Overview of Maryland's All Payer Proposal

November 13, 2013

MARYLAND
DEPARTMENT OF HEALTH & MENTAL HYGIENE

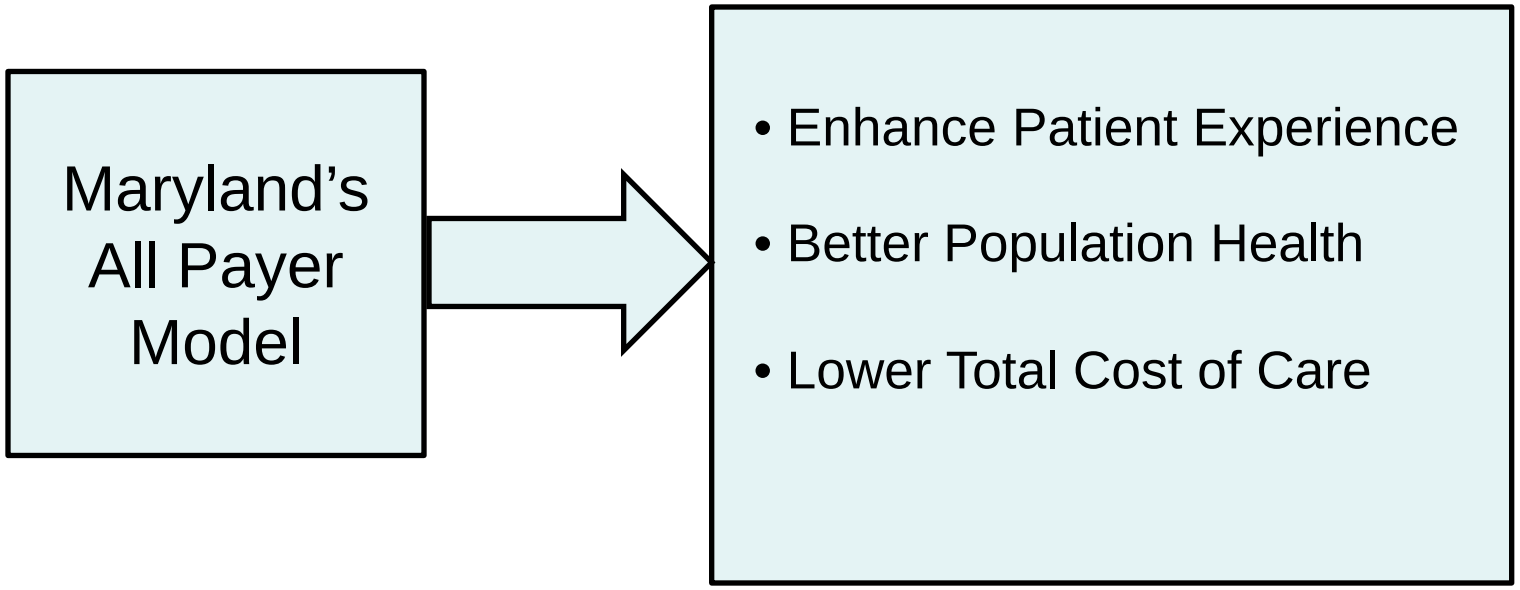
Proposed New All-Payer Model

- Request submitted to CMS and CMMI in March, update submitted to CMMI in October
  - Undergoing clearance
- Focus on new approaches to rate regulation
- Would move Maryland to an **all payer**, **total hospital** payment **per capita** test.
  - Shifts focus to population health and delivery system redesign
- Will require CMMI approval process before implementation
- Implementation activities underway for requested January 1 start date

Proposed All-Payer Model

- **A five year model** focused on improving health care quality, delivery of services, and the affordability of health care
- **A new approach to Maryland's all-payer hospital waiver—**from Medicare payment per admission, to a new model that focuses on overall hospital expenditures
- **Strong incentives for better outcomes at lower cost**, moving to global and episode reimbursement models with strong incentives for improved quality and reductions of preventable utilizations and conditions

Maryland's Hypothesis



- **An all payer system that is accountable for the total cost of care on a per capita basis is an effective model for establishing policies and incentives to drive system progress toward achieving the three part aim.**

