Maryland Health Services Cost Review Commission

Efficiency/Cost Measures

Performance Measurement Work Group Meeting
10/28/2015
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

Cost per Capita

Cost Per Case
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
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

- Benchmarks
Efficiency Measure Development Timelines

- Per Case measure revisions (next 3 months)
  - Disproportionate Share Adjustment (evaluate area deprivation index, and national estimates)
  - Indirect Medical Education Cost (evaluate national estimates)
  - Potentially Avoidable Utilization adjustments

- Per Capita Hospital Cost (next 9 months)
  - Data sources: Medicare claims, All-Payer Claims Database, HCUP, DC Hospital Discharge Database
  - Attribution: Virtual Patient Service Area
  - Risk Adjustment: Rate adjustments and patient level risk adjustment models (age, sex, HCC, ACG etc)

- Per Capita Total Cost (next 18 months)
  - Data sources: Medicare claims, All-Payer Database
  - Attribution: Virtual Patient Service Area
  - Risk Adjustment: Rate adjustments and patient level risk adjustment models (age, sex, HCC, ACG etc)