

**Executive Session Minutes
Of the
Health Services Cost Review Commission**

May 1, 2013

Upon motion made, Chairman Colmers called the meeting to order at 12:02 p.m.

The meeting was held under the authority of Section 10-508 of the State-Government Article.

In attendance, in addition to Chairman Colmers, were Commissioners Bone, Jencks, Keane, Loftus, Mullen and Wong.

Steve Ports, Mary Pohl, Jerry Schmith, and Dennis Phelps attended representing staff.

Also attending were Stan Lustman and Leslie Schulman Commission counsel.

Item One

The Commission discussed various personnel matters in light of the departure of Patrick Redmon as Executive Director.

Item Two

The Commission discussed the potential for expediting and simplifying the update factor process in view of the pending waiver application before CMS, and given the Commission's standing under the current waiver.

Item Three

The Commission discussed the formation of a Hospital Impact Group, chaired by Tom Mullen and Kevin Sexton, to serve as liaison between CMS and the State on matters emanating from the pending waiver application.

The Executive Session was adjourned at 12:57 p.m.

MINUTES OF THE
497th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

May 1, 2013

Chairman John Colmers called the meeting to order at 1:01 p.m. Commissioners George H. Bone, M.D., Stephen F. Jencks, M.D., M.P.H., Jack C. Keane, Thomas R. Mullen, Bernadette C. Loftus, M.D., and Herbert S. Wong, Ph.D. were also present.

REPORT OF THE EXECUTIVE SESSION OF MAY 1, 2013

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the May 1, 2013 Executive Session.

ITEM I
REVIEW OF THE MINUTES OF THE EXECUTIVE SESSION AND THE PUBLIC
MEETING OF APRIL 10, 2013

The Commission voted unanimously to approve the minutes of the Executive Session and the Public Meeting of April 10, 2013.

RECOGNITION OF PATRICK REDMON TENURE AS EXECUTIVE DIRECTOR

Chairman Colmers announced the resignation of Patrick Redmon, Ph.D. as Executive Director of the Commission and the appointment of Steve Ports as Acting Executive Director. The Chairman expressed the appreciation of the Commissioners and staff for Dr. Redmon's dedication and hard work during his tenure. The Chairman praised Dr. Redmon's leadership in helping us to complete the very complex waiver application. The Chairman stated that we all owe Dr. Redmon a great debt of gratitude for his commitment to the Commission.

The Chairman thanked Mr. Ports for his willingness to again step into the position of Acting Executive Director.

The Commission voted unanimously to award an order of commendation recognizing Dr. Redmon for his service.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Steve Ports, Acting Executive Director, reported that because the public meeting is so early in the month, the data needed to produce the Monitoring Maryland Performance (MMP) report and to update the financial condition of the hospital industry through March 2013 are not yet available.

Mr. Ports stated that hospitals' operating profit numbers for the period from July 2012 through March 2013 include approximately \$50 million from the Centers for Medicare and Medicaid Services' (CMS') Meaningful Use program.

Mr. Ports noted that the Governor submitted the State's Model Demonstration proposal to the federal government on March 26, 2013, and that discussions with the Centers for Medicare and Medicaid Innovation (CMMI) concerning the Model Demonstration proposal continue.

Mr. Ports announced that a number of work groups have been formed to develop tools and policies and discuss key issues related to the Model Demonstration proposal application.

ITEM III
REPORT ON FY 2014 UPDATE FACTOR DISCUSSIONS

Mr. Ports reported that the first payment work group meeting was held on April 19, 2013. Separate meetings are scheduled with the payers and with the hospital industry. Staff will propose that an update factor with minimum policy changes and adjustments be set for a "stub period," July 1, 2013 through December 31, 2013, under the current waiver. Discussions with the stakeholders will continue during May, with a draft recommendation to be presented at the June public meeting and a final recommendation at the July public meeting.

ITEM IV
DOCKET STATUS CASES CLOSED

2201A – University of Maryland Medical Center
2202A – University of Maryland Medical Center

ITEM V
DOCKET STATUS CASES OPEN
St. Agnes Hospital – 2204N

On March 5, 2013, St. Agnes Hospital submitted a partial rate application requesting a rate for Hyperbaric (HYP) services to be effective April 29, 2013.

After reviewing the Hospital's application, staff recommended:

1. That a HYP rate of \$312.34 per hour be approved effective April 20, 2013;
2. That no change be made to the Hospital's Charge per Episode standard for HYP services; and
3. That the HYP rate not be rate realigned until a full year's cost experience data have been reported to the Commission.

The Commission voted unanimously to approve staff's recommendation.

MedStar Harbor Hospital – 2205N

On March 22, 2013, MedStar Harbor Hospital submitted a partial rate application requesting a rate for Operating Room Clinic (ORC) services to be effective May 21, 2013.

