

Market Share Adjustments: Demonstration Requirements, Principles and Examples

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Requirements of the All-Payer Demonstration

- A certain Proportion of Maryland hospital revenue must be covered by Population-Based Payment in each year of the Demonstration
- Population-Based Payment is defined, in part, as the establishment of a fixed global budget for hospitals for services unconnected to a specific population
- A Global Budget such as the GBR arrangement is not fixed if it is subject to Volume Adjustments
- Therefore, a Market Share Adjustment in the GBR must be fundamentally different from a Volume Adjustment

Features of a Market Share Adjustment (MSA) Consistent with Population-Based Payment

- A MSA consistent with Population-Based Payment requires that:
 - A Population be specified from which Hospitals' Market Shares will be calculated
 - The Covered Services of the MSA be defined,
 - The Redistribution of Covered Services of the Population subject to the MSA result in Lower Costs or Demonstrably Higher Quality, and
 - To the Maximum Extent Practicable each MSA be (at most) Budget Neutral

The Principles of Population-Based Payment as Reflected in Fixed Global Budgets of the GBR Arrangement

- A GBR hospital should:
 - Have clear incentives to eliminate Marginal or Unnecessary Services
 - Maintain its Fixed Global Budget despite random fluctuations in its Volume of Service
 - Maintain its Fixed Global Budget despite fluctuations in the Volume of Service of other Hospitals, including increases associated with Volume Inducing Initiatives
 - Have its target budgets adjusted by an MSA only for the Redistribution of the Covered Services of a Specified Population in which the Market Share Adjustment decreases the Volume of the Redistributed Services

Limitations of a Market Share Adjustment

- Two Hospitals:

- A Community Hospital (C), and
- A Teaching Hospital (T)

provide virtually all hospital services to the residents of a zipcode (z)

Limitations of a Market Share Adjustment

- An MSA should be Applied if:
 - An ACO redirects its cases from T to C to reduce its expenditures
 - The patients diagnosed with certain cancers by the attending staff of C are referred to a newly established multi-specialty cancer program at T
 - C elects to close a service with patients directed to T
 - C gets approval for an OHS program, drawing patients from T

Limitations of a Market Share Adjustment

- An MSA should not be Applied if:
 - T applies effective clinical management, reducing its volume of services to the residents of z, while C's volumes of services to the residents of z remain fixed
 - C recruits (and subsidizes) a Cardiology Group, increasing the level of its cardiology services
 - T is the sole provider of certain services and T increases the level of such services to the residents of z