

MINUTES
470th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

September 1, 2010

Chairman Puddester called the meeting to order at 9:31 a.m. Commissioners George H. Bone, M.D., C. James Lowthers, Kevin Sexton, and Herbert S. Wong, Ph.D. were also present.

ITEM I
REVIEW OF THE MINUTES OF THE PUBLIC SESSION
OF JULY 7, 2010

The Commission voted unanimously to approve the minutes of the July 7, 2010 Public Session.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Robert Murray, Executive Director, introduced two new Commissioners: Chairman Frederick Puddester and George Bone, M.D.

Mr. Murray noted that Mr. Puddester is currently Senior Associate Dean of Finance and Administration of Johns Hopkins University's Krieger School, and that Dr. Bone is an Internal Medicine Physician practicing in Upper Marlboro Maryland. Dr. Bone also was the former president of the Prince George's County Medical Society.

Mr. Murray updated the Commissioners on the progress of the major Commission initiatives and issues. Mr. Murray announced that: 1) the FY 2011 preliminary rate orders were expected to be issued in mid-September; 2) staff will present a clarification of what constitutes a major capital project under the revised capital policy at the October 13, 2010 public meeting; 3) that the annual process of discussing revisions to the Reasonableness of Charges (ROC) methodology will begin in October; and 4) staff is continuing with its analysis of Potentially Preventable Readmissions and is exploring the possibility of modifying the fixed cost factor for readmissions.

Mr. Murray disclosed that he was asked to share his ideas about cost containment and the potential for bundling payment at a recent meeting of the Delivery System Work Group of the State Health Care Reform Coordinating Council.

Mr. Murray summarized his presentation to the Work Group. Mr. Murray stated that there was a need to create payment structures that incentivize providers to coordinate care more effectively; however, there is no clear operational roadmap for how to get from the current fragmented payment structure to a more coordinated payment structure. Because of the failure of the

healthcare market, there is a role for macro regulation as it exists in Maryland's system. Mr. Murray asserted that Maryland is best equipped to drive payment reform because of its all-payer hospital regulatory system since hospitals are the natural locus of care around which bundled payments structures can be built and are large enough to assume the associated financial risk. The all-payer system enables incentives to be spread across public and private payers. Maryland also has a robust data system, extensive experience with risk adjustment for both acute and chronic care, a good set of quality measures, and a statute flexible enough to allow for the creation of experimental rate structures.

In regard to both the current economic situation and potential strategies, Mr. Murray stated that because hospitals in Maryland and the nation are faced with tighter payment updates, the Commission and the hospital industry have come to the realization that the only way for hospitals to gain sufficient resources to continue to invest in capital projects is for the Commission to provide other opportunities for them to produce revenue. Mr. Murray noted that the most promising strategy is the development of bundled payment structures that allow hospitals to retain all or most of the savings. Bundling payment involves the gradual transfer of financial risk from payers to providers. Eventually, success with these arrangements could lead to the Commission applying to the Centers for Medicare and Medicaid Services for authority to undertake physician gain sharing arrangements to align the incentives of hospitals and physicians.

Mr. Murray observed that principle behind bundled payment arrangements is similar to the old GIR (Guaranteed Inpatient Revenue system), which guaranteed hospitals their historic payment level while allowing them to keep any savings achieved. Gradually, as hospitals lowered their costs, the Commission was able to bend the cost curve.

Mr. Murray stated that the Commission currently has enabled hospitals to participate in payment bundling in the form of alternative rate setting hospital and physician global case rates. However, in the future, there is the opportunity to expand the scope of hospital/physician bundling to pre-hospitalization services and post-hospitalization ambulatory care out 30 days and eventually all care, except long-term care, out 60-90 days.

According to Mr. Murray, the Commission's principal role when such payment bundling arrangements are implemented will be in recognizing the transfer of risk, adjusting for the risk, and monitoring the risk so that hospitals do not take on more risk than they can handle. The Commission will also be monitoring for quality.

