentive Program (RRIP) and Maryland Hospital-Acquired Infections (MHAC). For RY 2021, staff proposes to continue to use the existing RRIP and MHAC all-payer revenue adjustments to determine these quality adjustments; however, staff recognizes that the Commission may choose to add to the programs used for the quality adjustments over time, to increase the alignment between hospitals and other providers to improve coordination, transitions, and effective and efficient care. Both MHAC and RRIP quality programs have maximum penalties of 2% and maximum rewards of 1%. The sum of the hospital's quality adjustments will be multiplied by the scaled adjustment (Appendix II). Regardless of the quality adjustment, the maximum reward and penalty of  $\pm 1.0\%$  will not be exceeded.

With the maximum  $\pm 1.0\%$  Medicare FFS hospital adjustment, staff recommends that the MPA be included in the HSCRC's portfolio of value-based programs and be counted as part of the aggregate revenue at risk for HSCRC quality programs.

## **POTENTIAL DRAFT RECOMMENDATIONS FOR RY 2021 MPA POLICY**

Based on the assessment above, staff recommends the following for RY 2021 (with details as described above).

- 1) Measure Medicare Total Cost of Care (TCOC) by attributing Medicare fee-for-service beneficiaries to providers, primarily based on use of primary care services, and then linking providers to hospitals based on existing relationships.
  - a) Use a hierarchy of Maryland Primary Care Program (MDPCP)-actual, Accountable Care Organization (ACO)-like, PCP-like, and Primary Service Area-Plus (PSAP) attribution for beneficiary-to-provider attribution
  - b) Use existing provider-hospital relationships to link providers to hospitals based on a hierarchy of hospital-affiliated Care Transformation Organizations (CTOs), hospital-affiliated ACOs, hospital employment, and provider referral patterns
  - c) Implement official algorithm result review period
- 2) Set the maximum penalty at 1.0% and the maximum reward at 1.0% of federal Medicare revenue with maximum performance threshold of  $\pm 3\%$ .

- 3) Set the TCOC benchmark as each hospital's risk-adjusted (demographics only) TCOC from 2018, updated with a Trend Factor of 0.33% below the national Medicare FFS growth rate for CY 2019.
- 4) Continue to assess performance on each hospital's own improvement in its attributed population's per capita TCOC
  - a) Adjust for year-over-year changes in the demographic characteristics of the hospital's attributed population
  - b) For future years, continue to explore incorporating attainment and further risk adjustment into the MPA's performance assessment
- 5) Include the MPA as part of the aggregate revenue at risk under HSCRC quality programs.
- 6) Continue to evaluate the MPA throughout the year and consider enhancements for future MPA policies, obtaining input through continued meetings of the TCOC Workgroup.
- 7) Provide national Medicare growth rate estimates relative to Maryland throughout the year to help hospitals monitor their progress.
- 8) Continue to work with CMS and CRISP to provide information to hospitals so they can more effectively engage in care coordination and quality improvement activities, assess their performance, and better manage the TCOC by working in alignment with both independent and affiliated providers whose beneficiaries they serve.

List of Abbreviations

AAPM	Advanced Alternative Payment Model
ACO	Accountable Care Organization
CMS	Centers for Medicare & Medicaid Services
CTO	Care Transformation Organization
CY	Calendar Year
E&M	Evaluation and Management Codes
ECMAD	Equivalent case-mix adjusted discharge
FFS	Medicare Fee-For-Service
FFY	Federal Fiscal Year
FY	Fiscal Year
GBR	Global Budget Revenue
HSCRC	Health Services Cost Review Commission
MACRA	Medicare Access and CHIP Reauthorization Act of 2015
MHAC	Maryland Hospital-Acquired Conditions Program
MPA	Medicare Performance Adjustment
MDPCP	Maryland Primary Care Program
NPI	National Provider Identification
PCP	Primary Care Provider
PSA	Primary Service Area
RRIP	Readmission Reduction Incentive Program
RY	Rate Year
TCOC	Medicare Total Cost of Care
TIN	Tax Identification Number

## APPENDIX I. BACKGROUND

The Maryland Health Services Cost Review Commission (HSCRC) is a State agency with unique regulatory authority: for all acute-care hospitals in Maryland, HSCRC sets the amount that each hospital will be reimbursed by all payers. The federal government has granted Maryland the authority for HSCRC to set hospital payment rates for Medicare as part of its all-payer hospital rate-setting system. This all-payer rate-setting approach, which has been in place since 1977, eliminates cost-shifting among payers.

