



Maryland Health Services Cost Review Commission

Overview of the Uncompensated Care Draft Recommendations

05/14/2014



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Objectives

1. Update uncompensated care (UCC) in rates
 - ▶ Apply uncompensated care policy--0.38% increase in uncompensated care 2013>2012
 - ▶ Consider impact of Affordable Care Act and Medicaid Expansion—recommended reduction in UCC of 1.08% for FY 2015

2. Evaluate changes in variables and distribution/contributions to uncompensated care pool

Update to Uncompensated Care in Rates

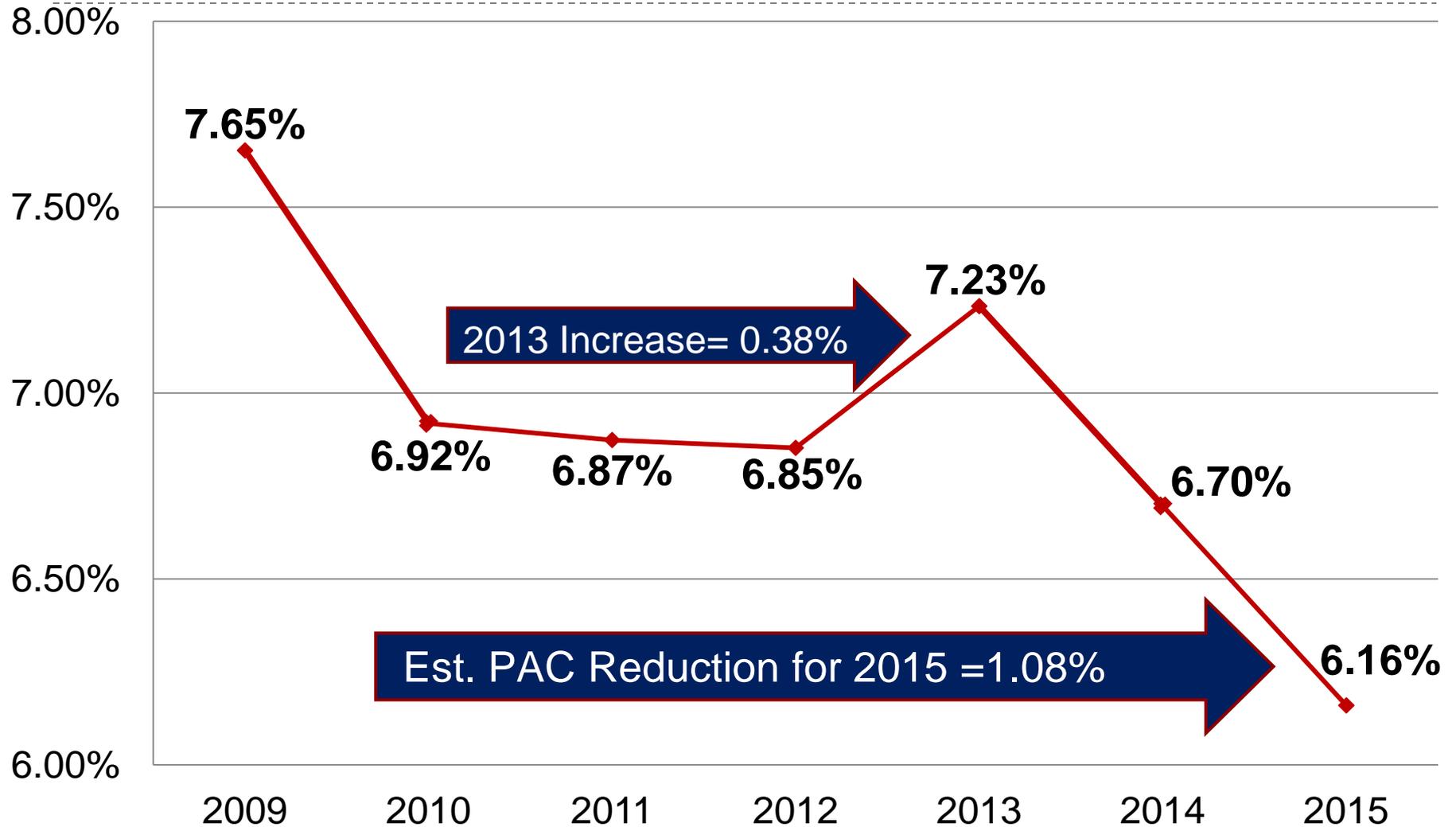
What is Uncompensated Care (UCC) in Maryland?

