



Payment Models Workgroup Meeting

May 1, 2019



Agenda

1. Introductions and Meeting Overview
2. CY 18 Performance Update
3. Update Factor Discussion
4. Reconciliation of RY 2019 GBR Revenue
5. Adjourn



All-Payer Model Results, CY 2014- 2018

Performance Measures	Targets	2014 Results	2015 Results	2016 Results	2017 Results	2018 Results ²
All-Payer Hospital Revenue Growth	≤ 3.58% per capita annually	1.47% growth per capita	2.31% growth per capita	0.80% growth per capita ¹	3.54% growth per capita	1.50% growth per capita
Medicare Savings in Hospital Expenditures	≥ \$330m cumulative over 5 years (Lower than national average growth rate from 2013 base year)	\$120 m (2.21% below national average growth)	\$275 cumulative (2.63% below national average growth since 2013)	\$586m cumulative ¹ (5.50% below national average growth since 2013)	\$916m cumulative (5.63% below national average growth since 2013)	\$1.4b cumulative (8.74% below national average since 2013)
Medicare Savings in Total Cost of Care	Lower than the national average growth rate for total cost of care from 2013 base year	\$142m (1.62% below national average growth)	\$263m cumulative (1.31% below national average growth since 2013)	\$461m cumulative ¹ (2.08% below national average growth since 2013)	\$599m cumulative (1.36% below national average growth since 2013)	\$869m cumulative (2.74% below national average growth since 2013)
All-Payer Quality Improvement Reductions in PPCs under MHAC Program	30% reduction over 5 years	25% reduction	34% reduction since 2013	44% reduction since 2013	53% reduction since 2013	51% reduction since 2013
Readmissions Reductions for Medicare	≤ National average over 5 years 2013 National: 15.38% 2013 Maryland: 16.60%	19% reduction in gap above nation	58% reduction in gap above nation	79% reduction in gap above nation	116% reduction in gap above nation	Achieved 2018 National: 15.45% 2018 Maryland: 15.40%
Hospital Revenue to Global or Population-Based	≥ 80% by year 5	95%	96%	98%	98%	98%

¹During the last six months of CY 2016 (July – December of 2016), Hospitals undercharged their Global Budget Revenue mid-year targets by approximately one percent (\$25M dollars). The measures reported have been adjusted to ‘add back’ the undercharge to the period of July – December 2016 to offset the decline in savings for January – June 2017.

²Please note that these data are preliminary and have not been verified by the Centers for Medicare and Medicaid (CMS).

- The “Targets” are from the All-Payer Model Agreement, with the exception of the “Medicare Savings in Total Cost of Care” measure, which is a limitation of the Agreement.
- For the All Payer Hospital Growth measure, the data is from the HSCRC monthly hospital volume and revenue data.
- The MHAC data is derived from Maryland’s All Payer Hospital Acquired Conditions Program results.
- For the other measures, Maryland calculated the data from CMS monitoring data, which were included in final reports for the applicable years.

Balanced Update Model for Discussion for RY 2020

Components of Revenue Change Linked to Hospital Cost Drivers/Performance

		Weighted Allowance
Adjustment for Inflation (this includes 3.10% for compensation)		2.77%
- Rising Cost of Outpatient Oncology Drugs		0.19%
Gross Inflation Allowance	A	2.96%
Care Coordination/Population Health	B	0.00%
Adjustment for Volume		
-Demographic		0.30%
-Transfers		
-High/Low Efficiency Outliers		
-Drug Population/Utilization		
Total Adjustment for Volume	C	0.30%
Other adjustments (positive and negative)		
- Set Aside for Unknown Adjustments	D	0.10%
- Capital Funding -Adventist White Oak Medical Center	E	0.09%
- Categoricals (1%)	F	0.23%
-Reversal of one-time adjustments for drugs	G	-0.03%
Net Other Adjustments	H= Sum of D thru G	0.39%
Quality and PAU Savings		
-PAU Savings	I	-0.30%
-Reversal of prior year quality incentives	J	0.53%
-QBR, MHAC, Readmissions		
-Positive incentives & Negative scaling adjustments	K	0.18%
Net Quality and PAU Savings	L= Sum of I thru K	0.41%
Total Update First Half of Rate Year 20		
Net increase attributable to hospitals	M = Sum of A + B + C + H + L	4.06%
Per Capita First Half of Rate Year (July - December)	N = (1+M)/(1+0.30%)	3.75%
Adjustments in Second Half of Rate Year 20		
-Oncology Drug Adjustment	O	0.00%
-QBR	P	-0.37%
Total Adjustments in Second Half of Rate Year 20	Q = O + P	-0.37%
Total Update Full Rate Year 20		
Net increase attributable to hospital for Rate Year	R = M + Q	3.69%
Per Capita Rate Year	S = (1+R)/(1+0.30%)	3.38%
<u>Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements</u>		
-Uncompensated care, net of differential	T	0.03%
-Deficit Assessment	U	-0.16%
Net decreases	V = T + U	-0.13%
Total Update First Half of Rate Year 20		
Revenue growth, net of offsets	W = M + V	3.93%
Per Capita Revenue Growth First Half of Rate Year	X = (1+W)/(1+0.30%)	3.62%
Total Update Full Rate Year 20		
Revenue growth, net of offsets	Y = R + V	3.56%
Per Capita Rate Year	Z = (1+Y)/(1+0.30%)	3.25%
Private Payer Growth Rate, based on Total Update for Full Rate Year		4.76%
Public Payers Growth Rate		3.06%

Conclusions on Factors to be Excluded from Medicare Savings

Commitment: The Commission committed that the differential change would not provide for Medicare savings that would lead to higher Rate Updates

Conclusion:

- ▶ Staff analysis uses the all-payer inflation in evaluating the appropriateness of the update factor. Using this test the update factor meets Medicare targets. Therefore the rate update is not relying on differential savings to meet Medicare savings targets.