Proposed Model at a Glance

- **All-Payer total hospital per capita revenue growth ceiling** for Maryland residents tied to long term state economic growth (GSP) per capita
  - 3.58% annual growth rate for 3 years
- **Medicare payment savings** for Maryland beneficiaries* compared to dynamic national trend. Minimum of $330 million in savings
  - Limited use of differential
- **Patient and population centered measures** and targets to assure care and population health improvement
  - Medicare readmission reductions to national average
  - Continued aggressive reductions in preventable conditions under Maryland's Hospital Acquired Condition program (MHAC)
  - Many Others

*Includes services provided outside of Maryland

Creates New Context for HSCRC

- Align payment with new ways of organizing and providing care
- Contain growth in total cost of hospital care in line with requirements
  - Evolve value payments around efficiency, health and outcomes

Better care

Better health

Lower cost

- Priority tasks: Transition to population/global and patient-centered payment approaches for hospital services.
- Major data and infrastructure requirements

Maryland Proposes to Accelerate a Broad Range of Delivery Reform Efforts

Accountable Care Organizations, with rules that can be established in Maryland on an all-payer basis.

Readmission programs, which provide powerful incentives for improved coordination of care.

Global budgeting, for rural hospitals that can gain net revenue with innovative partnerships with community physician and public health agencies.

Gain-sharing between hospitals and physicians as patient outcomes improve and overall costs decline.

Population-based budgeting, for suburban and urban hospitals shifting out of fee-for-service payment to accountability for health outcomes and cost.

What Does This Mean?

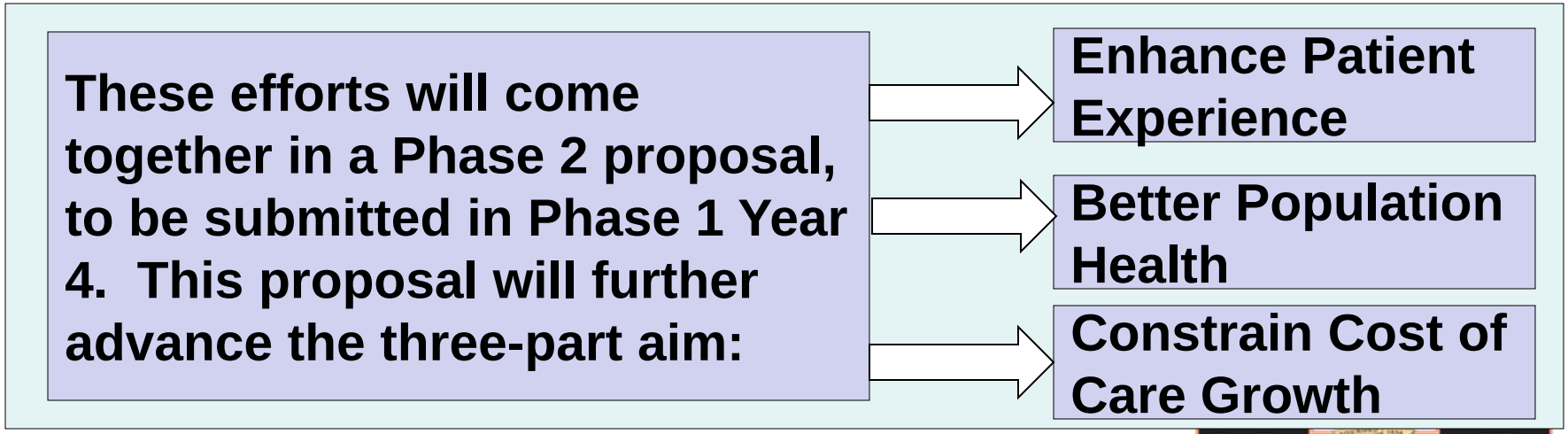
- New Model represents an unprecedented effort to improve health, outcomes and control costs
- Focus shifts to gain control of the revenue budget and on providing the right volumes and reducing avoidable volumes
- Potential for excess capacity will demand focus on cost control and opportunities to optimize capacity
- Opens up new avenues for innovation

2 Phases

- Phase 1 (5 years)
  - 2014-2018
  - Hospital inpatient and outpatient
- Phase 2
  - Proposal submitted end of 2016
  - Focus on controlling growth in total health spending
  - If approved, would begin in 2019