Mr. Murray reported that staff is also exploring expanding the Total Patient Revenue (TPR) system fixed cost global budget structure, applicable to isolated hospitals, from the two hospitals currently under the system to an additional six hospitals. In the future, we can also contemplate extending the same type of system to individual or groups of hospitals in more densely populated areas by establishing a fixed per member per month type of payment structure.

In conclusion, Mr. Murray stated that the primary idea is to incentivize hospitals to coordinate care with other providers and to bundle payment. Eventually, this will provide savings to the public and bend the cost curve.

Commissioner Sexton urged the Commission to focus on the population that consumes the major portion of health care dollars.

ITEM III
DOCKET STATUS CASES CLOSED

2071N – James Lawrence Kernan Hospital 2074A –MedStar Health
2075A- Johns Hopkins Health System

ITEM IV
DOCKET STATUS CASES OPEN

University of Maryland Medical Center – 2073A

On June 10, 2010, the University of Maryland Medical Center filed an application requesting approval to continue to participate in a global rate arrangement with the Aetna Health, Inc. for solid organ, gamma knife, and blood and bone marrow transplants services. The Hospital requested approval for three years beginning August 1, 2010.

Staff recommended that the Hospital's request be approved for one year beginning August 1, 2010 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

Johns Hopkins Health System – 2077A

On July 1, 2010, the 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 (the "Hospitals") requesting approval to participate in a new global rate arrangement with the National Health Services, Inc. for live donor kidney transplant services for a period of one year beginning August 1, 2010.

After review of the data utilized to calculate the case rates, staff was satisfied that the global price is sufficient to achieve favorable performance under this arrangement. Therefore, staff recommended that the Hospitals' request be approved for one year beginning August 1, 2010. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

MedStar Health – 2078A

On July 12, 2010, MedStar Health filed an application on behalf of Union Memorial Hospital and Good Samaritan Hospital (collectively the "Hospitals") requesting approval to continue to participate in a global rate arrangement with MAMSI for orthopedic services. The Hospital requested approval for a period of one year beginning September 1, 2010.

Staff recommended that the Hospitals' request be approved for one year beginning September 1, 2010 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

Montgomery General Hospital – 2079R

On July 21, 2010, Montgomery General Hospital submitted a rate application requesting an in-house rate for Radiation Therapy (RAT) services. The Hospital currently has a rebundled rate for RAT services. The Hospital requested that the rate be set at the state-wide median with an effective date of October 1, 2010.

After review of the Hospital's application, staff recommended:

- 1) That COMAR 10.37.10.07, requiring that rate applications be made 60 days prior to opening of a new service, be waived;
- 2) That an RAT rate of \$25.29 per RVU be approved effective October 1, 2010;
- 3) That no change be made to the Hospital's Charge-per-Case standard for RAT services; and
- 4) That the RAT rate not be realigned until a full year's experience data have been reported to the Commission.

The Commission voted unanimously to approve staff's recommendation.

University of Maryland Medical Center – 2082A

On August 16, 2010, the University of Maryland Medical Center filed an application requesting approval to continue to participate in a global rate arrangement with Maryland Physicians Care for solid organ and blood and bone marrow transplants services. The Hospital requested approval

for three years beginning September 1, 2010.

Staff recommended that the Hospital's request be approved for one year beginning September 1, 2010 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation

University of Maryland Medical Center – 2083A

On August 16, 2010, the University of Maryland Medical Center filed an application requesting approval to continue to participate in a global rate arrangement with BlueCross and BlueShield Association Quality Centers for Transplants for solid organ and blood and bone marrow transplants services. The Hospital requested approval for three years beginning September 1, 2010.

