

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

**May 14, 2014**

Upon motion made, Chairman Colmers called the Executive Session to order at 11:35 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, 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, David Romans, Deputy Secretary-State Budget Department, and Jack Meyer, Ph.D., Facilitator.

**Item One**

Donna Kinzer, Executive Director, updated the Commission on the progress achieved in relation to the new payment model.

**Item Two**

Jack Meyer lead a discussion on future implementation and planning including:

1. The early focus on meeting the tests of the new model
2. Monitoring and compliance
3. Implementation priorities
4. Infrastructure needs

**Item Three**

The Commission voted unanimously to re-affirm its previous decision to award a performance bonus to its Executive Director.

**The** Executive Session was adjourned at 1:27 p.m.

**MINUTES OF THE**  
**508th MEETING OF THE**  
**HEALTH SERVICES COST REVIEW COMMISSION**

**May 14, 2014**

Chairman John Colmers called the meeting to order at 1:32 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 May 14, 2014 EXECUTIVE SESSIONS**

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the May 14, 2014 Executive Session.

**ITEM I**  
**REVIEW OF THE MINUTES FROM THE APRIL 7 AND APRIL 9, 2014 EXECUTIVE**  
**SESSIONS AND THE APRIL 9, 2014 PUBLIC MEETING**

The Commission voted unanimously to approve the minutes of the April 7 and April 9, 2014 Executive Sessions and the April 9, 2014 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 March will focus on fiscal year (July 1 through June 30) as well as calendar year results.

Ms. Kinzer reported that for the nine months ended March 31, 2014, total gross revenue increased by 3.03% over the same period in FY 2013. Total gross revenue for Maryland residents increase by 2.89%. This translates to a per capita growth of 2.16%. Gross revenue for non-Maryland residents increased 4.49%.

Ms. Kinzer reported that for the third month of the calendar year ended March 31, 2014, total gross revenue increased by .17%, over the same period in FY 2013. Total gross revenue for Maryland residents increased by .63%; this translates to a per capita growth of (.08%). Gross revenue for non-Maryland residents decreased by (4.67%).

Ms. Kinzer reported that for the third month of the calendar year ended March 31, 2014, Medicare Fee-For-Service gross revenue increased by .19%. Medicare Fee-For-Service for Maryland residents increased by .10%. This translates to a per capita decrease of (3.20%). Maryland Fee-For Service gross revenue for non-residents increased by 1.13%.

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 nine months of fiscal year 2014, the unaudited average operating profit for acute hospitals was 1.78%; total profit margin for the period was 4.42%. The median hospital profit was 2.53%, with a distribution of (0.04%) in the 25<sup>th</sup> percentile and 5.92% in the 75<sup>th</sup> 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
- Preparation of recommendations on uncompensated care, balanced update, and shared savings
- Continued to work on global budget negotiation for those contracts not yet complete

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

- Continuing execution of work group activities
- Continuing implementation of global budgets and planning for July 1 update
- Monitoring the global budgets and CPC. Compliance projections through the fiscal year end will be obtained from each hospital
- Continuing the development of monitoring for both All-Payer and Medicare revenue

Ms. Kinzer stated that upcoming reports for June include

- Final recommendations on the balanced update for July
- Final recommendations for adjustments to uncompensated care in rates
- Final staff recommendation on support for the Maryland Patient Safety Center
- Final staff recommendations for FY 2015 readmission shared savings
- Report of Physician Alignment and Engagement Work Group on Physician Payment Models

Ms. Kinzer introduced Mr. David Romans as the new Principal Deputy Director of Payment Reform and Methodology. Prior to coming to the Commission, Mr. Romans served as the Deputy Secretary of the Maryland Department of Budget and Management since June 2007.

**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 PH.D, 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**  
**REPORT OF DATA AND INFRASTRUCTURE WORK GROUP**

Dr. Calikoglu presented an update on the Data and Infrastructure Work Group activities (See “Data and Infrastructure Work Group Report to the Commission: Recommendation on Data Requirements for Monitoring the All-Payer Model” on the HSCRC website).

**ITEM V**  
**DOCKET STATUS CASES CLOSED**

**ITEM VI**  
**DOCKET STATUS CASES OPEN**

**2249A UNIVERSITY OF MARYLAND MEDICAL CENTER**

On May 1, 2014, University of Maryland Medical Center filed an application with the HSCRC requesting approval to continue to participate in a global rate arrangement for liver, kidney, lung and blood and bone marrow transplants with Cigna Health Corporation for a period of one year beginning July 1, 2014.

The staff recommends that the Commission approve the global rate arrangement for a one year period commencing July 1, 2014, and that the approval is contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff’s recommendation.

**ITEM VII**  
**DRAFT RECOMMENDATION ON UNCOMPENSATED CARE METHODOLOGY**  
**AND PRIMARY ADULT CARE PROGRAM IMPACT FOR FY 2015**

Ms. Kinzer presented Staff's draft recommendation on Uncompensated Care Methodology and Primary Care Policy for FY 2015. (See "HSCRC Draft: Report on Uncompensated Care Policy Recommendations" on the HSCRC website)

Staff presented the following draft recommendations for the HSCRC's Uncompensated Care Policy for FY 2015:

1. That the uncompensated care provision in rates be reduced from 6.86% to 6.16%;
2. That uncompensated care levels continue to be monitored for further potential reductions for FY 2016 or sooner if warranted.
3. That the regression formula be changed from current model as follows:
  - Use the Five Variable Model described in this report;
  - Combine the results of the Five Variable Model 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 significant changes in bad debt levels;
  - Update the regression model results to reflect the more recent experience of hospitals with year ending after June 30, 2013 before finalization in June;
  - Subtract the Primary Adult Care percentage of FY 2013 charges from the modeled uncompensated care result for each hospital to derive its final percentage for determining its contribution or withdrawal from the uncompensated care pool.
4. That the Charity Care Adjustment be suspended indefinitely and not be reinstated in 2015 rates;
5. That data be collected on write-offs to guide future development of uncompensated care regression models and uncompensated care policies;
6. That data to be collected on outpatient denials, in addition to data already collected on inpatient denial, to understand the continuing trends in denials under the All-Payer model; and
7. That 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.