Proposal Integrates with Other Critical Health Reforms Underway

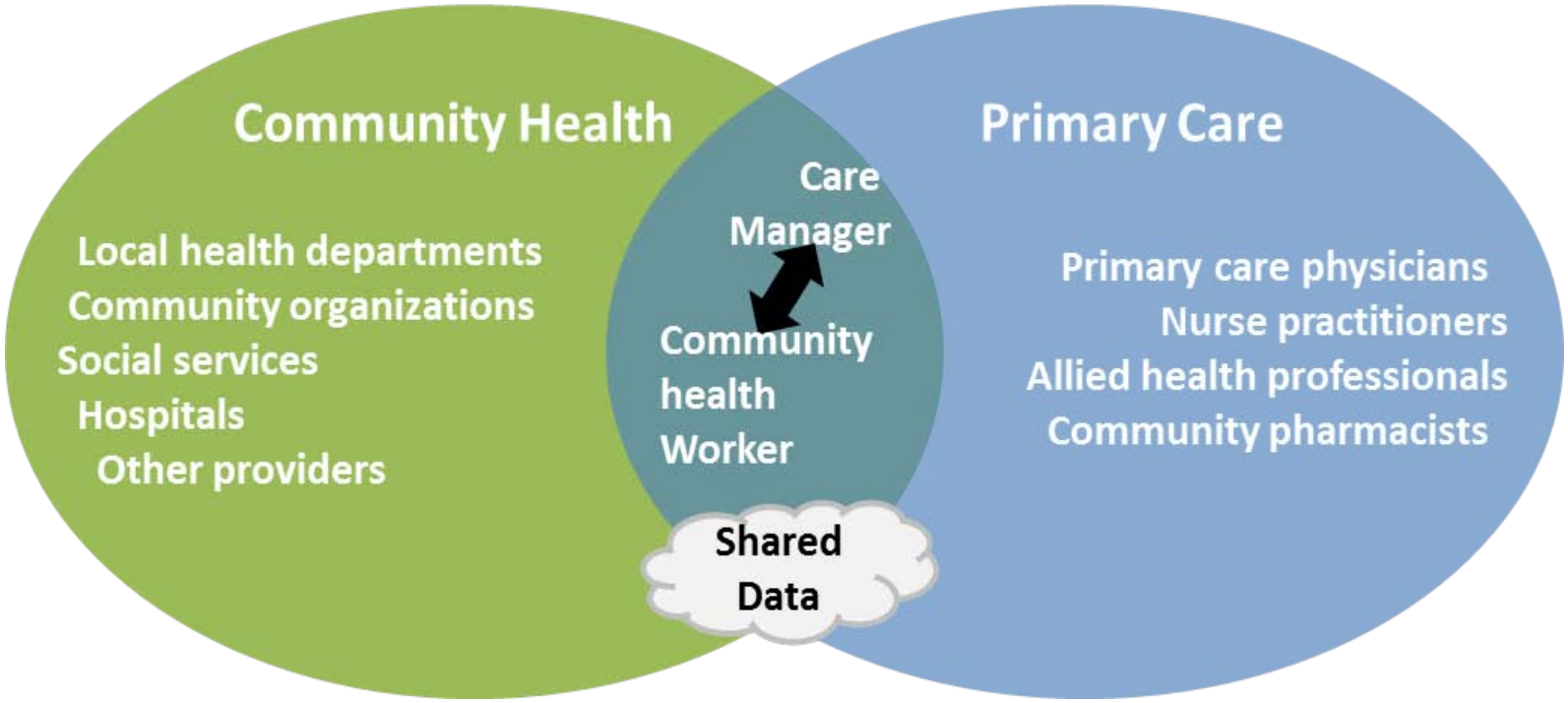
- Aligns hospital incentives with those of medical homes, a key feature of Maryland's State Innovation Model proposal
- Aligns with work of Health Enterprise Zones (HEZs)
- Aligns with major investments made in information technology, including the state's Health Information Exchange
- Aligns with public health goals of State Health Improvement Process



State Innovation Model: Community-Integrated Medical Home

- Integration of a multi-payer medical home model with community health resources
- 4 pillars:
  1) Primary care
  2) Community health
  3) Strategic use of new data
  4) Workforce development
- Goal is for CIMH to be an umbrella program with certain programmatic standards that allows for innovations across payers

State Innovation Model: Community-Integrated Medical Home



Maryland Will Measure Success Across The Three-Part Aim

- Patient Experience of Care:
  - Measures include patient satisfaction, the effectiveness of care transitions, physician participation in public programs, and complication rates
- Population Health:
  - Measures include life expectancy, hospitalizations for ambulatory care sensitive conditions, primary and secondary prevention for cardiovascular disease, and behavioral health emergencies, including racial and ethnic disparities in these measures
- Health Care Costs:
  - Measures include overuse of diagnostic imaging, inpatient and outpatient costs, and total costs