

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

June 11, 2014

Upon motion made, Chairman Colmers called the Executive Session to order at 11:39 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, and Mullen.

In attendance representing staff were Donna Kinzer, David Romans, Steve Ports, Jerry Schmith, 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 status of Global Budget negotiations. Ms. Kinzer reviewed the development of Global Budgets for FY 2014 and estimates for CY 2014.

Item Two

Ms. Kinzer discussed the standard Global Budget contract as well as hospital specific clauses.

Item Three

The Commission commended Ms. Kinzer and staff on their impressive accomplishment in negotiating Global Budgets to date and on keeping the Commission well informed of their progress.

Item Four

The Commission approved the standards and guidelines for the purpose of granting performance bonuses to executive staff.

The Executive Session was adjourned at 1:09 p.m.

MINUTES OF THE
509th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

June 11, 2014

Chairman John Colmers called the meeting to order at 1:13 p.m. Commissioners George H. Bone, M.D., Stephen F. Jencks, M.D., M.P.H., Jack C. Keane, Bernadette C. Loftus, M.D., and Tom Mullen were in attendance.

REPORT OF THE JUNE 11, 2014 EXECUTIVE SESSION

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the June 11, 2014 Executive Session.

ITEM I
REVIEW OF THE MINUTES FROM MAY 14, 2014 EXECUTIVE SESSION AND
PUBLIC MEETING

The Commission voted unanimously to approve the minutes of the May 14, 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 April will focus on fiscal year (July 1 through June 30) as well as calendar year results.

Ms. Kinzer reported that for the ten months ended April 30, 2014, total gross revenue increased by 2.83% over the same period in FY 2013. Total gross revenue for Maryland residents increased by 2.73%. This translates to a per capita growth of 2.0%. Gross revenue for non-Maryland residents increased 3.92%.

Ms. Kinzer reported that for the four months of the calendar year ended April 30, 2014, total gross revenue increased by 1.74%, over the same period in FY 2013. Total gross revenue for Maryland residents increased by 2.06%; this translates to a per capita growth of 1.35%. Gross revenue for non-Maryland residents decreased by 1.62%.

Ms. Kinzer noted that Staff is evaluating the reporting of Medicare revenue and whether to include Medicare Advantage in evaluating results. Staff is reviewing both categories (Medicare Advantage and Medicare Fee-For-Service), as staff is not satisfied with the distinction in the data. The data are under audit, and staff will continue to evaluate the results. In addition, Staff is investigating some hospital specific variation in Medicare data and intends to provide Medicare

trends at the July Commission meeting.

The Maryland Department of Planning projects population growth for 2014 of .71% and 3.41% for over age 65.

According to Ms. Kinzer, for the first ten months of fiscal year 2014, the unaudited average operating profit for acute hospitals was 2.15%; total profit margin for the period was 4.50%. The median hospital profit was 2.79%, with a distribution of 0.49% in the 25th percentile and 5.97% in the 75th percentile.

Dr. Alison Schuster, Associate Director Data & Research, presented a quality report update on the Maryland Hospital Acquired Conditions program based upon Potentially Preventable Complications (PPCs) data on discharges through April 2014 and readmissions data on discharges through March 2014 (plus 30 days in April 2014 to identify readmissions).

Potentially Preventable Conditions

- The All-Payer PPC observed to expected ratio was slightly higher than 1% in April 2014 compared to April 2013; however, the fiscal year and calendar year to date PPC ratios were lower by 16.4% and 9.69% respectively in April 2014 compared to April 2013.
- The Medicare Fee For Service (FFS) PPC observed to expected ratio was 3.72% lower in April 2014 compared to April 2013, and the fiscal and calendar year to date PPC ratios were lower by 20.65% and 14.08% respectively in April 2014 compared to April 2013.
- These preliminary PPC results indicate that hospitals are on track for achieving the annual 6.89% PPC reduction required by CMMI to avoid a corrective action plan.

Readmissions

- The All-Payer unadjusted readmission rate decreased by 7.42% (6.08% risk adjusted) in March 2014 compared to March 2013. The fiscal year and calendar year to date rates were lower by 2.09% and 3.69% respectively in April 2014 compared to April 2013.
- The Medicare unadjusted readmission rates decreased by 5.86% for FFS, and 5.44% for FFS and Medicare Advantage (MA) in March 2014 compared to March 2013. The fiscal year and calendar year to date numbers were lower for Medicare FFS, 1.94% and .76% respectively.
- Based on the New-Payer Model, hospitals must reduce Maryland's readmission rate to or below the national Medicare readmission rate by 2018. The Readmission Reduction incentive program has set the goals for hospitals to reduce their risk adjusted readmission rate by 6.76% during CY2014 compared to CY2013. Currently, only 16 out of 46 hospitals have reduced their risk adjusted rate by more than 6.76%.

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

- Work group meetings

- Preparation of recommendations on uncompensated care, balanced update, and shared savings.
- Completing rate orders and agreements for global budgets.
- Preparing updates to the demographic adjustment calculations and collecting data needed to prepare rate updates for July.

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

- Continuing implementation of global budgets and planning for July 1 update.
- Global budgets and CPC monitoring.
- Continuing the development of monitoring for both the All-Payer and Medicare requirements.
- Preparing data analysis to calculate possible adjustments to global budgets for changes in transfers to Johns Hopkins Hospital and University of Maryland Medical Center.
- Preparing data analysis to develop approaches for market share adjustments.
- Developing additional implementation planning.

ITEM III

REPORT OF THE PHYSICIAN ALIGNMENT AND ENGAGEMENT WORK GROUP

Mr. Steve Ports, Principal Deputy Director Policy and Operations, presented an update on the status of the Physician Alignment and Engagement work group (See “Physician Alignment and Engagement Update” on the HSCRC website).

