



maryland  
**health services**  
cost review commission

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## Payment Model Work Group

March 1, 2022



Payment Model Workgroup

## **Meeting Agenda**

**March 1, 2022**

**10:00 am to 12:00 pm**

**Health Services Cost Review Commission**

- I Introductions and Meeting Overview
- II Relevant Financial Data Review
  - TCOC Model Update
  - FY21 Undercharge
  - Inflation Review
- III Update Model Review
- IV Benchmarking
- V Adjourn



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# Update on Medicare FFS Data & Analysis

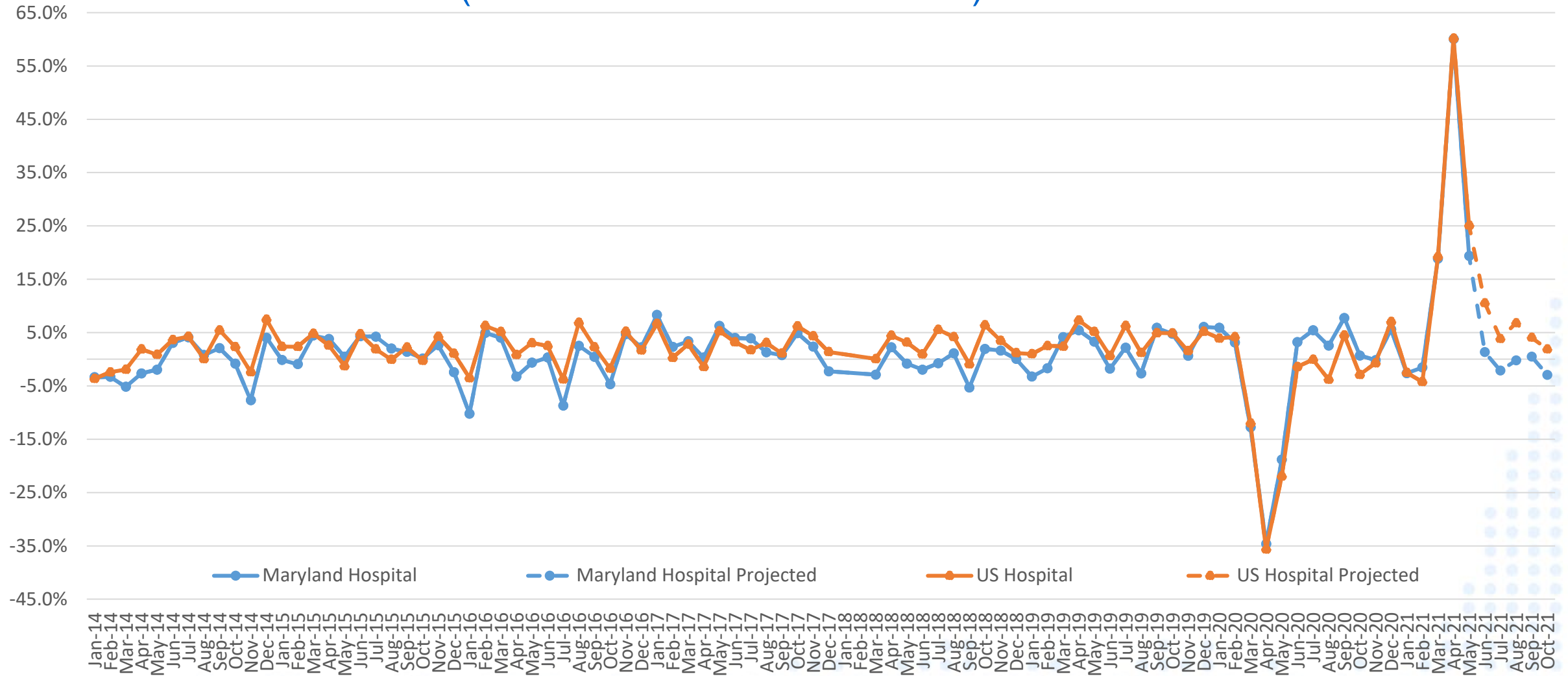
## February 2022 Update

Data through October 2021, Claims paid through December 2021

