

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

April 7, 2014

Upon motion made, Chairman Colmers called the Executive Session to order at 1:10 p.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 Jencks, Keane, and Wong. Commissioners Bone, Loftus, and Mullen participated by telephone

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

Also attending were Stan Lustman Commission counsel and Jack Meyer, Ph.D., Facilitator.

Item One

Donna Kinzer , Executive Director, and Dr. Meyer, made introductory comments.

Item Two

Dr. Meyer lead a discussion concerning which issues required the focus of the Commission as it seeks to develop a strategy for implementing the new All-Payer Model. The discussion also included staffing needs.

The Executive Session was adjourned at 2:51 p.m.

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

April 9, 2014

Upon motion made, Chairman Colmers called the Executive Session to order at 12:45 p.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, Loftus, Mullen, and Wong.

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

Also attending were Leslie Schulman and Stan Lustman Commission counsel.

Item One

Donna Kinzer, Executive Director, updated the Commission on the progress in negotiating hospital global budgets.

The Executive Session was adjourned at 1:04 p.m.

MINUTES OF THE
507th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

April 9, 2014

Chairman John Colmers called the meeting to order at 1:10 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 APRIL 7 AND April 9, 2014 EXECUTIVE SESSIONS

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the April 7 and April 9, 2014 Executive Sessions.

ITEM I
REVIEW OF THE MINUTES FROM THE EXECUTIVE SESSION AND PUBLIC
MEETING ON MARCH 12, 2014

The Commission voted unanimously to approve the minutes of the March 12, 2014 Executive Session and Public Meeting.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Ms. Donna Kinzer, Executive Director, stated that Monitoring Maryland Performance (MMP) for the new All-Payer Model for the month of February will focus on fiscal year (July 1 through June 30) as well as calendar year results.

Ms. Kinzer reported that for the eight months ended February 28, 2014, total gross revenue increased by 3.47%; total gross revenue per capita increased by 2.74%. The total revenue includes revenue for out-of-state residents.

Ms. Kinzer reported that for the second month of the calendar year ended February 28, 2014, total gross revenue increased by 1.57%, over the same period in FY 2013. This resulted in an estimated per capita increase of .85%. Total revenue includes care provided to out-of-state residents. The Maryland Department of Planning projects population growth for 2014 of .71% and 3.4% for over age 65.

According to Ms. Kinzer, for the first eight months months of fiscal year 2014, the unaudited average operating profit for acute hospitals was 1.67%, and the median hospital profit was 2.33%, with a distribution of 0.07% in the 25th percentile and 5.55% in the 75th percentile.

Per Ms. Kinzer, Staff focused on the following implementation activities last month:

- Monitoring under the new requirements, working with hospitals to refile and reconcile data for several changes initiated in the review process
- Work group meetings
- Update of Maryland Hospital Acquired Condition (MHAC) Programs and readmission programs under All-Payer model
- Preparation of a work group report for the Payment Models work group
- Continued to work on global budget negotiation for those not yet complete

As for the month of April, Staff will be focusing on:

- Continuing execution of work group activities
- Continuing negotiation of global budgets
- Global budget and CPC monitoring. Compliance projections through fiscal year will be obtained from each hospital
- Providing contract disclosure
- Continuing the development of the required monitoring for both All-Payer and Medicare revenue

Ms. Kinzer stated that upcoming reports for the May meeting include

- Draft staff report on the balance update for July
- Draft staff report for adjustments to uncompensated care in rates
- Draft staff recommendation on support for the Maryland Patient Safety Center
- Draft staff recommendation on support of CRISP
- Report of Physician Alignment and Engagement Work Group on Physician Payment Models

Ms. Kinzer noted that the next Commission meeting is scheduled for May 14, 2014 with a possible start time of 1:30 pm.

ITEM III
STATUS OF WORK GROUPS FOR ALL PAYER HOSPITAL SYSTEM
MODERNIZATION

Mr. Steve Ports, Principal Deputy Director Policy and Operations and Dr. Sule Calikoglu, Deputy Director of Research and Methodology, presented an update on the status of the work groups for the All-Payer Model (See “Status of Work Groups for All Payer Hospital System Modernization” on the HSCRC website).