Since 2014, the State and CMS have operated Maryland's unique all-payer rate-setting system for hospital services to adopt new and innovative policies aimed at reducing per capita hospital expenditures and TCOC spending, while improving health care quality, patient outcomes, and population health. Under this initiative, hospital-level global budgets are established, so that each hospital's total annual revenue is known at the beginning of each fiscal year. Annual revenue is determined from a historical base period that is adjusted to account for inflation updates, infrastructure requirements, population-driven volume increases, performance in quality-based or efficiency-based programs, changes in payer mix, and changes in levels of uncompensated care. Annual revenue may also be modified for changes in services levels, market share shifts, or shifts of services to unregulated settings.

The MPA provides a mechanism to further support aligned efforts of hospitals with other providers. This includes the opportunity for physicians who partner with hospitals under Maryland's Care Redesign Programs (i.e., Hospital Care Improvement Program (HCIP), Complex and Chronic Care Improvement Program (CCIP), and Episode Care Improvement Program (ECIP)) to be eligible for bonuses and increased payment rates under the federal MACRA law.

Although outside the scope of the MPA attribution algorithm and other aspects described in this document, the State also has the flexibility to apply an MPA Efficiency Adjustment to adjust hospitals' Medicare payments for other purposes. There are two primary use cases for the MPA Efficiency Adjustment. First, the MPA Efficiency Adjustment can permit the flow of Medicare funds to hospitals based on their performance in other programs. For example, Medicare payments to qualifying hospitals under ECIP will occur through an MPA Efficiency Adjustment separate from the MPA's adjustment based on the hospital's performance on its attribution population. In addition, the MPA Efficiency Adjustment may also be used to reduce hospital payments if necessary to meet Medicare financial targets that are not approved on an all-payer basis.

## APPENDIX II. ASSESSMENT PRINCIPLES

Based on the State’s experience with performance-based payment adjustments, as well as guiding principles for quality payment programs from the HSCRC Performance Measurement Work Group, the TCOC Work Group discussed the following principles for the development of the Medicare Performance Adjustment (MPA):

- 1. The hospital-specific measure for Medicare TCOC should have a broad scope**
  - 1.1. The TCOC measure should, in aggregate, cover all or nearly all Maryland FFS Medicare beneficiaries and their Medicare Part A and B costs.
  
- 2. The measure should provide clear focus, goals, and incentives for transformation**
  - 2.1. Promote efficient, high quality and patient-centered delivery of care.
  - 2.2. Emphasize value.
  - 2.3. Promote new investments in care coordination.
  - 2.4. Encourage appropriate utilization and delivery of high quality care.
  - 2.5. The measure should be based on prospective or predictable populations that are “known” to hospitals.
  
- 3. The measure should build on existing transformation efforts, including on current and future provider relationships already managed by hospitals or their partners.**
  
- 4. Performance on the measure should reflect hospital and provider efforts to improve TCOC**
  - 4.1. Monitor and minimize fluctuation over time.
  - 4.2. Hospitals should have the ability to track their progress during the performance period and implement initiatives that affect their performance.
  - 4.3. The TCOC measure should reward hospitals for reductions in potentially avoidable utilization (e.g., preventable admissions), as well as for efficient, high-quality care episodes (e.g., 30- to 90-day episodes of care).
  - 4.4. Hospitals recognize the patients attributed to them and their influence on those patients’ costs and outcomes
  
- 5. Payment adjustments should provide calibrated levels of responsibility and should increase responsibility over time**
  - 5.1. Prospectively determine methodology for determining financial impact and targets.
  - 5.2. Payment adjustments should provide levels of responsibility calibrated to hospitals’ roles and adaptability and revenue at risk that can increase over time, similar to other quality and value-based performance programs.

### APPENDIX III. ESTIMATED TIMELINE AND HOSPITAL SUBMISSION

Estimated Timing	Action
December 2018	<ul style="list-style-type: none"> <li>• <i>Required for ACOs:</i> Hospitals provide HSCRC with ACO Participant List for Performance Year 2019 (also used for Base Year 2018)</li> <li>• <i>Voluntary:</i> Hospitals participating in multi-hospital ACOs designate which ACO providers should be linked with which ACO hospital.</li> <li>• <i>Voluntary:</i> Hospitals provide HSCRC with a list of full-time, fully employed providers</li> </ul>
January 2019	<ul style="list-style-type: none"> <li>• Performance year begins</li> <li>• HSCRC combines hospital lists and identifies potential overlaps</li> <li>• HSCRC runs attribution algorithm for Base Year 2018 and Performance Year 2019, and provides hospitals with preliminary provider-attribution lists</li> </ul>
February 2019	<ul style="list-style-type: none"> <li>• Official review period for hospitals of 2 weeks following preliminary provider-attribution lists.</li> <li>• HSCRC reruns attribution algorithm for implementation</li> </ul>

