

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

February 5, 2014

Upon motion made, Chairman Colmers called the Executive Session to order at 11:40 a.m.

The Executive Session 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, Mullen, and Wong.

In attendance representing staff were Donna Kinzer, Steve Ports, Jerry Schmith, Sule Calikoglu, and Dennis Phelps. Ellen Englert attended by telephone.

Also attending were Stan Lustman and Leslie Schulman, Commission counsel.

Item One

Donna Kinzer, Executive Director, reviewed the Hospital Contracting Process with the Commission. The Executive Director also updated the Commission on the progress of negotiations with individual hospitals.

Item Two

A motion to require approval by the Commission of individual Global Budget contracts failed to achieve the requisite four votes.

Item Three

A motion to extract components of the proposed Budget Review Process, offered by Commissioners Bone, Keane, and Jencks, failed to achieve the requisite four votes.

The Executive Session was adjourned at 1:25 p.m.

MINUTES OF THE
505th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

February 5, 2014

Chairman John Colmers called the meeting to order at 1:28 p.m. Commissioners George H. Bone, M.D., Stephen F. Jencks, M.D., M.P.H., Jack C. Keane, Tom Mullen, and Herbert S. Wong, Ph.D. were also in attendance.

RECOGNITION OF COMMISSION STAFF YEARS OF SERVICE

Chairman Colmers noted that there were a number of Commission Staff celebrating milestone anniversaries this year. Chairman Colmers wanted to acknowledge and thank the following Staff for their years of dedicated service:

Jerry Schmith- 40 years Amanda Vaughn- 20 years
Steve Ports- 25 years Ellen Englert- 15 years

REPORT OF THE FEBRUARY 5, 2014 EXECUTIVE SESSION

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the February 5, 2014 Executive Session.

ITEM I
REVIEW OF THE MINUTES FROM THE EXECUTIVE SESSION AND PUBLIC
MEETING ON JANUARY 8, 2014

The Commission voted unanimously to approve the minutes of the January 8, 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 for the twelve months ended December 31, 2013; inpatient revenue increased by 1.55%; outpatient revenue increased by 5.79% ; and total gross revenue increased by 3.21% .

Ms. Kinzer reported that MMP indicated that for the six months ended December 31, 2013 inpatient revenue increased by 1.80%; outpatient revenue increased by 6.33%; and total gross revenue increased by 3.59%. Total gross revenue per capita increased by 2.93%. The total revenue includes revenue for out- of- state residents.

According to Ms. Kinzer, for the first six months of fiscal year 2014, the unaudited average

operating profits for acute hospitals was 1.43%, and the median hospital profit was 2.27%.

Ms. Kinzer noted that the New All-Payer Model application has been approved by CMS, and implementation activities are in process.

Ms. Kinzer stated that Staff is soliciting updates from the payers in regards to the “Two Midnight Rule.” Staff has received comments from CareFirst and will follow up on a hospital specific basis. Ms. Kinzer noted that a great deal of confusion still exists with the “Two Midnight Rule.” with CMS delaying implementation of monitoring.

Ms. Kinzer noted that the next Commission meeting is March 12, 2014.

Ms. Kinzer noted that the Medicaid enrollment under the Affordable Care Act added 121,000 full Medicaid enrollees. Of those, 95,000 are Primary Adult Care enrollees who have been granted full Medicaid benefits.

Ms. Kinzer introduced Ms. Alyson Schuster as the new Associate Director of Performance Management.

ITEM III **UPDATE ON ACTIVITIES OF THE ADVISORY COUNCIL ON ALL-PAYER** **HOSPITAL SYSTEM MODERNIZATION**

Mr. Jack Meyers, Managing Principal, Health Management Associates, presented an overview of the report by the Advisory Council (See “Report from the Advisory Council to the HSCRC” on the HSCRC website). Mr. Meyer said that meeting the targets of the new waiver will require a wholesale transformation of the Maryland health system. Included in the report are recommendations that the Commission and the work groups focus on meeting early waiver model requirements, meet budget targets, invest in infrastructure, provide flexibility for private sector innovation, use the HSCRC as a regulator, catalyst, and advocate, involve consumers in planning and implementation, consider physician and other provider alignment, and pursue transparency and other public engagement.