Data contained in this presentation represent analyses prepared by HSCRC staff based on data summaries provided by the Federal Government. The intent is to provide early indications of the spending trends in Maryland for Medicare FFS patients, relative to national trends. HSCRC staff has added some projections to the summaries. This data has not yet been audited or verified. Claims lag times may change, making the comparisons inaccurate. ICD-10 implementation and EMR conversion could have an impact on claims lags. These analyses should be used with caution and do not represent official guidance on performance or spending trends. These analyses may not be quoted until public release.

# Medicare Hospital Spending per Capita

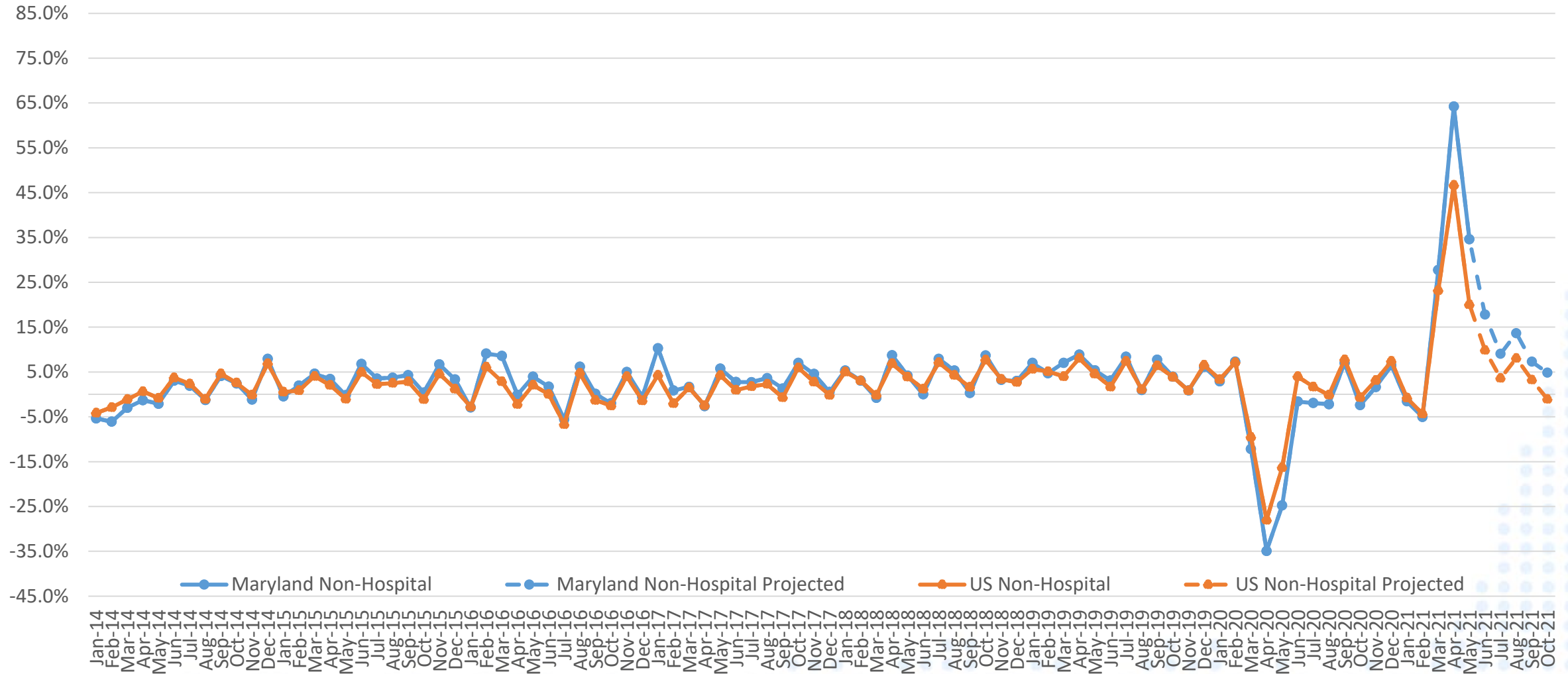
## Actual Growth Trend (CY month vs. Prior CY month)



CY16 has been adjusted for the undercharge.

