

Meeting the Dual Waiver Tests of
the Demonstration: Calculating GBR
Target Budget Increases using the
“Difference Statistic”

Report to the Payment Models Work Group

Jack S. Cook

May 2, 2016

The All-Payer Model Demonstration

Description and Characteristics of the Dual Waiver Tests

The All Payer Test

- The All-Payer Test:
 - Is defined in terms of the All-Payer Statistic:
 - Maryland hospital charges for services to Maryland residents calculated annually on a per capita basis
 - Requires that the All-Payer Statistic may not increase by more than 3.58% annually over the term of the Demonstration
 - Can be formulated in each year in terms of quantities that are largely known in advance (prior year increases in the All-Payer Statistic, population growth and the 3.58% annual limitation)

The All-Payer Statistic
Annual Increases: 2011-2015
 Schedule 1

Column: (1) (2) (3) (4)

	Hospital Charges to MD Residents (\$1,000,000)	Maryland Population (1,000)	All-Payer Statistic (1)/(2)	Percent Change
Calendar Year:				
2011	\$13,317.2	5,844.2	\$2,279	--
2012	\$13,732.1	5,890.7	\$2,331	2.28%
2013	\$14,025.2	5,936.0	\$2,363	1.37%
2014	\$14,331.8	5,975.3	\$2,399	1.52%
2015	\$14,784.6	6,006.4	\$2,461	2.58%

The All-Payer Model Demonstration

Description and Characteristics of the Dual Waiver Tests

The Medicare Test

- The Medicare Test:
 - Is defined in terms of the Medicare Statistic:
 - All hospital payments for services to Medicare FFS beneficiaries residing in Maryland calculated annually on a per beneficiary basis
 - Requires that the Medicare Statistic may not increase by more than the US average increase in Medicare hospital payment per FFS beneficiary less the annual savings requirement
 - Is formulated in terms of several parameters not known in advance (the US average increase; the level of payments for services to Medicare FFS beneficiaries made to out-of-state hospitals, etc.)

The Medicare Statistic
Annual Increases: 2011-2015
 Schedule 2

Column: (1) (2) (3) (4)

	MD Hospital Charges to FFS Beneficiaries (\$1,000,000)	Resident FFS Beneficiaries (1,000)	All-Payer Statistic Charges/FFS Beneficiary	Percent Change
Calendar Year:				
2011	\$4,958.1	712.6	\$6,958	--
2012	\$5,058.9	736.1	\$6,873	-1.22%
2013	\$5,270.3	767.3	\$6,869	-0.06%
2014	\$5,391.5	792.0	\$6,807	-0.89%
2015	\$5,641.8	816.3	\$6,911	1.53%

Note: Estimate does not account for out of area services or charges in the Medicare payment to charge ratio in Maryland

The All-Payer Model Demonstration Meeting the Dual Waiver Tests **The Difference Statistic**

- The Difference Statistic:
 - Is defined for 2012 through 2015 as the difference between
 - The annual increase in the All-Payer Statistic, and
 - The annual increase in the Medicare Statistic
 - Allows the HSCRC to unify the Dual Waiver Test requirements into a single limitation
 - Therefore, under the Demonstration the single limitation relates to the Medicare Test and results in a maximum allowable increase under the All-Payer Test

The Difference Statistic Prior to and
During the Demonstration

Schedule 3

Column:	(1)	(2)	(3)	(4)	(5)	(6)
	Charges per Resident Schedule 1	Percent Change	Charges/FFS Beneficiary Schedule 2	Percent Change	Difference Statistic (2)-(4)	Variance from Average ((5)-2.10)
Calendar Year						
Prior to Demonstration						
2011	\$2,279	--	\$6,958	--		
2012	\$2,331	2.28%	\$6,873	-1.22%	3.50	1.40
2013	\$2,363	1.37%	\$6,869	-0.06%	1.43	0.67
Term of the Demonstration					2.47	1.04
2014	\$2,399	1.52%	\$6,807	-0.89%	2.41	0.31
2015	\$2,461	2.58%	\$6,911	1.53%	1.05	1.05
Subtotal/Average					1.73	0.68
Total/Average					2.10	0.86
Cumulatively Projected Difference Statistic: Average – Average Variance (2.10-0.86)					1.24	

Discussion of the Initial Difference Statistic Calculations and Projections vs. the Results of Schedule 3

- The use of the Difference Statistic and the Conservatively projected Difference Statistic was proposed in 2013 based on five (5) years of HSCRC charge data
- A comparison of the 2013 calculations and the results of Schedule 3 are summarized below:

Schedule 4 – Comparison of Difference Statistic: Variations and Conservative Projections

	Average Difference Statistic	Variance	Conservative Projection
Initial (2009-2013)	2.94	0.79	2.15
Current:			
Pre-Demo Term (2012, 2013)	2.47	1.04	1.43
Term of Demo (2014, 2015)	1.73	0.68	1.05
Total	2.10	0.86	1.24

An Alternative Difference Statistic Estimate

The use of Medicare Payment Data (2013-2015)

- The HSCRC staff has received Medicare Payment Data from CMS for the period 2013-2015.
 - Includes a 2015 two month run out, plus
 - Completion factors
- These Payment data are summarized on Schedule 5

Schedule 5 – The Estimated Medicare Statistic (Payment Data: 2013-2015)

Calendar Year	Payments (\$000,000)	FFS Beneficiaries	Payments per Beneficiary (est. Medicare Statistic)	Percent Change
2013	\$4,664.4	767.3	\$6,079	--
2014	\$4,756.0	792.0	\$6,005	-1.20
2015	\$4,984.5	816.3	\$6,106	1.68
2013-2015				0.48

Corroborating the Estimated Difference Statistic Using Medicare Payment Data (2013-2015)

Schedule 6

Column:	(1)	(2)	(3)	
	Percent Change			
	MD Resident Charges per Capita (Schedule 1)	Medicare Payment per Beneficiary (Schedule 5)	Difference Statistic (1) – (2)	Variance (3) - Average
Calendar Year:				
2014	1.52	-1.20	2.72	0.92
2015	2.58	1.68	0.90	0.90
Average:			1.80	0.91

Conservatively Projected Difference Statistic $1.80 - 0.91 = \underline{0.89}$