DRAFT

## APPENDIX IV. BENEFICIARY ATTRIBUTION ALGORITHM

**Eligible Population:** Maryland Medicare Fee-for-Service beneficiaries, defined as Medicare beneficiaries who have at least one month of Part A and Part B enrollment during the previous two years who resided in Maryland or in an out-of-state PSA claimed by a Maryland hospital.

**Hierarchy:** Maryland Medicare beneficiaries are first assessed for attribution to a hospital through the MDPCP-actual method. Beneficiaries not attributed under MDPCP-actual attribution are then assessed for attribution through the ACO-like attribution. Beneficiaries not attributed under ACO-like attribution are then assessed for attribution through the PCP-like attribution. Those not attributed through the PCP-like attribution are attributed through the Geographic attribution (PSA-Plus). This final step captures all remaining Maryland Medicare beneficiaries, including those with no previous claims experience because they are newly enrolled in Medicare.

**Exclusions:** Claims associated with categorically excluded conditions are removed prior to episode assignment. Claims in any setting from an episode beginning three days before and extending to 90 days after a hospital stay for such a condition are excluded from the TCOC and from the determination of ACO-like and PCP-like attribution. These conditions are primarily transplants and burns identified by diagnoses, procedure codes and DRGs.

### MDPCP-actual beneficiary attribution

The Medicare Performance Adjustment will use the MDPCP actual attribution used in MDPCP. HSCRC will rely on the actual beneficiaries attributed to MDPCP practices participating in MDPCP as of January of the performance year. Beneficiary attribution in MDPCP is based on primary care services with clinicians participating in MDPCP.

### ACO-like beneficiary attribution

After removing the cost and beneficiaries assigned to practices through the MDPCP-actual method, remaining beneficiaries are considered eligible for ACO-like attribution, and ACO-like attribution will be attempted for all remaining. Beneficiaries are attributed to ACOs based on the use of professional services with ACO clinicians, while clinicians are attached to ACOs if their identifier appears on the ACO's participant list. HSCRC will work with Maryland hospitals and the Maryland Hospital Association to receive lists of ACO providers in the winter of each year to determine ACO participation for that Base Year and the upcoming Performance Year. Any changes to ACO provider lists throughout the year will not be included until the following Performance Year. The hospital-provided ACO lists should be the same list that is submitted to CMS for ACO participation. Hospital affiliation is also identified through ACO participation, and only hospitals affiliated with a Maryland ACO are used for attribution.

Based on the two Federal Fiscal Years preceding the performance period, the logic determines the plurality of allowed charges for primary care services for eligible beneficiaries with at least one visit for a primary care service. If the plurality of charges are to a set of clinicians that are on a list of ACO providers, the beneficiary is attributed to the corresponding ACO, as is done in the

CMS ACO logic. If the plurality of charges are to clinicians that are not on an ACO list, the beneficiary is not attributed to an ACO. PCPs are identified based on specialty. Primary care services are identified by HCPCS codes and measured by allowed charges. If a beneficiary does not have any PCP visit claims, the same logic is performed for clinicians of other specialties. PCP and selected specialties and codes for primary care services are presented below. All beneficiaries that see a specific clinician may not necessarily be attributed to the same ACO or system. Because the ACO-like attribution methodology uses multiple clinicians to determine whether a beneficiary is attributed to an ACO, an additional step is required to determine the specific ACO beneficiary and ACO provider link. The ACO provider with the plurality of services is attributed the ACO beneficiary.

### ACO Specialties

Primary Care Providers are defined as:

- physicians with a primary specialty of Internal Medicine, General Practice, Geriatric Medicine, Family Practice, or Pediatric Medicine; or
- non-physician primary care providers (Nurse Practitioners, Clinical Nurse Specialists, or Physician Assistants).

Other specialties include Obstetrics/Gynecology, Osteopathy, Sports Medicine, Physical Medicine and Rehabilitation, Cardiology, Psychiatry, Geriatric Psychiatry, Pulmonary Disease, Hematology, Hematology/Oncology, Preventive Medicine, Neuropsychiatry, Medical or Gynecological Oncology or Nephrology.

