



Maryland Health Services Cost Review Commission

Efficiency/Cost Measures

Payment Models Work Group Meeting 10/05/2015



HSCRC

Health Services Cost
Review Commission

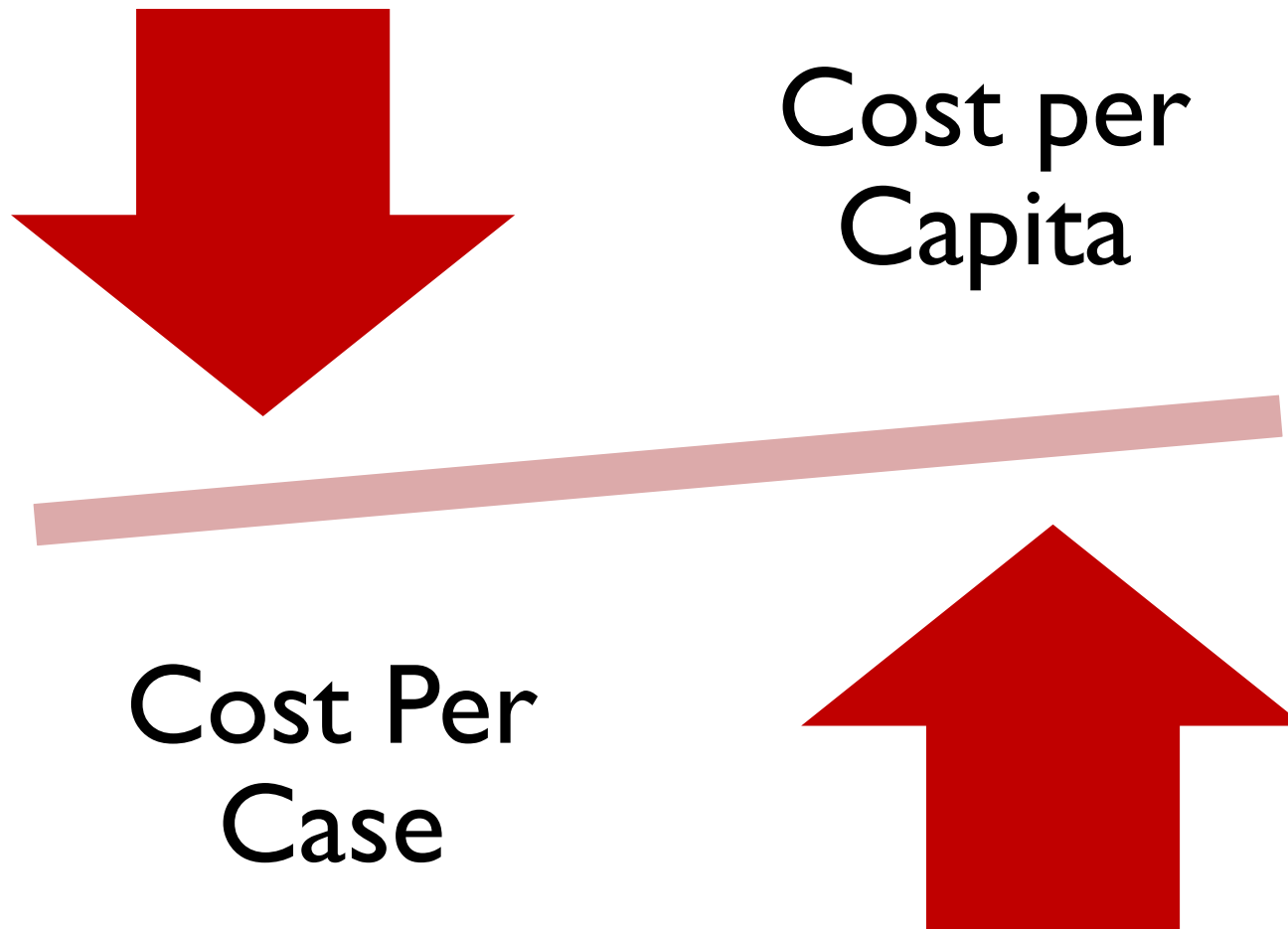
Possible uses of Efficiency/Cost measures

- ▶ Provide comparative information for decision making
 - ▶ by businesses about health plan purchasing
 - ▶ by consumers about health plan/provider choice
 - ▶ by health plans about provider contracting
 - ▶ by managers about resource allocation
- ▶ Monitoring and planning
- ▶ Pay-for-performance
- ▶ Public reporting