- ▶ The HSCRC's provision for uncompensated care in hospital rates is one of the unique features of rate regulation in Maryland.
- ▶ Uncompensated care (UCC) includes bad debt and charity care.
- ▶ By recognizing reasonable levels of bad debt and charity care in hospital rates, the system enhances access to hospital care for those who cannot pay for care.
- ▶ HSCRC provides for UCC statewide based on the prior year's actual statewide experience.
- ▶ Staff Recommendation: Increase rates statewide by 0.38% to fund the increase in UCC that occurred in FY 2013 relative to the 6.86% that was in rates from FY 2012.

Impact of Medicaid Expansion on UCC

- ▶ Determine the level of decrease in uncompensated care to recognize ACA based enrollment beginning in January 2014
 - ▶ Focus on new full benefit Medicaid enrollees previously limited benefit (PAC) enrollees who will contribute to a sizable UCC reduction
- ▶ PAC population
 - ▶ 96,000 enrolled at 12/31/13
 - ▶ PAC charges for enrolled periods in FY 2013 totaled \$164 million in charges
- ▶ Staff recommendation: Reduce UCC for \$164 million relative to estimated uncovered PAC usage in FY 2013 or 1.08%

Uncompensated Care as a Percent of Gross Patient Revenue with Estimated Reduction for PAC Enrollment Fiscal Years 2009 –Proj. 2015



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Contributions to and Distributions from the Uncompensated Care Pool

Maryland UCC Methodology

- ▶ The HSCRC uses a regression methodology as a vehicle to predict actual uncompensated care costs in a given year.
- ▶ The uncompensated care regression estimates the relationship between a set of explanatory variables and the rate of uncompensated care observed at each hospital as a percentage of gross patient revenue.

Maryland UCC Methodology (continued)

- ▶ A 50/50 blend of the predicted value for the hospital's uncompensated care rate and a three-year moving average of actual uncompensated care is used to calculate a hospital's preliminary amount to use in determining payments to or distribution from the UCC pool.
- ▶ The hospitals' preliminary amounts are summarized then scaled to the actual level to be included in rates across all hospitals.
- ▶ Hospitals pay into or receive payments from the pool depending on whether their calculated level of UCC is above or below the pooled average amount.

New UCC Explanatory Variables Proposed

- ▶ Changes in variables considered as nature of uninsured changes
 - ▶ Expanding Medicaid coverage
 - ▶ Uncovered amounts of hospitals serving high volumes of undocumented immigrants
 - ▶ Shift from inpatient to outpatient
 - ▶ Other factors
- ▶ Staff considered over 40 variables
 - ▶ New model proposed with 5 variables
 - ▶ Combined 50/50 with 2 years of historical data rather than 5 years
 - ▶ Improved statistical results, better fit

UCC Recommendations

- ▶ The uncompensated care provision in rates be reduced from 6.86% to 6.16%;
- ▶ Uncompensated care levels continue to be monitored for further potential reductions for FY 2016 or sooner, if warranted;
- ▶ The regression formula be changed from the current model;
 - ▶ To the Five Variable Model described in the report.
 - ▶ The results of the Five Variable Model should be combined with two years of historical data to more closely reflect current trends in uncompensated care. This process will need to be modified next year as a result of the significant changes in bad debt levels.
 - ▶ The PAC% of FY 2013 charges should be subtracted from the uncompensated care result for each hospital to derive its final percentage for determining its contribution or withdrawal from the uncompensated care pool.
 - ▶ The regression model results be updated to reflect the more recent experience of hospitals with years ending after June 30, 2013 before finalization.

UCC Recommendations (continued)

- ▶ The Charity Care Adjustment be suspended indefinitely and not be reinstated in FY 2015 rates;
- ▶ Data be collected on write-offs to guide future development of uncompensated care regression models and uncompensated care policies;
- ▶ Data be collected on outpatient denials, in addition to data already collected on inpatient denials, to understand the continuing trends in denials under the new All-Payer model; and
- ▶ A new uncompensated care policy be developed for FY 2016 that reflects the patterns in uncompensated care experience that are observed in FY 2015 and projected for FY 2016.