Chairman Colmers asked that the Commissioners review the report and provide the Advisory Council with feedback. The Council will be reconvened after the work group process has been completed.

ITEM IV **STATUS OF WORK GROUPS FOR ALL PAYER HOSPITAL SYSTEM** **MODERNIZATION**

Mr. Steve Ports, Principal Deputy Director Policy and Operations, presented an update on the status of the work groups for the All-Payer Model (See “New Payment Implementation Work

Group Update” on the HSCRC website).

Mr. Ports noted that the joint work group kick off meeting is scheduled for Thursday February 6th. There are four work groups, Physician Alignment & Engagement, Performance Improvement & Measurement, Payment Models, and Data Infrastructure. The four work groups consist of approximately 85 individuals with a diverse range of experience. Mr. Ports noted that all materials concerning the work groups appear on the HSCRC website.

ITEM V
DOCKET STATUS CASES CLOSED

2238A- Johns Hopkins Health System
2240A- Johns Hopkins Health System
2240A Johns Hopkins Health System

ITEM VI
2241A- Johns Hopkins Health System

Johns Hopkins Health System filed an application on December 7, 2013 on behalf of its member hospitals, (the Hospitals), is requesting approval to combine two currently approved arrangements for solid organ and bone marrow transplants services with Cigna Health Corporation. The Hospitals request approval of the revised arrangement for a period of one year beginning February 1, 2014.

Staff recommends that the Commission approve the Hospitals’ request for participation in an alternative method of rate determination for bone marrow and solid organ transplant services with Cigna Health Corporation for a one year period commencing February 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.

2242N- UM St. Joseph’s Medical Center

The Commission voted unanimously to approve staff’s request to give an extension to the Hospital until March 12, 2014.

ITEM VII
HSCRC STAFF RECOMMENDATIONS FOR TRANSITIONAL RATE SETTING
POLICIES TO GOVERN THE IMPLEMENTATION OF THE APPROVED ALL-
PAYER MODEL EFFECTIVE JANUARY 1, 2014

Ms. Donna Kinzer presented Staff’s final recommendation for transitional rate setting policies for the new All-Payer Model for the period January 1 through June 30, 2014. (See HSCRC Staff

Recommendations for Transitional Rate Setting Policies to Govern the Approved All-Payer Model Effective January 1, 2014)

Staff's final recommendation is as follows:

1. Transition hospitals in Maryland to the new rate setting environment by allowing them to choose either of two options for January 1, 2014.
 - Transition to a global budget model under the framework already approved and used in Total Patient Revenue agreements. The revenue that would be covered by the global budgets would be the total allowed revenue for residents of Maryland for all included services or service areas; or
 - Continue to use the charge per case/episode structure that is currently in place with two important modifications:
 - (a) The Variable Cost Factor (VCF) of 85% that is currently applied to most volume changes will be reduced from eighty-five percent (85%) to fifty (50%) and the volume adjustment will be made on a concurrent basis (i.e., during the year in which the volume change occurs).
 - (b) A Volume Governor (similar to the existing case mix governor) will be applied to reduce allowed revenue if actual volume increases exceed the levels built into the revenue limit for these hospitals.
2. Establish a maximum volume growth of 2.0%, inclusive of case mix, in hospitals that elect the CPC/episode of care option. A 2% governor could be increased up to 2.5% if hospitals electing CPC were located in higher than average population growth areas. Impose case mix governor of 0.5% for the January 1 through June 30, 2014 period.
3. Make an adjustment to revenue for overages as follows:
 - If during the six month transitional period from January 1 through June 30, 2014, Maryland were to exceed the allowed 3.58% revenue growth rate, and corrections become necessary, the HSCRC would recover these costs according to the following approach:
 - (a) These costs might be assessed proportionally across hospitals in Maryland on approved revenues; or
 - (b) The update factor at July 1, 2014 might be adjusted based on the correction factor required to achieve compliance within the ceiling by calendar year end.
 - A revised overage policy may result from Work Group activities and future recommendations for consideration by the HSCRC.