ITEM IV
DOCKET STATUS CASES CLOSED

2242N- UM St. Joseph’s Medical Center
2243A- Johns Hopkins Health System
2244A- Johns Hopkins Health System
2245A- Johns Hopkins Health System
2246A- Johns Hopkins Health System

ITEM V
DOCKET STATU CASES OPEN

2247R- Garrett County Memorial

No action is required as Hospital granted Staff an extension until May 14, 2014.

ITEM VI
HSCRC STAFF FINAL RECOMMENDATIONS FOR MODIFYING THE MARYLAND
HOSPITAL ACQUIRED CONDITIONS PROGRAM FOR FY2016

Dr. Calikoglu presented Staff’s final recommendation for modifying the Maryland Acquired Conditions Program for FY 2016. (See “HSCRC Staff Final Recommendations for Modifying the Maryland Hospital Acquired Conditions Program for FY2016” on the HSCRC website.)

Staff presented the following final recommendations effective for CY 2014 performance year:

1. Measure hospital performance using Observed (O)/Expected (E) value for each Potentially Preventable Condition (PPC). Define the minimum threshold value to begin earning points as the weighted mean of all O/E ratios (O/E=1). Define the benchmark value where a full 10 points is earned as the weighted mean of top quartile O/E ratio. Establish appropriate exclusion rules to enhance measurement fairness and stability,
2. Set a benchmark at zero for PPCs that are serious reportable events.

3. Prioritize PPCs that are high cost, high volume, have opportunity to improve, and are of national priority by tiering the PPCs in group and weighting the groups in the final hospital score commensurate with the level of priority.
4. Establish tiered scaling based on state-wide Maryland Hospital Acquired Conditions (MHAC) performance and update annually based on the trends and Center for Medicare and Medicaid Innovation contract goals.
5. Calculate rewards/penalties using preset positions on the scale based on the base year scores.
6. For CY 2014 performance year
 - a. Set minimum MHAC target at 8% improvement with a maximum revenue at risk of 4% of permanent inpatient revenue if this target is missed.
 - b. Set maximum revenue at risk at 1% of permanent inpatient revenue if CY 2014 target stated in 6.a. is met. Provide rewards to hospitals with more than .60 score up to 1% of permanent inpatient revenue provided sufficient funds are collected through penalties.
 - c. Set a maximum state-wide total penalty limit at .5% of permanent inpatient revenue.

Chairman Colmers asked staff to explain how the revised policy would aid Maryland in achieving the 30% target for reducing PPC's as prescribed in the new Maryland waiver.

Dr. Calikoglu explained that CMS Center for Medicare and Medicaid Innovation confirmed that the 30% target is based on a cumulative reduction in PPCs over the five year performance period. The annual target will be revisited to ensure Maryland successfully achieves the five year target.

The Commissioners unanimously approved this recommendation.

ITEM VII
**HSCRC STAFF FINAL RECOMMENDATIONS FOR IMPLEMENTING A HOSPITAL
READMISSION REDUCTION INCENTIVE PROGRAM FOR FY2016**

Dr. Calikoglu presented Staff's final recommendation for implementing a hospital readmission reduction incentive program for FY16 (see "Final Recommendation for Implementing a Hospital Readmission Incentive Program for FY16" on the HSCRC website)

Staff presented the following final recommendations for CY 2014 performance to be applied to rate year 2016:

1. The Commission should implement a Readmissions Reduction Incentive Program.
2. The CMS readmission measure definition specifications should be used with limited adjustments to enhance the fairness of the measure.

3. The annual target for the first performance year, CY 2014, should be based on an all-payer readmission rate.
4. The risk adjusted readmission reduction target for the first year, CY 2014 should be at 6.76% compared to CY 2013 risk adjusted readmission rates. The readmission reduction target will be determined annually.
5. A positive incentive magnitude of up to 0.5% of the hospital's inpatient permanent revenue should be provided for hospitals that meet or exceed the target set forth in recommendation 4, provided that the FY 2016 update factor has favorable conditions.