ITEM IV

DOCKET STATUS CASES CLOSED

2249A- University of Maryland Medical Center

ITEM V

DOCKET STATUS CASES OPEN

2248N- Baltimore Washington Medical Center

ITEM VI
FINAL RECOMMENDATION ON UNCOMPENSATED CARE POLICY

Ms. Kinzer presented Staff's final recommendation on Uncompensated Care Policy. (See "HSCRC Final: Report on Uncompensated Care Policy Recommendations" on the HSCRC website)

Staff presented the following final 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 6.15% effective July 1, 2014;
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;
 - 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.

The Commission voted to approve staff's recommendation. Commissioner Mullen abstained from voting.

ITEM VII
FINAL RECOMMENDATION ON READMISSION SHARED SAVINGS FOR FY 2015

Ms. Kinzer presented Staff's final recommendation for the Readmission Shared Savings Program for FY 2015. (See "HSCRC "Final Recommendation for Shared Savings Program for FY 2015" on the HSCRC website)

According to Ms. Kinzer, 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 final 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.

The Commission voted unanimously to approve staff's recommendation.

ITEM VIII
FINAL RECOMMENDATION ON A BALANCED UPDATE FOR FY 2015

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

The final 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% with an additional .3% provided for care coordination and population health infrastructure investments.
2. 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 1st.
 - Complete guardrail policy recommendation from workgroup relative to approaches to make adjustments when targets are not being met.
3. Calculate the Medicaid deficit assessment for FY 2015 at the same total amount as FY 2014, and apportion it between hospital funded and rate funded in the same total amounts as FY 2014.
4. Begin the process of working with Medicaid to develop the calculations to determine whether savings are accruing under the new All-Payer model that would allow for a reduction in the Medicaid deficit assessment.

Mike Robbins, Senior Vice President Financial Policy & Advocacy, Maryland Hospital Association, and Camille Bash, Chief Financial Officer and Robin Nelson, Director of Case Management at Doctors Community Hospital, discussed the need for the Commission to provide

greater support for the infrastructure necessary to ensure long-term waiver success. The Commissioners decided to postpone additional infrastructure funding until January, when better information will be available on the first year status of the waiver and the effectiveness of the initial infrastructure funding can be evaluated.

The Commission voted unanimously to approve staff's recommendation.

ITEM IX
FINAL RECOMMENDATION FOR FY 2015 SUPPORT FOR THE MARYLAND
PATIENT SAFETY CENTER

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

Staff's final 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.

The Commission voted unanimously to approve staff's recommendation.

ITEM X
FINAL RECOMMENDATION ON NURSE SUPPORT PROGRAM II COMPETITIVE INSTITUTIONAL GRANTS

Claudine Williams, Associate Director Policy Analyst, presented Staff's final recommendation for the Nurse Support Program II (NSP II) FY 2015 Competitive Institutional Grants (See "Nurse Support Program II Competitive Grant Review Panel Recommendations for FY 2015").

Staff recommended that the fifteen Competitive Institutional Grants recommended by the NSP II Grant Review Panel be approved for funding by the Commission for FY 2015.

Due to the timing of this review, Staff of the HSCRC and the Maryland Higher Education Commission request that this recommendation be waived from the comment rule so that it may become effective on July 1, 2014.

The Commission voted unanimously to approve staff's request.

ITEM XI
REPORT ON FY 2015 CRISP FUNDING SUPPORT

Mr. Ports presented Staff's update on the 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: Additional HSCRC Funding for CRISP Reporting Services" on the HSCRC website).

Mr. Ports stated that MHCC and HSCRC staff have reviewed CRISP's request for additional funding to provide support beyond core operations. Based on a recent meeting with CRISP where they detailed additional activities and costs, staff of the two Commissions believes that supporting the additional funding is necessary to meet the goals of the all-payer model. Therefore, staff deems it appropriate to apply a total uniform and broad based assessment in hospital rates in FY 2015 in the amount of \$2.5 million, which will include the \$1.65 million approved at the May 2014 Commission meeting for core operational support, and \$850,000 to support the costs of CRISP reporting services.

However, staff reserves the right, subsequent to reporting its intention to the Commission, to discontinue CRISP reporting services funding during the course of FY 2015 under the following circumstances:

- Staff finds that either the reporting services are not as efficacious, accurate, or timely as anticipated in order to meet the goals of the all-payer model;
- The State determines that a different vendor would be more appropriate to provide these services; or
- If funding from other grants or sources becomes available for these purposes

ITEM XII
DRAFT RECOMMENDATION FOR REVISION TO THE RELATIVE VALUE UNITS
SCALE FOR LABORATORY

Chris O'Brien, Chief-Audit & Compliance, requested approval to distribute proposed revisions to the Relative Value Unit (RVU) Scale for Laboratory services to all hospitals for their review and comment.

The Commission voted unanimously to approve staff's recommendation.

ITEM XIII
LEGAL REPORT

Regulations

Final Action

Maryland Health Insurance Plan- COMAR 10.37.10

The purpose of this action is to establish a variable amount of up to 1 percent in lieu of the fixed 1 percent assessed on hospitals to administer the Maryland Health Insurance Plan program.

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

ITEM XIV
HEARING AND MEETING SCHEDULE

July 9, 2014	Time to be determined, 4160 Patterson Avenue HSCRC Conference Room
August 11, 2014	Time to be determined. 4160 Patterson Avenue HSCRC Conference Room

There being no further business, the meeting was adjourned at 2:58 pm.