

MINUTES OF THE
504th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

January 8, 2014

Chairman John Colmers called the meeting to order at 1:07 p.m. Commissioners George H. Bone, M.D., Stephen F. Jencks, M.D., M.P.H., Jack C. Keane, Bernadette C. Loftus M.D., Tom Mullen, and Herbert S. Wong, Ph.D. were also in attendance.

REPORT OF THE JANUARY 8, 2014 EXECUTIVE SESSION

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the January 8, 2014 Executive Session.

ITEM I
REVIEW OF THE MINUTES FROM THE EXECUTIVE SESSION AND PUBLIC
MEETING ON DECEMBER 4, 2013

The Commission voted unanimously to approve the minutes of the December 4, 2013 Executive Session and Public Meeting.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Ms. Donna Kinzer, Executive Director, reported that Monitoring Maryland Performance (MMP) indicated that the rate of growth in charge per case increased 4.96% for the twelve months ended November 30, 2013, and that inpatient revenue increased by 1.03%. Ms. Kinzer stated that for the same period, the number of inpatient cases decreased (3.74%); FY 2013 outpatient revenue increased by 5.52%; and total gross revenue increased by 2.78%.

Ms. Kinzer reported that MMP indicated that the rate of growth in charge per case increased 6.40% for the five months ended November 30, 2013. Ms. Kinzer noted that the charge per case growth can be attributed to the October 2013 implementation of the "Two Midnight Rule" For the same period, inpatient revenue increased by 2.09%, while the number of inpatient cases decreased by (4.05%). In addition, outpatient revenue increase 5.53%, with total gross revenue increasing by 3.46%. Total gross revenue per capita increased by 2.80%. The total revenue includes revenue for out of state residents.

According to Ms. Kinzer, for the first five months of fiscal year 2014, the unaudited average operating profits for acute hospitals was 1.27%; the total profit margin for this period was 4.57%; and the median hospital profit was 1.85%, with a distribution of (.33%) in the 25th percentile and 4.56% in the 75th percentile.

Ms. Kinzer stated that beginning March 2014; the public Commission meetings will be moved to the second Wednesday of each month. This will allow Staff additional time to review monthly monitoring reports.

Ms. Kinzer noted that the Medicaid enrollment under the Affordable Care Act added 111,148 full Medicaid enrollees. Of those, 91,570 are Primary Adult Care enrollees who have been granted full Medicaid benefits. An additional 19,578 obtained coverage from the Maryland Health Exchange.

Ms. Kinzer stated that progress is continuing on the State's updated All Payer model application. Staff is continuing to prepare for implementation with the proposed start date of January 1st. Staff is currently reconciling and auditing the hospital monthly data, since the data will form the basis of monitoring under the All Payer model. Ms. Kinzer noted once the All Payer model is approved new policies will be introduced and work groups will be appointed.

Ms. Kinzer noted that in regard to the "Two Midnight Rule," Staff solicited input from payers to see if they have any updates. Payers have reported that they need additional time to review hospital claims to see if the hospitals are effectively following the policy.

Ms. Kinzer noted that under the Budget Reconciliation and Financing Act (BRFA) of 2013 the HSCRC was required to determine the savings to the Medicaid program when Clinic rates are tiered. Under BRFA the Department of Health and Mental Hygiene is required to achieve a General Fund savings of \$30,000,000 in FY 2014 from a combination of tiered rates for hospital outpatient and emergency department services.

Ms. Kinzer stated that if savings did not meet the \$30,000,000 goal then the shortfall would have to be made up. Based on an analysis of an independent consultant the estimated savings from tiering for FY 2014 is \$7.37 million. To make up the estimated shortfall of \$22.6 million for FY 2014, Staff will submit an emergency regulation at the February Commission meeting to reduce the current Maryland Health Insurance Plan (MHIP) assessments by \$22.6 million during the remainder of FY 2014. To achieve cost neutrality with payers and revenue neutrality with hospital the Medicaid Budget Deficit assessment will be increased by 22.6 Million for the remainder of FY 2014.

ITEM III
UPDATE ON ACTIVITIES OF THE ADVISORY COUNCIL ON NEW ALL-PAYER
MODEL

Ms. Kinzer presented an update on the activities of the Advisory Council. The next Advisory Council meeting is scheduled for Thursday January 9th at which time they will be reviewing a draft report that will be finalized by the end of the month. Ms. Kinzer noted that all material for this meeting is available on the HSCRC website.

