

443rd MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

March 5, 2008

Chairman Donald A. Young, M.D. called the meeting to order at 9:06 a.m. Commissioners Joseph R. Antos, Ph.D., Raymond J. Brusca, J.D., Trudy R. Hall, M.D., and Kevin J. Sexton were also present.

ITEM I
REVIEW OF THE MINUTES OF THE PUBLIC SESSION OF FEBRUARY 12, 2008

The Commission voted unanimously to approve the minutes of the February 12, 2008 Public Meeting.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Robert Murray, Executive Director, summarized the following high priority activities and projects currently before or affecting the Commission: 1) legislation that would replace the individual hospital assessment, contemplated by the Medicaid expansion bill with a uniform assessment; 2) legislation to create a hospital authority that will solicit bids for the purchase of the Dimensions Health System facilities; 3) the Quality Based Reimbursement Initiative; 4) the Corrective Action Task Force; 5) the Financial Conditions Report; 6) Outpatient Payment Reform; 7) Case Mix Recommendations for FY 2008; 8) ROC/ICC draft recommendation; and 8) FY 2009 Volume Adjustment.

Mr. Murray stated that the Quality Based Reimbursement Task Force is currently discussing rewards and incentives associated with the performance of hospitals on evidence-based process measures to begin in FY 2009. A draft recommendation is expected to be presented at the April 2008 public meeting.

Mr. Murray reported that the Corrective Action Task Force had agreed to focus on the FY 2009 Update Factor and case mix adjustment. Staff intends to provide a draft recommendation at the April 2008 public meeting, with a final recommendation to be ready for action at the May 2008 public meeting.

Mr. Murray noted that the Financial Conditions Report Work Group was expected to finish meeting by the third week in March. Staff intends to present a draft Financial Conditions Report in April.

Mr. Murray stated that in regard to the technical issues and projects: 1) staff was waiting for

second quarter data before any additional analysis could be done on the new Outpatient Payment Reform initiative; 2) a draft ROC/ICC recommendation would be presented today; 3) a final recommendation on case mix adjustments for FY 2008 would also be presented today; and 4) the proposed volume adjustment methodology is currently under discussion.

ITEM III
DOCKET STATUS CASES CLOSED

1954A – University of Maryland Medical Center

ITEM IV
DOCKET STATUS CASES OPEN

There were no cases requiring Commission action.

ITEM V
FINAL RECOMMENDATION ON CASE MIX ADJUSTMENTS FOR FY 2008

John O'Brien, Deputy Director-Research and Methodology, presented the final recommendation on case mix adjustments for FY 2008. Mr. O'Brien reported that the rate agreement allows for case mix growth of up to 1.0%. Mr. O'Brien stated that staff believes that a tiered case mix governor is no longer needed. Staff anticipates that measured case mix for FY 2008 will fall between 1.3% and 1.6%, and pass-through payments will grow by 0.2%. Based on these assumptions, staff recommends that the case mix growth be governed at 50% of measured case mix growth.

Mr. O'Brien noted that, consistent with the FY 2007 policy, staff recommends that hospitals that experience a case mix decline in FY 2007 be allowed uncontrolled case mix growth in FY 2008 for the amount of decline in FY 2007. In addition, staff proposed that if total case mix change is 1.0% or less, hospitals will receive their measured case mix with no adjustments; if measured case mix change is greater than 1.0%, hospitals experiencing case mix growth will receive a case mix adjustment proportionate to their revenue, such that total case mix growth will be 1.0%.

Commissioner Sexton asked what staff proposed to do if total case mix growth came in at less than the 1.0% budgeted.

Mr. Murray stated that it is staff's recommendation that if the total measured case mix change is 1.0% or less, hospitals would receive their total measured case mix.

Paul Sokolowski, Vice President of the Maryland Hospital Association, expressed the hospital industry's concern that staff's recommendation does not propose proportional sharing in allowed case mix symmetrically to case mix declines, and also does not allow for the distribution of the entire 1.0% budgeted for case mix growth if actual case mix growth is less than 1.0%.

Mr. Sokolowski urged that when possible, the Commission should make policy and methodology changes in advance of the year in which those changes become effective. When this is not done, it is difficult for hospitals to monitor and accurately predict their revenue and, thereby, to effectively manage their budgeting and planning processes.

Hal Cohen, Ph.D., asserted that not all case mix increases are real and do not result in increases in resource utilization; however, all case mix declines are real. Therefore, staff's proposed methodology to govern only case mix increases is appropriate.

Considering the questions raised and the Chairman's expressed concern about making a decision based on only one quarter of case mix data, the Commission decided to postpone action on the recommendation until the April public meeting, when the second quarter case mix data will be available.

ITEM VI **DRAFT ROC/ICC RECOMMENDATION**

John O'Brien summarized the draft recommendation on the Reasonableness of Charges (ROC) and Interhospital Cost Comparison (ICC) processes for spring 2008. Mr. O'Brien stated that there was general agreement to lift the moratorium on the ROC/ICC processes and the filing of full rate applications to permit hospitals in particularly poor rate positions to apply for rate relief.

Because of the limited purpose of the spring ROC/ICC, it was decided to consider changes only to a limited number of factors of the existing methodology. The focus is on two issues: how to adjust for indirect medical education (IME) costs; and how to set thresholds for full rate reviews and/or spenddowns.

Regarding the IME adjustment, Mr. O'Brien reported that staff recommended using a re-run IME regression because the existing IME coefficients are based on pre-APR-DRG experience and because the results of the re-run regression are reasonable and logical.

As to the issue of thresholds, staff recommends a budget neutral combination of full rate reviews and scaled spenddowns be used to adjust rates based on the results of the April ROC, i.e., any increases in rates as a result of full rate reviews must be offset by equal reductions in overall system payments.

Mr. O'Brien announced that the ROC/ICC workgroup would continue to meet to discuss issues related to the fall ROC/ICC.

ITEM VII **LEGAL REPORT**

Uniform Accounting and Reporting System for Hospitals and Related Institutions
COMAR 10.37.10.02

Staff presented a recommendation to revise the Accounting and Budget Manual for Fiscal and Operating Management, which is incorporated into regulation by reference, for the inclusion of Podiatry residents in the cost of professional medical education in the Annual Report of Revenues, Expenses, and Volumes. This revision will bring the HSCRC rate system into agreement with Medicare regulation.

The Commission voted unanimously to approve the revision.

Same Day Surgery

Staff requested that the Commission approve the promulgation of a revision to the Accounting and Budget Manual for the units of measure associated with Same Day Surgery. The revision would change the units of service for Same Day Surgery from patients to hours of service. Comments on this proposal should be received on or before March 28, 2008.

The Commission voted unanimously to approve staff's request.

ITEM VIII
HEARING AND MEETING SCHEDULE

April 9, 2008	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
May 7, 2008	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 9:47 a.m.