

MARYLAND CITIZENS' HEALTH INITIATIVE

December 11, 2013

Joshua M. Sharfstein, M.D.
Secretary,
Maryland Department of Health and Mental Hygiene
201 W. Preston Street
Baltimore, MD 21201

Dear Dr. Sharfstein,

We at the Maryland Citizens' Health Initiative share your concern that health care be affordable for all Marylanders. We are thrilled that you are trying to address the problem of the unsustainable continual rise in health care costs. We have been advocating for global hospital budgets for some time (see the Maryland Health Care for All! Plan from 2002) and are happy to see this as the key part of your hospital waiver proposal. We also commend the Maryland Hospital Association for working closely with you to accomplish these goals.

Maryland's all-payer Medicare waiver allows for the HSCRC to set payment rates for Maryland hospitals. The new structure you have proposed for Maryland's waiver offers a positive vision of a transformed health care delivery system. More than 'bending the cost curve' your vision is a very rapid reigning in of hospital costs to be commensurate with the growth in the economy, along with a reorientation of health care incentives towards improving consumer health. We want to see this important waiver implemented in a way that best serves consumers, while holding down costs.

We strongly support moving from a fee for service system to a system that encourages more coordinated care that improves health outcomes. We want to help you successfully implement this waiver. Here are some thoughts about implementation to consider:

Broad engagement needed

The waiver has many initiatives that are proposed to be designed or expanded over the next year. We will be actively monitoring all these developments and ask that you involve consumer groups, like ours, in this process. Consumer and broader stakeholder engagement need to be part of each aspect of incentive design and continue through implementation. Transparency of the financial mechanisms that are yet to be developed and strong oversight of the impact on consumers is needed. In order to make this happen, we strongly urge you to appoint a consumer representative to the HSCRC's Advisory Council on this issue and to appoint consumer representatives to the key workgroups, including the payment workgroup and any quality work group. In a followup communication, I will send you some names to consider.

MARYLAND CITIZENS' HEALTH INITIATIVE*Savings need to get to consumers*

We are concerned that system wide savings may not actually be returned to consumers in the form of lowered premiums. The Insurance administration has the authority to review trend assumptions when reviewing rates for the insured population. We should investigate whether additional authority for insurance administration would be useful in this regard.

Health care infrastructure: what we have and what we need

As the waiver is implemented, a significant amount of care will move out of hospitals and into less acute and community settings. It would be useful to have a sense of where the community capacity is already in place to absorb this growth and where it may need to be developed. It will also be important to develop strategies to ensure that reducing hospitalization doesn't harm consumers. One strategy would be to increase hospital engagement with providers who work with patients outside the hospital setting to ensure consumers get the care they need.

A second strategy would be to rigorously monitor hospital actions. We worry that a hospital could benefit financially by implementing marketing, service offerings and provider affiliations that would encourage high-cost patients to seek care elsewhere. Early hospital discharges that shift costs to long-term care facilities are another example of how hospitals might benefit financially while placing consumer health at risk. Monitoring could quickly detect the emergence of such patterns, and allow implementation of measures that would hold hospitals accountable. In addition, it may be worth considering slowly phasing-in the new payment system geographically, allowing fine-tuning for optimal results before full statewide implementation.

Finally, if the vision of reduced hospital admissions (and readmissions) becomes a reality then there will be too many hospital beds in Maryland. We understand that Maryland's CON process constrains excess capacity, but there may be capacity that is approved and built under the current system that will not be needed in the future. An analysis of capacity would be helpful to both the hospitals and consumers. Also, there may be ways we can all figure out together how excess hospital space can be used to serve community needs. It should be stressed that such an analysis is not meant to be prescriptive, but descriptive based on the current understanding of care delivery and available data which is always limited and flawed in some way. It is intended to be a starting point for a conversation about where we are all going together. If the Department has already done this kind of analysis, we would love to see it.

Many changes at once

All of the changes proposed in the waiver are to be accomplished when other large scale delivery reform efforts are also underway, e.g. expansion of insurance coverage through the exchange and Medicaid, patient centered medical home (PCMH) demonstrations, examination of value-based insurance design, accountable care organizations, bundled payment, gain-sharing arrangements, and community integrated

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medical homes (under the State Innovation Model (SIM) grant). We look forward to working with you to maximize the synergies among all these initiatives and the implementation of the new hospital waiver.

We are committed to working with you to make sure the transformation to the new health care system works for consumers. We look forward to meeting with you and John Colmers on January 7 to discuss these suggestions in person.

Sincerely,

A handwritten signature in black ink, appearing to read 'V. DeMarco', with a long horizontal flourish extending to the right.

Vincent DeMarco
President, Maryland Citizens' Health Initiative

cc: John Colmers