### ACO Primary Care Codes

Domiciliary, rest home or custodial care: CPT 99324 – 99337; CPT 99339 – 99340; Home services: CPT 99341– 99496; Wellness visits: CPT G0402, G0438 & G0439; New G code for outpatient hospital claims: CPT G0463.

### PCP-like beneficiary attribution

After removing the cost and beneficiaries assigned to hospitals through either the MDPCP-actual or the ACO-like method, providers will be attributed beneficiaries based on beneficiary primary care utilization. Assignment of beneficiaries to primary care providers is determined based on the beneficiaries' use of primary care services as originally proposed in the Maryland Primary Care Program (MDPCP) by the Maryland Department of Health (MDH) to CMMI and adopted in the Y1 MPA policy. A PCP for this purpose includes traditional PCPs but also physicians from other selected specialties.

Primary care providers are attributed beneficiaries based on proposed MDPCP logic with minor adjustments. Each Medicare FFS beneficiary with Medicare Part A and Part B is assigned the National Provider Identification (NPI) number of the clinician who billed for the plurality of that beneficiary's office visits during the 24 month period preceding the performance period AND

who also billed for a minimum of 25 Total Office Visits by attributed Maryland beneficiaries in the same performance period. If a beneficiary has an equal number of qualifying visits to more than one practice, the provider with the highest cost is used as a tie-breaker. Beneficiaries are attributed to Traditional Primary Care Providers first and, if that is not possible, then to Specialist Primary Care Providers.

The cost of primary care services must represent 60% of total costs performed by a provider during the most recent 12 months, excluding hospital and emergency department costs. Primary care services are identified by procedure codes from the list appended below. Primary care providers are defined as unique NPIs regardless of practice location and are not aggregated or attributed through practice group or tax identification number (TIN).

### **PCP-like Eligible Specialties**

Traditional Primary Care Providers are defined as providers with a primary specialty of Internal Medicine; General Practice; Geriatric Medicine; Family practice; Pediatric Medicine; Nurse Practitioner; or Obstetrics/Gynecology. Specialist Primary Care Providers are defined as providers with a primary specialty of Cardiology; Gastroenterology; Psychiatry; Pulmonary Disease; Hematology/Oncology; or Nephrology. These specialties may differ from those used in the MDPCP and ACO-like.

### **PCP-like Primary Care Codes**

Office/Outpatient Visit E&M (99201-99205 99211-99215); Complex Chronic Care Coordination Services (99487-99489); Transitional Care Management Services (99495-99496); Home Care (99341-99350); Welcome to Medicare and Annual Wellness Visits (G0402, G0438, G0439); Chronic Care Management Services (99490); Office Visits (M1A, M1B); Home Visit (M4A); Nursing Home Visit (M4B) BETOS Codes; Specialist Visits (M5B, M5D); Consultations (M6) BETOS Codes; Immunizations/Vaccinations (O1G) BETOS Codes; Other Testing BETOS Codes (T2A Electrocardiograms, T2B Cardiovascular Stress Tests, T2C EKG Monitoring, T2D Other Tests)

### **Geographic beneficiary attribution**

The remaining beneficiaries and their costs will be assigned to hospitals based on Geography, following an algorithm known as PSA-Plus. The Geographic methodology assigns zip codes to hospitals through three steps:

1. Zip codes listed as Primary Service Areas (PSAs) in the hospitals' GBR agreements are assigned to the corresponding hospitals. Costs in zip codes claimed by more than one hospital are allocated according to the hospital's share on equivalent case-mix adjusted discharges (ECMADs) for inpatient and outpatient discharges among hospitals claiming that zip code. ECMAD is calculated from Medicare FFS claims for the two Federal fiscal years preceding the performance period for all beneficiaries in that zip code.

2. Zip codes not claimed by any hospital are assigned to the hospital with the plurality of Medicare FFS ECMADs in that zip code, if it does not exceed 30 minutes' drive time from the hospital's PSA. Plurality is identified by the ECMAD of the hospital's inpatient and outpatient discharges during the attribution period for all beneficiaries in that zip code.
3. Zip codes still unassigned will be attributed to the nearest hospital based on drive-time.

Beneficiaries not assigned based on MDPCP-actual, ACO-Like, or PCP-Like affiliation who reside in a zip code attributed to multiple hospitals will be included among attributed beneficiaries of each hospital. However, the per capita TCOC for those beneficiaries will be divided among those hospitals based on market share.