ITEM IV
DOCKET STATUS CASES CLOSED

2234N- Peninsula Regional Medical Center
2235A- Johns Hopkins Health System
2236A- Johns Hopkins Health System
2237A- Johns Hopkins Health System

ITEM V
DOCKET STATUS CASES OPEN

2238A- Johns Hopkins Health System

Johns Hopkins Health System (the System) filed an application on November 25, 2013 on behalf of its member hospitals, the Johns Hopkins Hospital and Johns Hopkins Bayview Medical Center (the Hospitals), requesting approval to continue to participate in a global rate arrangement with PepsiCo Inc. for cardiovascular and orthopedic services. The Hospitals requested approval of this arrangement for a period of one year beginning January 1, 2014.

Staff recommends that the Commission approve the global price arrangement with PepsiCo Inc. for a one year period commencing January 1, 2014, and that the approval be contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve Staff's recommendation. Chairman Colmers recused himself from the discussion and the vote.

2239A- Johns Hopkins Health System

Johns Hopkins Health System (the System) filed an application on November 25, 2013 on behalf of its member hospitals, the Johns Hopkins Hospital and Johns Hopkins Bayview Medical Center (the Hospitals), requesting approval to participate in a global rate arrangement for joint replacement and cardiovascular services with Health Design Plus, Inc. for clients other than those of Pacific Business Group on Health. The Hospitals requested approval of this arrangement for a period of one year beginning January 1, 2014.

Staff recommends that the Commission approve the global price arrangement with Health Design Plus, Inc. for a one year period commencing January 1, 2014, and that the approval be contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation. Chairman Colmers recused himself from the discussion and the vote.

2240A- Johns Hopkins Health System Extension Request

Johns Hopkins Health System (the System) filed an application on November 25, 2013 on behalf of its member hospitals, the Johns Hopkins Hospital and Johns Hopkins Bayview Medical Center (the Hospitals), requesting approval to participate in a global rate arrangement for joint replacement services with Health Design Plus, Inc. for Pacific Business Group on Health clients. The Hospitals requested approval of this arrangement for a period of one year beginning January 1, 2014.

Staff recommends that the Commission approve the global price arrangement with Health Design Plus, Inc. for a one year period commencing January 1, 2014, and that the approval be contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve Staff's recommendation. Chairman Colmers recused himself from the discussion and the vote.

ITEM VI **DRAFT RECOMMENDATIONS FOR TRANSITIONAL RATE SETTINGS POLICIES** **TO GOVERN THE IMPLEMENTATION OF THE PROPOSED ALL PAYER MODEL** **EFFECTIVE JANUARY 1, 2014**

- This draft recommendation has been delayed and will be presented at the February public meeting.

ITEM VII **FINAL RECOMMENDATION FOR UPDATING THE QUALITY BASED** **REIMBURSEMENT AND MARYLAND HOSPITAL ACQUIRED CONDITIONS** **PROGRAM FOR FY 2016**

Diane Feeney, Associate Director Quality Initiative, summarized Staff's Final Recommendation (see "Final Recommendation for Updating the Quality Based Reimbursement (QBR) and Maryland Acquired Conditions (MHAC) Programs for FY 2016" on the HSCRC website).

The final recommendations included:

1. Allocate 1% of hospital approved inpatient revenue for QBR relative performance in FY 2016;

2. Through the efforts of the Performance Measurement and Improvement Work Group, work to adapt the MHAC policy to the new waiver requirements with a reasonable implementation period that is consistent with the new All Payer model.
3. Absent Commission approval of an alternative MHAC policy, continue the current MHAC policy for FY 2016 (which provides for 2% risk for attainment and 1% for improvement) and increase the benchmark to establish the expected MHAC values for attainment to 75% of the statewide average, which represents more linear relationship between scaling and performance.

Traci LaValle, Vice President, Financial Policy & Advocacy Maryland Hospital Association expressed support for Staff's recommendations. Ms. LaValle stated that she understands the need for the MHAC recommendations; however, MHA has been working on more significant revisions to the MHAC policies with a completion date of late February. Once revisions are completed, MHA will share them with HSCRC Staff and with the appropriate workgroup.

The Commission voted unanimously to approve Staff's recommendation.

ITEM VII
HEARING AND MEETING SCHEDULE

February 5, 2014	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
March 12, 2014	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 1:24 p.m.