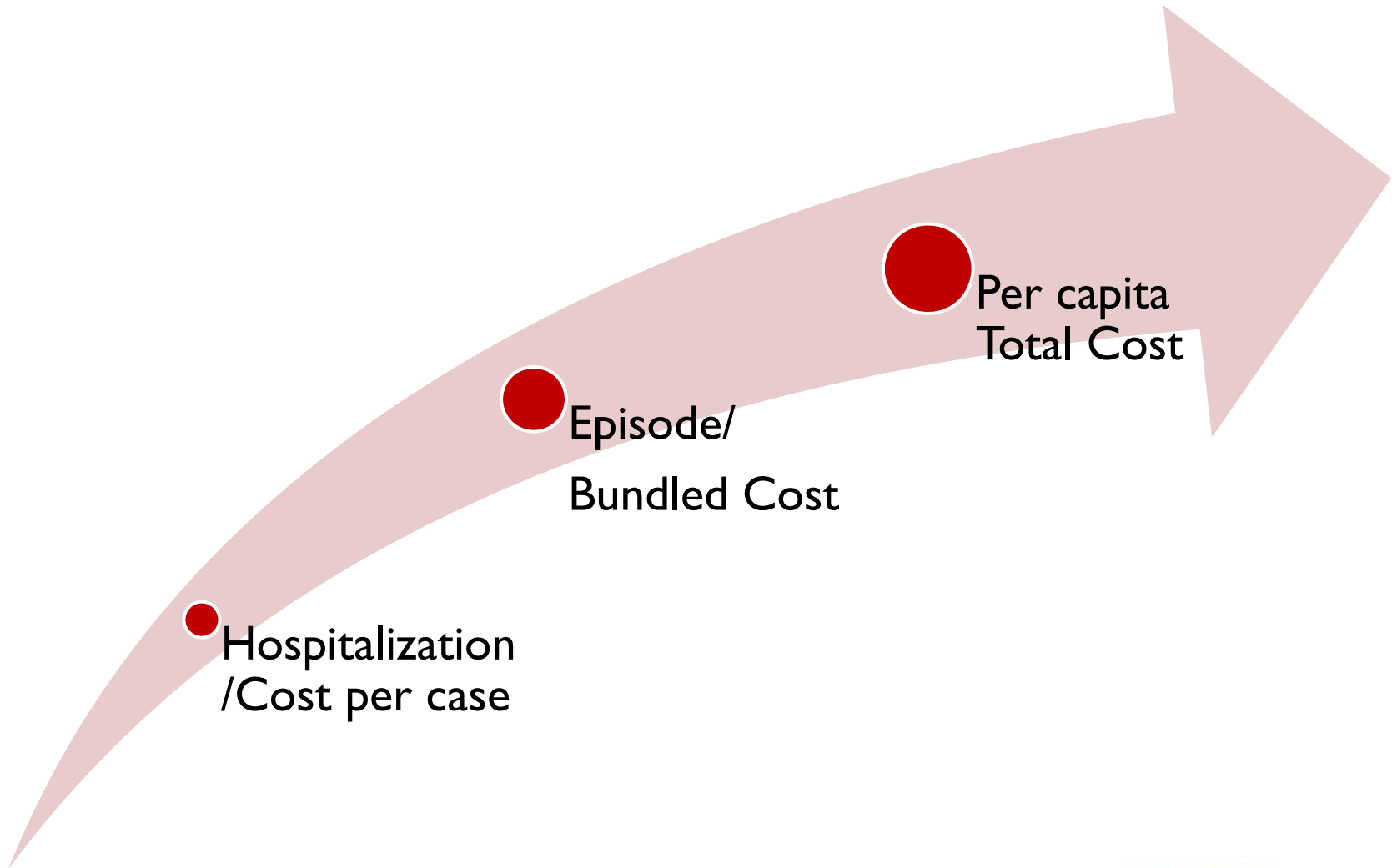
HSCRC Efficiency Measure Uses

- ▶ Full & Partial Rate Applications
- ▶ Certificate of Need Reviews
- ▶ Performance measurement (CMS Value-Based Purchasing)

Global Budgets Efficiency



Efficiency Measure Time & Space



Review of Selected Cost Measures

- ▶ Per Case: Reasonableness of Charges (ROC)
- ▶ Episode: Medicare Spending per Beneficiary (MSPB)
- ▶ Population: Total Cost of Care measures (PMPM)

Reasonableness of Charges (ROC)

HSCRC per case measure

ROC Adjustment Factors

- ▶ To compare hospitals with their peer group standards, approved charges per case adjusted for the following:
 - ▶ **Uncompensated care (Mark-up)** – Commission approved markups over costs that reflect built into each hospital's rate structure.
 - ▶ **Direct Medical Education, Nurse Education, and Trauma (Direct Strips)** remove partial costs of resident salaries, nurse education costs and incremental costs of trauma services of hospitals with trauma centers
 - ▶ **Labor Market** – Adjustment for differing labor costs in various markets
 - ▶ **Case Mix** – Adjustment accounts for differences in average patient acuity across hospitals
 - ▶ **Indirect Medical Education**- Adjustment for inefficiencies and unmeasured patient acuity associated with teaching programs.
 - ▶ **Disproportionate Share** – Adjustment for differences in hospital costs for treating relatively high number of poor and elderly patients
 - ▶ **Capital** – Costs for a hospital are partially recognized

Total Cost of Care PMPM

Time Dimension

**Annual
Quarterly
Others**

Cost Dimension

**Inpatient, Outpatient,
Professional, Pharmacy,
Ancillary Services,
Home Health,
Hospice,
Skilled Nursing Facility,
Durable Medical
Carrier**



Considerations

- ▶ **Measurement of Total Cost of Care**
 - ▶ Medicare Claims
 - ▶ Commercial Claims from Maryland Health Care Commission
 - ▶ Medicaid Claims
- ▶ **Risk Adjustment**
 - ▶ Demographics (Age, Sex, Social/economic factors)
 - ▶ Risk Adjustment Methodology
- ▶ **Denominator**
 - ▶ Virtual Patient Service Area
- ▶ **Out of State Utilization Adjustment**