As this is a draft recommendation, no Commission action is necessary.

**ITEM VIII**  
**DRAFT RECOMMENDATION ON READMISSION SHARED SAVINGS FOR FY 2015**

Dr. Calikoglu presented Staff's draft recommendation for Shared Savings Program for FY 2015. (See "HSCRC "Draft Recommendation for Shared Savings Program for FY 2015" on the HSCRC website)

According to Dr. Calikoglu, the Commission approved a shared savings policy on May 1, 2013, which reduced hospital revenues based on risk-adjusted readmission rates using specifications set forth in the Admission-Readmission Revenue Constraint Program (ARR). The program was developed to maintain Maryland's exemption from CMS' readmission program and required a reduction of 0.3% of inpatient revenues in the State during FY2014. This draft recommendation proposes the continuation of the shared savings policy with no methodology changes.

Staff recommends that the Commission set the value of shared savings amount at 0.4% of permanent revenue in the State for FY 2015.

No Commission action is necessary as this is a draft recommendation.

**ITEM IX**  
**DRAFT RECOMMENDATION ON A BALANCED UPDATE FOR FY 2015**

Ms. Kinzer presented Staff's draft recommendation from the Payment Model Work Group on the implementation of a balanced update for FY 2015 (See "DRAFT: Update Factors Recommendations for FY 2015" on the HSCRC website).

The draft recommendations were:

1. Provide an update for three categories of hospitals and revenues as follows:
  - Revenues under global budgets 2.41%
  - Revenues not under global budgets but subject to Medicare rate setting waiver 1.71%.
  - Revenues for psychiatric hospitals and Mount Washington Pediatric Hospital 2.0%.
2. Since the new All-Payer model operates on a calendar year, review the results from contracting to determine any impact on the recommendations that would result from the global budget agreements and report at June Commission meeting.
3. Establish update factor for a 6 month period to allow for consideration of calendar year performance and unanticipated changes under the new model. Monitor and review results on an ongoing basis and make changes as needed on January 1<sup>st</sup>.
  - Complete guardrail policy recommendation from workgroup relative to approaches to make adjustments when targets are not being met.
4. That other policy recommendations be implemented that assure the overall targets, including the readmissions savings policy and the uncompensated care adjustment, which are under review.

No Commission action is necessary as this is a draft recommendation.

**ITEM X**  
**FINAL RECOMMENDATION ON MEDICAID CURRENT FINANCING FOR CY 2014**

Dennis Phelps, Associate Director-Audit & Compliance, presented the final 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.

The Commission voted unanimously to approve Staff's recommendation.

**ITEM XI**  
**DRAFT RECOMMENDATION FOR FY 2015 SUPPORT FOR THE MARYLAND PATIENT SAFETY CENTER**

Ms. Diane Feeney, Associate Director Quality Initiative, presented Staff's draft recommendation for HSCRC financial support of the Maryland Patient Safety Center (MPSC) for FY 2015. (See "HSCRC "Draft Recommendation on HSCRC Financial Support of the Maryland Patient Safety Center for FY 2015" on the HSCRC website).

Staff's draft recommendations for HSCRC financial support of the Maryland Patient Safety Center for FY 2015 were as follows:

1. HSCRC provide funding support for the MPSC in FY 2015 through an increase in hospital rates in amount of \$1,080,000, a \$120,000 (10%) reduction from FY 2014;
2. The MPSC establish and maintain reasonable cash reserves;
3. The MPSC continue to aggressively pursue other sources of revenue, including from other provider groups that benefit from the programs of the Center, to help support the Center into the future;
4. MPSC staff continue to develop and conduct its activities to ensure standardization of self-reported data collection;

5. As has been articulated in the last several FY's funding recommendations, funding support in the future should consider:
  - how well the MPSC initiatives fit into a broader statewide plan for patient safety;
  - whether new MPSC revenues should offset HSCRC funding support;
  - how much MPSC has in budgetary reserves;
  - information on patient safety outcomes and the public's return on investment (from HSCRC funding)
  - how MPSC initiatives dovetail with the HSCRC'S payment-related initiatives and priorities, and other relevant patient safety activities.
6. Going forward, HSCRC decrease the dollar amount of support by a minimum of 10% per year. Staff notes the criteria outlined in recommendation #5 are intended to provide rationale for funding decreases greater than 10%, but not less, in subsequent years.

No Commission action is necessary as this is a draft recommendation.

**ITEM XII**  
**REPORT ON FY 2015 CRISP FUNDING SUPPORT**

Ms. Feeney presented Staff's update on the FY 2013 activities and accomplishments and on FY 2015 HSCRC funding support of the Chesapeake Regional Information System for our Patients (CRISP). (See "HSCRC "Maryland's Statewide Health Information Exchange, the Chesapeake Regional Information System for our Patients" on the HSCRC website).

**ITEM XIII**  
**HEARING AND MEETING SCHEDULE**

June 11, 2014	Time to be determined, 4160 Patterson Avenue HSCRC Conference Room
July 11, 2014	Time to be determine. 4160 Patterson Avenue HSCRC Conference Room

There being no further business, the meeting was adjourned at 3:43 pm.