After reviewing the Hospital's application, staff recommended:

1. That a ORC rate of \$15.89 per minute be approved effective May 21, 2013;
2. That no change be made to the Hospital's Charge per Episode standard for ORC services; and
3. That the ORC rate not be rate realigned until a full year's cost experience data have been reported to the Commission.

The Commission voted unanimously to approve staff's recommendation.

Johns Hopkins Health System - 2206A

Johns Hopkins Health System ("System") filed an application with the HSCRC on April 10, 2013 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 a global rate arrangement for solid organ and bone marrow transplants services with INTERLINK Health Services, Inc. The System requests approval for a period of one year beginning July 1, 2013.

Staff recommends that the Commission approve the Hospital's application. 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.

The Commission voted unanimously to approve staff's recommendation. Chairman Colmers

recused himself from consideration of this application.

Johns Hopkins Health System – 2207A

Johns Hopkins Health System (the “System”) filed an application with the HSCRC on April 12, 2013 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 for participation in a global rate arrangement for cardiovascular procedures with Quality Health Management for a period of one year beginning June 1, 2013.

Staff recommends that the Commission approve the Hospitals’ application. 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.

The Commission voted unanimously to approve staff’s recommendation. Chairman Colmers recused himself from consideration of this application.

ITEM VI **FINAL RECOMMENDATION FOR ADDRESSING FEDERAL SEQUESTRATION**

Mr. Ports summarized staff’s final recommendation for addressing federal sequestration (see “Impact of Sequestration and Options for the HSCRC – Final Recommendation” on the HSCRC’s website). Staff’s proposed recommendations were to: 1) make no change to hospital rates for fiscal year 2013; and 2) consider total revenue needs for hospitals, including the impact of sequestration, as part of the stub-period update factor discussions, assuming approval of the proposed Demonstration Model submitted to CMS/CMMI.

As requested by the Commission at the April public meeting, Jerry Schmith, Deputy Director-Hospital Rate Setting, summarized staff’s reconciliation of the differences in inpatient and outpatient hospital revenue growth trends in the payers’ and HSCRC data.

Carmela Coyle, President of the Maryland Hospital Association (MHA), Michael Robbins, Senior Vice President of MHA, Ronald R. Peterson, President of the Johns Hopkins Hospital, Robert A. Chrencik, President and CEO of the University of Maryland Medical Health System, Thomas Kleinhanzi, President of the Frederick Memorial Healthcare System, Peggy Naleppa, President of the Peninsula Regional Health System (PRHS), Jeffrey A. Matton, President of the Good Samaritan Hospital, Michael A. Franklin, President and CEO of Atlantic General Hospital, and Noel Cervino, President and CEO of the Civista Medical Center, addressed the Commission on the impact of sequestration on Maryland hospitals.

The Hospital representatives described what they characterized as the poor financial condition of

the hospital industry attributable to a series of low update factors, and expressed the concern that the impact of sequestration will not be appropriately addressed in the update factor. The representatives unanimously supported MHA's recommendation that the impact of sequestration be addressed by the Commission immediately.

Bruce Edwards, Senior Vice President for Networks of CareFirst of Maryland, Gary Simmons, Regional Vice President of United HealthCare, Tricia Roddy, Director of Planning – Maryland Department of Health and Mental Hygiene, and Kevin Creswell, Assistant Vice President of Amerigroup of Maryland, addressed the Commission in support of staff's recommendation that the impact of sequestration be addressed in the update factor.

After discussions among the Commissioners, Commissioner Loftus made a motion that the update factor discussion take into account market basket inflation, the impact of sequestration, and the waiver cushion.

Staff's recommendation was revised to add recommendation #3 which is, that the Commission expects to take final action at the June Commission meeting on a simplified FY 2014 update factor that takes into consideration, factor cost inflation, sequestration, financial condition, and waiver cushion. The motion was seconded.

The Commission voted five to one to approve the revised staff recommendation. Commissioner Keane voted not to approve.

ITEM VII
FINAL RECOMMENDATIONS ON THE ADIMMSSION-READMISSION REVENUE
(ARR) SHARED SAVINGS POLICY

Mary Pohl, Deputy Director-Research and Methodology, stated that the final recommendation for the ARR shared savings policy (see "Final Recommendation on a Shared Savings Policy" on the HSCRC website) is similar to the draft recommendation presented at last month's public meeting, with two changes. The first was to recommend implementation of an explicit continuous improvement shared savings policy based on each hospital's re-admissions, with the value of the shared savings of 0.3% of each hospital's re-admission revenue for FY 2014. Staff also suggested that the value of the shared saving be reevaluated annually. The second change was the recommendation to remove planned re-admissions from the continuous improvement shared saving logic.

Commissioner Jencks asked Ms. Pohl the rationale for choosing 0.3% as the value of shared savings rather than 0.5%.

