MINUTES
464th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

JANUARY 13, 2010

Chairman Young called the meeting to order at 9:00 a.m. Commissioners Joseph R. Antos, Ph.D., C. James Lowthers, Kevin J. Sexton, and Herbert S. Wong, Ph.D. were also present.

REPORT OF THE EXECUTIVE SESSION OF JANUARY 13, 2010

Oscar Ibarra, Chief-Program Administration & Information Management, summarized the minutes of the January 13, 2010 Executive Session.

ITEM I
REVIEW OF THE MINUTES OF THE EXECUTIVE AND PUBLIC SESSIONS OF DECEMBER 9, 2009

The Commission voted unanimously to approve the minutes of the December 9, 2009 Executive and Public Sessions.

ANNOUNCEMENT ON ONE DAY LENGTH OF STAY CASES

Chairman Young announced that given the questions and comments received about the process employed in handling the One Day Length of Stay issue, the Commission had decided to delay consideration of staff's recommendation to revise payment incentives related to "Short-stay" Cases in the Maryland Payment System. The Chairman stated that it was the Commission's belief that the best way to deal with this important and potentially contentious issue was through the formation of an industry workgroup to address the policy concerns of the industry and to attempt to craft a reasonable compromise proposal.

Robert Murray, Executive Director, summarized the approach suggested by the Commission for handling the Short-stay cases issue. A workgroup shall be formed, consisting of staff, hospital and payer representatives, who will, over the next few months, develop a proposal that should at a minimum address the following issues: 1) the development of an appropriate charging structure for observation cases; 2) appropriate payment incentives; 3) sufficient time for transition; 4) cost savings to the public; 5) allowance for case mix change; 6) a prospective and systematic approach; and 7) consideration of the impact on the Medicare waiver.

Mr. Murray also announced that the public hearing on the original staff recommendation for Short-stay cases, scheduled for January 27, 2010, will be postponed pending the results of the deliberations of the workgroup.

Commissioner Sexton suggested that because this issue has many similarities to the potentially preventable conditions issue, that the workgroup be encouraged to resolve this issue in a revenue neutral approach.

Carmela Coyle, President of the Maryland Hospital Association (MHA), thanked the Commission for restarting the process. Ms. Coyle expressed the hope that a policy could be worked out by the March public meeting. The sooner the State policy on this issue is set, the easier it will be for hospitals to deal with the intersection of the Recovery Audit Contract (RAC) program and the State policy.

Mike Robbins, Senior Vice President MHA, asked whether the initial rate proposals scheduled to be submitted by the hospitals and payers relating to the Update Factor pending resolution of the Short-stay cases issue.

Mr. Murray stated that staff's response is that we should move forward with the current approach in the Update workgroup with the caveat that hospitals and payers will have the opportunity to amend their proposals at a future date.

Hal Cohen, Ph.D., representing CareFirst of Maryland and Kaiser Permanente, expressed the hope that the payers and providers will maintain the history of compromise and come to the Commission with a joint agreement on the Short-stay cases issue. Dr. Cohen also supported Mr. Murray's position that the update workgroup should continue to meet because the outcome of the Short-stay issue will be revenue neutral as far as the update factor is concerned.

Barry Rosen, representing United HealthCare, expressed his agreement that all stakeholders should work hard to come to a consensus on the Short-stay case issue, and that denied cases should be part of the Short-stay discussion. With respect to revenue neutrality, Mr. Rosen stated that his client believes that there are real cost savings in bringing down the rate of Short-term cases in Maryland hospitals, revenue should go down.

Dr. Cohen clarified his previous statement on revenue neutrality as it applies to this issue by explaining that he meant that the solution agreed upon to solve the issue would be revenue neutral as far as changes to the Update Factor are concerned. He did not mean to imply that moving services from inpatient to outpatient would not save money, just that it would not influence what the Update Factor was. Dr. Cohen expressed agreement with Mr. Rosen that there are savings to be had in moving services from inpatient to outpatient.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Robert Murray, Executive Director, summarized the status of some high priority initiatives and projects. They include: 1) deliberating on continuous and tiered scaling adjustment for the Maryland Hospital Acquired Conditions (MHAC); 2) continuing to meet with the Maryland Hospital Preventable Readmission workgroup and evaluating in and out migration patterns using MedPar data and factors beyond the control of the hospital: 3) continuing discussions on changes to the Inter-hospital Cost Comparison (ICC) and Reasonableness of Charges (ROC) methodologies with a draft recommendation anticipated to be presented at the February 2010 public meeting; 4) continuing to meet with the FY 2011 Payment Workgroup with proposals due from hospitals and payers by January 22, 2010 and a draft recommendation at the May public meeting; and 5) compiling the data and preparing an aggregate report on the results of the Survey on Hospital Governance Practices due on February 15, 2010.