Commitment: The Commission committed that hospitals would not be required to generate savings to offset MDPCP fees

Conclusions:

- ▶ Medicare savings are well above target, neither the update factor or other policies have been implemented to generate incremental savings from hospitals to offset MDPCP fees.
- ▶ Staff intends to allow Hospitals to benefit from savings generated by their owned and CTO physicians therefore, staff, believes it is appropriate for the hospitals to be responsible for that portion of MDPCP fees.

Estimated CY All-Payer Revenue Growth

Estimated Position on Medicare Target		
Actual Revenue CY 2018		17,341,823,084
Step 1:		
Estimated Approved GBR RY 2019		17,466,092,860
Actual Revenue 7/1/18-12/31/18		8,596,133,432
Projected Revenue 1/1/19-6/30/19	A	8,869,959,428
Step 2:		
Estimated Approved GBR RY 2020		18,152,802,313
Permanent Update		3.93%
Step 3:		
Estimated Revenue 7/1/19-12/31/19 (after 49.73% & seasonality)		9,027,388,590
Hopkins & Shady Grove*		14,000,000
	B	9,041,388,590
Step 4:		
Estimated Revenue CY 2019	A+B	17,911,348,018
Increase over CY 2018 Revenue		3.28%

*Hopkins Payback & Shady Grove GBR Adj.



Maximum Increase that can Produce Medicare Savings using CY Growth

Maximum Increase that Can Produce Medicare Savings			
Medicare			
Medicare TCOC Growth (CY 2018 3.72%)	A	3.72%	
Savings Goal for RY 2020	B	0.00%	
Maximum growth rate that will achieve savings (A+B)	C	3.72%	
Conversion to All-Payer			
Actual statistic between Medicare and All-Payer <i>with conservatism</i>		0.83%	Recommendation:
Excess Growth for Non-Hospital Cost Relative to the Nation <i>with conservatism</i>		-1.18%	Savings:
Net Difference Statistic Related to Total Cost of Care	D	-0.35%	
Conversion to All-Payer growth per resident $(1+C)*(1+D)-1$	E	3.35%	2.98%
Conversion to total All-Payer revenue growth $(1+E)*(1+0.30\%)-1$	F	3.66%	3.28%

Maximum Increase that Can Produce Medicare Savings using RY Growth

Maximum Increase that Can Produce Medicare Savings			
Medicare			
Medicare TCOC Growth (CY 2018 3.7%)	A	3.72%	
Savings Goal for RY 2020	B	0.00%	
Maximum growth rate that will achieve savings (A+B)	C	3.72%	
Conversion to All-Payer			
Actual statistic between Medicare and All-Payer <i>with conservatism</i>		0.83%	Recommendation:
Excess Growth for Non-Hospital Cost Relative to the Nation <i>with conservatism</i>		-1.18%	Savings:
Net Difference Statistic Related to Total Cost of Care	D	-0.35%	
Conversion to All-Payer growth per resident $(1+C)*(1+D)-1$	E	3.35%	3.25% 0.11%
Conversion to total All-Payer revenue growth $(1+E)*(1+0.30\%)-1$	F	3.66%	3.56% 0.11%

Maximum Increase that Maintains Affordability

Maximum Increase that Maintains Affordability

State Gross Domestic Product per Capita (3 year CAGR 3.42%)

Savings Goal for RY 2020

Maximum growth rate that will achieve savings (A+B)

Conversion to total All-Payer revenue growth $(1+C)*(1+0.30\%)-1$

	A	B	Recommendation:	Savings:
	3.42%	0.00%		
	3.42%		2.98%	0.44%
	3.73%		3.28%	0.45%

Reconciliation of RY 2019 GBR Revenue

Original GBR Approved Revenue RY 2018	17,183,983,214		
Original GBR RY 2019 Projection fr Update Rec	17,529,893,859	A	2.01%
Adjusted for Full Yr Update (1.83%-2.01%)	17,498,961,785	A1	1.83%
Newly Regulated Services in RY 2019	75,141,722	B	0.44%
Original RY19 Projection Revised for Full Update	17,574,103,507	C=A1+B	2.27%
Current GBR RY 2019 Final Projection	17,466,092,860	D	1.64%
Projection Variance	<u>(108,010,647)</u>	E=D-C	-0.63%

Projection Differences:

			Actual	Estimated	Difference
CY18 Market Shift	(3,185,304)	F			-0.02%
RY18 Price Variance & Penalties	(9,584,657)	G			-0.06%
Quality Projection Discrepancy Actual less Projected	(1,695,308)	H	-1.09%	-1.08%	-0.01%
Deregulation less Oncology Drugs	(48,595,712)	I			-0.28%
Spend Down	(7,813,834)	J			-0.05%
Oncology Drugs - Actual less Projected	(28,346,655)	M	0.04%	0.20%	-0.16%
Set Aside Actual less Projected	<u>(6,765,280)</u>	N	0.21%	0.25%	<u>-0.04%</u>
Total	<u>(105,986,750)</u>	O			<u>-0.62%</u>

Unexplained	2,023,897	P=O-E
Unexplained %		0.01% Q=P/C