According to Ms. Pohl, staff selected 0.3% for two reasons: 1) 0.3% was the value of the savings in Medicare's Hospital Readmissions Reduction Program for last year; and 2) 0.3% was the amount of ARR savings in FY 2013.

Commissioner Jencks noted that based on actual Maryland experience, a higher shared savings rate would be a reasonable target, however, we don't have the data. Dr. Jencks expressed concern that we have a model where hospitals could be deemed above or at their baseline even though they have substantially reduced the number of readmissions. Dr. Jencks suggested that we revisit these issues in the near future.

Sule Caikoglu, Ph.D., Associate Director for Performance Measurement, stated that in six months we should have identification data to track patients between hospitals. Thus, we can review the data and try to come up with a more comprehensive measurement methodology.

Traci LaValle, Assistant Vice President-Financial Policy and Operations of MHA, presented data from the Delmarva Foundation that indicated that although still above the nation, Maryland is making progress in reducing readmissions. Ms. LaValle also noted that CMS is projecting a smaller savings for its readmission program in FY 2014. Ms. LaValle expressed MHA's support for staff's recommendation.

Bruce Edwards, representing CareFirst, expressed support for staff's recommendation, but suggested that the Commission approve a shared saving amount of 0.5% rather than the 0.3% recommended by staff.

Commissioner Jencks proposed two revisions to staff's recommendation: 1) that in six months, staff reports back to the Commission with an estimate of what the decrease in readmissions was for FY 2012 based on actual Maryland data; and 2) that staff attempts to find a way to hold harmless those hospitals that are reducing both admissions and readmissions.

The Commission voted unanimously to approve the revised staff recommendation.

ITEM VIII
FINAL RECOMMENDATION ON TECHNICAL MODIFICATIONS TO THE CHARGE PER CASE/CHARGE PER EPISODE (CPC/CPE) POLICY

Ms. Pohl summarized staff's recommendation on technical modifications to the Charge per Case/Charge per Episode Policy (see "Final Recommendation on Technical Modifications to the Charge per Case/Charge per Episode Policy" on the HSCRC website). The recommendations were: 1) to reincorporate short stay cases into the CPC/CPE and to instruct staff to monitor the percentage of short care stay cases; and 2) to explicitly exclude cases in the HSCRC' General Inpatient Hospice Care Project but not to exclude other cases with the secondary code of palliative care.

Commissioner Keane expressed concern that by reincorporating short stay cases into the CPC/CPE, we are recreating the incentive for increasing the number of short stay admissions. Rather than monitoring short stay cases and taking punitive action if they increase, we should prevent the problem from occurring by limiting the rate capacity for short stay cases for hospitals

with increases in short stay cases. This eliminates the incentive for hospitals to increase short stay cases, which is created by staff's recommendation.

Ms. LaValle expressed MHA's support for staff's recommendations.

The Commission voted four to two to approve staff's recommendation. Commissioners Jencks and Keane voted not to approve the recommendation. Commissioner Bone did not vote. The Chairman cast the fourth concurring vote.

ITEM IX
FINAL RECOMMENDATIONS FOR CONTINUED SUPPORT OF THE MARYLAND
PATIENT SAFETY CENTER

Diane Feeney, Associate Director-Quality Initiative, summarized the draft recommendations on Continued Financial Support for the Maryland Patient Safety Center (MPSC) for FY 2014 (see "Draft Recommendations on Continued Financial Support for the Maryland Patient Safety Center for FY 2014" on the HSCRC website).

Staff deferred making any recommendations on MPSC's proposed projects and budget, pending the completion of additional information gathering and analysis.

Robert Imhoff, III, President and CEO of MPSC, stated that MPSC's intent was to continue to pursue other sources of funding and gradually reduce the amount of support received from the HSCRC.

No Commission action was required.

ITEM X
FINAL RECOMMENDATION ON REVISED ELETROCARIOGRAPHY RELATIVE
VALUE UNITS

Chris Konsowski, Assistant Chief-Audit & Compliance, presented staff's recommendation to adopt revisions to the Relative Value Unit Scale for Electrocardiograph services.

The Commission voted unanimously to approve staff's recommendation.

ITEM XI
DRAFT RECOMMENDATION ON FY 2014 NURSE SUPPORT PROGRAM II
COMPETITIVE INSTITUTIONAL GRANTS

Ms. Pohl presented staff's draft recommendation for the Nurse Support Program II FY 2014

Competitive Institutional Grants (see “Draft Recommendation: HEALTH SERVICES COST REVIEW COMMISSION – Nurse Support Program II – FY 2014 COMPETITIVE INSTITUTIONAL GRANTS” on the HSCRC website).

No Commission action was required.

ITEM XII
HEARING AND MEETING SCHEDULE

June 5, 2013	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
July 10, 2013	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 4:41 p.m.