DRAFT

## **APPENDIX V. PROVIDER-TO-HOSPITAL LINKAGE**

### ***MDPCP Provider to CTO Hospital attribution***

MDPCP providers will be assessed as a practice for participation with a hospital-affiliated Care Transformation Organization (CTO). All attributed beneficiaries for that practice will be attributed to the affiliated hospital. Maryland hospitals participating with a CTO for the purposes of this method will be determined by the Maryland Department of Health. Any providers not participating with MDPCP are assessed for linkage under ACO approach. Providers participating in MDPCP practice with a non-hospital affiliated CTO or no CTO will be assessed together as a practice under subsequent steps.

### ***ACO Provider to ACO hospital attribution***

Remaining providers not linked to a hospital under the MDPCP-CTO linkage will be assessed for ACO linkage. Providers participating with a hospital-affiliated ACO will be linked with the corresponding hospital, and all attributed beneficiaries for that provider will be attributed to a single hospital. ACOs with multiple hospitals may designate ACO PCPs to specific ACO hospitals, which will ensure that beneficiaries attributed to those PCPs are attributed to that hospital, if approved by HSCRC. This designation must occur before the Performance Year and cannot be changed once the current Performance Year has begun, except as agreed to by HSCRC. If ACOs with multiple hospitals do not elect to designate ACO PCP and ACO hospital linkages, TCOC will be distributed by Medicare market share (based on federal Medicare FFS hospital payments) of the hospitals in the ACO. MDPCP practices that are not linked to a hospital under CTO linkage will be assessed together as a group for ACO linkage.

### ***Employed Provider to hospital attribution***

Any providers not linked to hospitals through the MDPCP or ACO linkages may be linked to hospitals based on voluntary hospital-submitted employment lists. These lists must be submitted to HSCRC by a specified date and represent full-time, fully employed providers with a single hospital/hospital system. MDPCP practices that are not linked to a hospital under CTO or ACO linkage will be assessed together as a group for employment linkage.

### ***Referral Patterns Provider to Hospital attribution***

Under PCP-like, if the provider is not linked to a hospital through MDPCP, ACO, or employment, a provider and the beneficiaries and costs assigned to that provider's NPI are in turn assigned to a hospital based on the number of inpatient and outpatient hospital visits by the provider's attributed beneficiaries. All of the provider's beneficiaries are attributed to the hospital with the greatest number of visits by beneficiaries assigned to that provider. If a provider's beneficiaries have equal visits to more than one hospital, the provider is attributed to the hospital responsible for the greatest total hospital cost. MDPCP practices that are not linked to a hospital under CTO, ACO, or employment linkage will be assessed together as a group for referral pattern linkage. Aside from MDPCP practices, practice group and location do not impact

provider to hospital attribution, nor does the number of practices or TINs to which the provider is affiliated. All beneficiaries attributed to a specific clinician through the PCP-like method will be attributed to a single hospital.

DRAFT

## **Policy Update Report and Discussion**

Staff will present materials at the Commission Meeting.

State of Maryland  
Department of Health



Nelson J. Sabatini  
Chairman

Joseph Antos, PhD  
Vice-Chairman

Victoria W. Bayless

James N. Elliott, M.D.

John M. Colmers

Adam Kane

Jack C. Keane

Katie Wunderlich  
Executive Director

Allan Pack, Director  
Population Based  
Methodologies

Chris Peterson, Director  
Clinical & Financial  
Information

Gerard J. Schmith, Director  
Revenue & Regulation  
Compliance

**Health Services Cost Review Commission**

4160 Patterson Avenue, Baltimore, Maryland 21215  
Phone: 410-764-2605 · Fax: 410-358-6217  
Toll Free: 1-888-287-3229  
hsrc.maryland.gov

**TO: Commissioners**

**FROM: HSCRC Staff**

**DATE: October 10, 2018**

**RE: Hearing and Meeting Schedule**

---

November 14, 2018                      To be determined - 4160 Patterson Avenue  
HSCRC/MHCC Conference Room

December 12, 2018                      To be determined - 4160 Patterson Avenue  
HSCRC/MHCC Conference Room

Please note that Commissioner's binders will be available in the Commission's office at 11:15 a.m.

The Agenda for the Executive and Public Sessions will be available for your review on the Thursday before the Commission meeting on the Commission's website at <http://hsrc.maryland.gov/Pages/commission-meetings.aspx>.

Post-meeting documents will be available on the Commission's website following the Commission meeting.