Mr. Murray reported that as expected, given the low update factor, hospital Charge-per-Case (CPC) revenue increased only 2% in the first quarter of FY 2010. However, surprisingly, hospital profitability was up. Mr. Murray congratulated hospitals for holding down costs to achieve this result.

Mr. Murray announced that Claudine Williams of the Commission's staff has been promoted to Associate Director of Policy Analysis.

ITEM III
DOCKET STATUS CASES CLOSED

2050A – University of Maryland Medical System
2051A – Johns Hopkins Health System
2052A – MedStar Health
2053A – Johns Hopkins Health System
2054A – Johns Hopkins Health System
2055R – Dorchester General Hospital

ITEM IV
DOCKET STATUS CASES OPEN

Johns Hopkins Health System – 2058A

On December 23, 2009, Johns Hopkins Health System filed an application on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital requesting approval to continue to participate in a re-negotiated global rate arrangement for solid organ transplant services with Aetna Health, Inc. for a period of one year beginning January 1, 2010. The revised arrangement discontinues blood and bone marrow transplant services.

Staff recommended that the System's request be approved for a period of one year beginning

January 1, 2010 based on historically favorable performance for solid organ transplant services under the prior arrangement. In addition, staff recommended that the approval be contingent on the execution of the standard Memorandum of Understanding.
The Commission voted unanimously to approve staff's recommendation.

ITEM V
STAFF DRAFT RECOMMENDATION FOR EXCLUSION OF DENIED CASES FROM HOSPITAL CHARGE PER CASE

Mr. Murray presented staff's position on removing cases denied for medical necessity from the CPC system as detailed in its draft recommendation. The recommendation included: 1) removing in FY 2010 all denied cases and associated DRG-weights from each hospital's approved CPC revenue and financial data as reported to the HSCRC; 2) reviewing the accuracy and consistency of denied cases data reported to the HSCRC; and 3) assessing fines in FY 2010 on hospitals that inappropriately reported cases denied for medical necessity for purposes of calculating the hospitals' approved CPC revenue. Mr. Murray stated that it is expected that the resolution of this issue will have rate implications, and that the removal of denied cases would not be revenue neutral.

Mr. Murray stated that the issue of cases denied for medical necessity and the CPC system will be handled in the new Short-stay cases workgroup initiated by the Commission.

Hal Cohen, Ph.D., representing CareFirst of Maryland and Kaiser Permanente, asked whether comments are still invited on the recommendation and expressed his agreement with staff's recommendation that removal of these cases should result in savings to the system.

Mike Robbins stated that Maryland's hospitals are committed to accurate reporting and compliance with all of the HSCRC's policies and regulations. As it relates to this particular issue, Mr. Robbins noted that the Chief Financial Officers (CFOs) of some hospitals are puzzled about the references to inaccurate or inappropriate reporting particularly as it related to the reporting of gross revenue. If HSCRC regulations require the reporting of all gross revenue, even that of denied cases, how can revenue from denied cases then be removed and still be in conformance with the regulations. The CFOs did not understand how their hospitals could be fined for adhering to the regulations. The issue of amending the regulations on the reporting and the reconciliation of gross revenue will have to be addressed as they relate to this issue.

Mr. Robbins expressed the industry's commitment to working with the Commission, staff, and the payers in handling this issue in the context of comprehensively addressing the Short-stay cases issue.

ITEM VI
STAFF UPDATE ON SPECIAL AUDITS OF HOSPITAL FINANCIAL ASSISTANCE

AND CREDIT AND COLLECTION POLICIES COMPLIANCE

Steve Ports, Principal Deputy Director, Policy & Operations, summarized the results of the FY 2008 Special Audit Procedures that disclosed the extent to which hospitals complied with their Financial Assistance and Credit and Collection policies. Mr. Ports reported that 61% of hospitals complied with their financial assistance policy 75% of the time; 21% of hospitals complied with their financial assistance policy 25-75% of the time; and 18% of hospitals complied with their policies less than 25% of the time. In regard to their Credit & Collection policies, 77% were in compliance 75% of the time; 13% were in compliance 25-75% of the time; and 10% were in compliance less than 25% of the time. Mr. Ports stated that with the exception of two hospitals, where the data were incomplete, all hospitals were appropriately reducing bad debt expenses by gross recoveries.

Mr. Ports stated that these results showed improvement over the prior year's audit.

ITEM VII
STAFF UPDATE ON COMMUNITY BENEFIT REPORTING NARRATIVE EVALUATION CRITERIA

Amanda Greene, Program Manager, summarized the narrative evaluation tool to be utilized to review the narrative portion of the Community Benefit Report. Ms. Greene reported that the 2009 Reports were due on December 15, 2009 and will be reviewed by staff. A summary report of the findings will be presented at the March 2010 public meeting.

ITEM VIII
HEARING AND MEETING SCHEDULE

February 3, 2010	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
March 3, 2010	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 10:17 a.m.