Mike Robbins, Senior Vice President Financial Policy & Advocacy Maryland Hospital Association, spoke in support of the transition policy, while emphasizing the need for the work

groups to address important policy issues over the next months as the new All-Payer Model is implemented.

John Hamper, CareFirst Director Provider Reimbursement, spoke in support of the transitional rate setting policy.

Kevin Criswell, Vice President Finance Amerigroup, expressed concern about the impact that the lower Medicare savings target could have on Medicaid Manage Care Organizations and other payers within the overall 3.58% cap. Ms. Kinzer committed to sharing the model used to develop the plan.

The Commission voted unanimously to approve Staff's recommendation.

ITEM VIII **LEGISLATIVE REPORT**

Mr. Steve Ports presented a summary of the legislation of interest to the HSCRC (see "Legislative Update- February 5, 2014" on the HSCRC website).

The bills included 1) Senate Bill 172/ House Bill 162 Budget Reconciliation Act of 2014; 2) Senate Bill 335/House Bill 298 Health Services Cost Review Commission- Powers and Duties, Regulations of Facilities, and Maryland All-Payer Model Contract; 3) House Bill 534 Maryland Intrastate Hospital Assistance Compact; 4) Senate Bill 702/House Bill 395 Health Care Malpractice Claims – Definition of Health Care Provider; 5) Senate Bill 134/House Bill 119 Maryland Health Insurance Plan – Access for Bridge Eligible Individuals; and 6) Maryland No-Fault Birth Injury Fund.

ITEM IV **LEGAL REPORT** **REGULATIONS**

Regulations

Proposed and Emergency

MHIP Assessment- COMAR 10.37.10.26-1

The purpose of this action is to establish a variable amount of up to 1% in lieu of the fixed 1% assessed on hospitals to operate and administer the Maryland Health Insurance Plan (MHIP) program.

The Commission voted unanimously to forward the proposed regulation to the AELR Committee for review and publication in the Maryland Register both as a proposed and emergency regulation.

ADJUSTMENTS TO THE MHIP AND MEDICAID BUDGET DEFICIT ASSESSMENTS

Under the Budget Reconciliation Act of 2013, the HSCRC was required to provide \$30,000,000 in savings to the Medicaid Program in FY 2014 through the tiering of hospital clinic rates. According to the findings of an independent consultant, the estimated savings in FY 2014 from tiering will be only \$7.4 million, a shortfall of \$22.6 million.

Therefore, the Commission voted unanimously to approve a revenue neutral adjustment of the assessments related to MHIP and the Medicaid Budget Deficit. For a period from March through June 2014, MHIP assessments will be decreased by approximately \$22.6 million, and the Medicaid Budget Deficit assessments will be increased by the same amount to cover the shortfall.

Final Action

Submission of Hospital Outpatient Data Set- COMAR 10.37.04

The purpose of this action is to require hospitals, beginning January 1, 2014, to submit monthly patient level inpatient data in a manner and format prescribed by the Commission and to enable the Commission to fully monitor population based metrics and approve revenue under population- based models.

The Commission voted unanimously to approve the final adoption of this proposed regulation.

Submission of Hospital Discharge Data Set- COMAR 10.37.06

The purpose of this action is to require hospitals, beginning January 1, 2014, to submit monthly patient level inpatient data in a manner and format prescribed by the Commission and to enable the Commission to fully monitor population based metrics and approve revenue under population- based models.

The Commission voted unanimously to approve the final adoption of this proposed regulation.

ITEM X **HEARING AND MEETING SCHEDULE**

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|----------------|-----------------------------------------------------------------------|
| March 12, 2014 | Time to be determined, 4160 Patterson Avenue HSCRC Conference Room |
| April 9, 2014 | Time to be determine. 4160 Patterson Avenue HSCRC Conference Room |

There being no further business, the meeting was adjourned at 3:15 pm.