Commissioner Keane appreciated the applicability of the new policy across all payers and agreed with the decision to monitor observation cases that fall within the 30-day readmission window.

The Commissioners unanimously approved this recommendation.

ITEM VIII **REPORT ON MONITORING UNDER THE ALL-PAYER MODEL**

Dr. Calikoglu presented Staff's draft spreadsheets detailing the various components necessary to monitor success under the new All-Payer Model (See "Waiver Monitoring Template on the HSCRC website). One spreadsheet focuses on the all-payer metrics, while the second spreadsheet focuses on Medicare metrics.

Commissioner Mullen asked about the lag time associated with the data. Dr. Calikoglu stated that the all-payer data, except for readmission data, would have a one and half month lag time. Medicare data would have total lag time of four months. This includes three months for claim run out and one month for Staff processing.

ITEM IX **REPORT ON PRINCIPLES AND COMPONENTS FOR BALANCE UPDATE FOR FY** **2015**

Ms. Kinzer presented Staff's draft report from the Payment Model Work Group on the implementation of a balanced update for FY 2015 (See "Draft on Balanced Update and Short Term Adjustments" on the HSCRC website).

Ms. Kinzer noted that the goal of the draft report was to provide input for consideration by the HSCRC in formulating policies for balanced updates to hospital revenues, taking into account the requirements of the new All-Payer Model.

The Payment Model Work Group has developed a set of goals and desirable features to guide the payment policy. They are as follows:

Goals

- Promote the three part aim as referred to in the All-Payer Model contract (better care, better health, lower costs)
- Meets the All-Payer requirements
- Provides hospitals with overall fair and reasonable compensation
- Provides rates and revenues that are sufficient for efficient and effectively operated hospitals and equity among payers.
- Promotes health equity

Desirable Features

- Provides adequate information sharing
- Promotes cooperation and collaboration
- Provide sound value incentives
- Consider other requirements

Ms. Kinzer noted that the Payment Model Work Group activities for the next several months are as follows:

May

- Uncompensated care policy recommendations
- Evaluation of demographic adjustment
- Balanced update and short term adjustments recommendations

June

- Global contract review and recommended changes
- Guardrails for model performance

June and beyond

- Market share
- Capital policies considerations
- Future direction of payment models/ with Physician Engagement and Alignment work group
- Future role and work plan for work group

ITEM X

DRAFT RECOMMENDATION ON MEDICAID CURRENT FINANCING FOR CY 2014

Dennis Phelps, Associate Director-Audit & Compliance, presented a draft recommendation on the Medical Assistance Program's (MAP's) request to modify the calculation of current financing deposits for FY 2014 (See "Staff Recommendation "Request by the Medical Assistance Program to Modify the Calculation of Current Financing Deposits FY 2014" on the HSCRC website).

As a result of continuing budget shortfalls, on February 24, 2014, MAP requested an exception to the approved current financing calculation for FY 2014. MAP requested that it be permitted to increase current financing amounts on deposit with each hospital by the HSCRC update factor (1.65%) for FY 2014. MAP also reported that it anticipated deploying a new claims system in the 2nd quarter of FY 2015.

Based on the current condition of MAP's budget, staff recommended that the Commission approve MAP's request to increase current financing by 1.65%. Staff also recommended that the approval be subject to the requirement that MAP continue to report annually on the status of the implementation of its new claims system.

As this is a draft recommendation no action is required.

ITEM XI

LEGISLATIVE UPDATE

Mr. Steve Ports presented a summary of the legislation of interest to the HSCRC (See "Legislative Update- April 9, 2014" on the HSCRC website).

ITEM XII

HEARING AND MEETING SCHEDULE

May 14, 2014	Time to be determined, 4160 Patterson Avenue HSCRC Conference Room
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June 11, 2014	Time to be determine. 4160 Patterson Avenue HSCRC Conference Room
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There being no further business, the meeting was adjourned at 3:47 pm.