Staff recommended that the Hospital's request be approved for one year beginning September 1, 2010 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

Johns Hopkins Health System – 2084A

On August 16, 2010, the 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 (the "Hospitals") requesting approval to continue to participate in a global rate arrangement with the Canadian Medical Network for cardiovascular services for a period of one year beginning October 1, 2010.

Staff recommended that the Hospitals' request be approved for one year beginning October 1, 2010 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

Johns Hopkins Health System – 2085A

On August 16, 2010, the 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 (the “Hospitals”) requesting approval to continue to participate in a global rate arrangement with Preferred Health Care for solid organ and blood and bone marrow transplant services for a period of one year beginning September 1, 2010.

Although there was no activity under this arrangement in the last year, staff was satisfied that the updated global prices were sufficient for the Hospitals to achieve favorable experience under this arrangement.

Therefore, staff recommended that the Hospitals’ request be approved for one year beginning September 1, 2010. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff’s recommendation.

Johns Hopkins Health System – 2086A

On August 16, 2010, the Johns Hopkins Health System (the “System”) filed an application on behalf of Johns Hopkins Bayview Medical Center (Bayview) requesting approval to continue to participate in a capitation arrangement among System, the Department of Health and Mental Hygiene, and the Centers for Medicare and Medicaid Services. Bayview (doing business as Hopkins Elder Plus) serves as a provider in the PACE Program (Program for All-inclusive Care for the Elderly). Under this program, Hopkins Elder Plus provides services for a dually eligible population of the frail elderly. Approval is requested for a period of one year beginning September 1, 2010.

Staff recommended that the Hospitals’ request be approved for one year beginning September 1, 2010 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding

The Commission voted unanimously to approve staff’s recommendation.

Medicaid Health Choice Program

Dennis N. Phelps, Associate Director-Audit & Compliance, summarized staff’s draft recommendations for the applications of: MedStar Health System on behalf of MedStar Family Choice; Maryland General Hospital, St. Agnes Health System; Western Maryland Health System; and Washington County Hospital on behalf of Maryland Physicians Care; and Johns Hopkins Health System on behalf of Priority Partners, Inc. for continued participation in the

Medicaid Health Choice Program for one year beginning January 1, 2011.

Mr. Phelps announced that the final recommendations will be presented at the October 13, 2010 public meeting.

30 Day Extensions

Staff requested that the Commission approve 30 day extensions of the time for review of Proceedings 2087R and 2088R, the rate applications of Memorial Hospital at Easton and Dorchester General Hospital respectively.

The Commission voted unanimously to approve staff's request.

ITEM V **FINAL RECOMMENDATION ON THE REVENUE NEUTRALITY ADJUSTMENT** **UNDER THE UNCOMPENSATED CARE POLICY**

Andy Udum, Associate Director- Research & Methodology, presented an amendment to the final Uncompensated Care Policy for FY 2011. Mr. Udum explained that since the Medicaid expansion and prospective averted bad debt resulted in a higher than usual revenue neutral adjustment (the difference between the State's actual uncompensated care and the statewide policy result), applying the Commission's current additive methodology had a substantial negative impact on some hospitals. Therefore, staff recommended that the Commission approve a change in the application of the revenue neutral adjustment from the additive methodology to a multiplicative adjustment, which results in a proportional adjustment to hospitals' uncompensated care provisions.

Staff also requested that the Commission waive its 60 day comment period policy so that the recommendation could be considered for final action.

The Commission voted unanimously to approve staff's recommendations.

ITEM VI **LEGAL REPORT**

Regulations

Proposed

Uniform Accounting and Reporting System for Hospitals and Related Institutions – COMAR 10.37.01.03L-1

The purpose of this action is to require hospitals to file with the Commission an Annual Debt Collection Report in the form prescribed by the Commission.

The Commission voted unanimously to forward the proposed regulations to the AELR Committee for review and publication in the Maryland Register.

ITEM VIII
HEARING AND MEETING SCHEDULE

October 13, 2010	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
November 3, 2010	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 10:34 a.m.