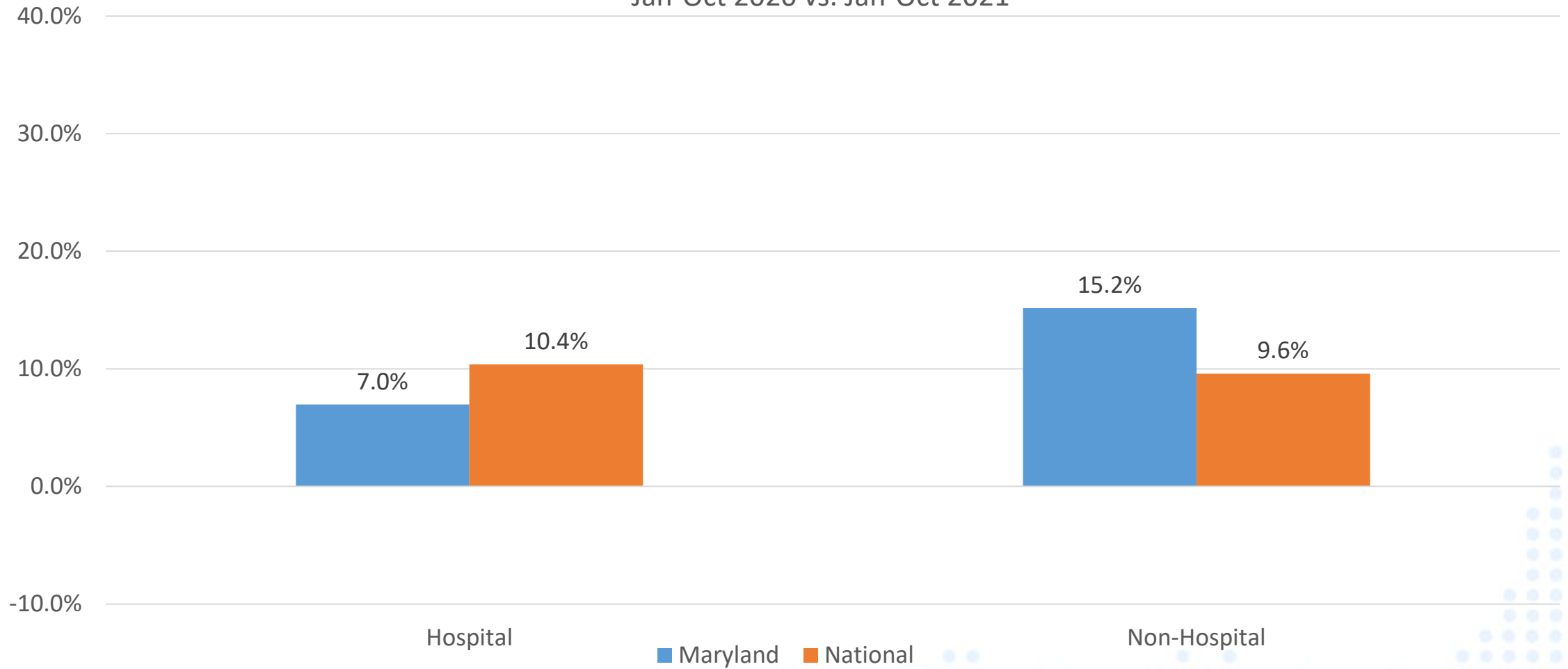
# Medicare Non-Hospital Spending per Capita

## Actual Growth Trend (CY month vs. Prior CY month)



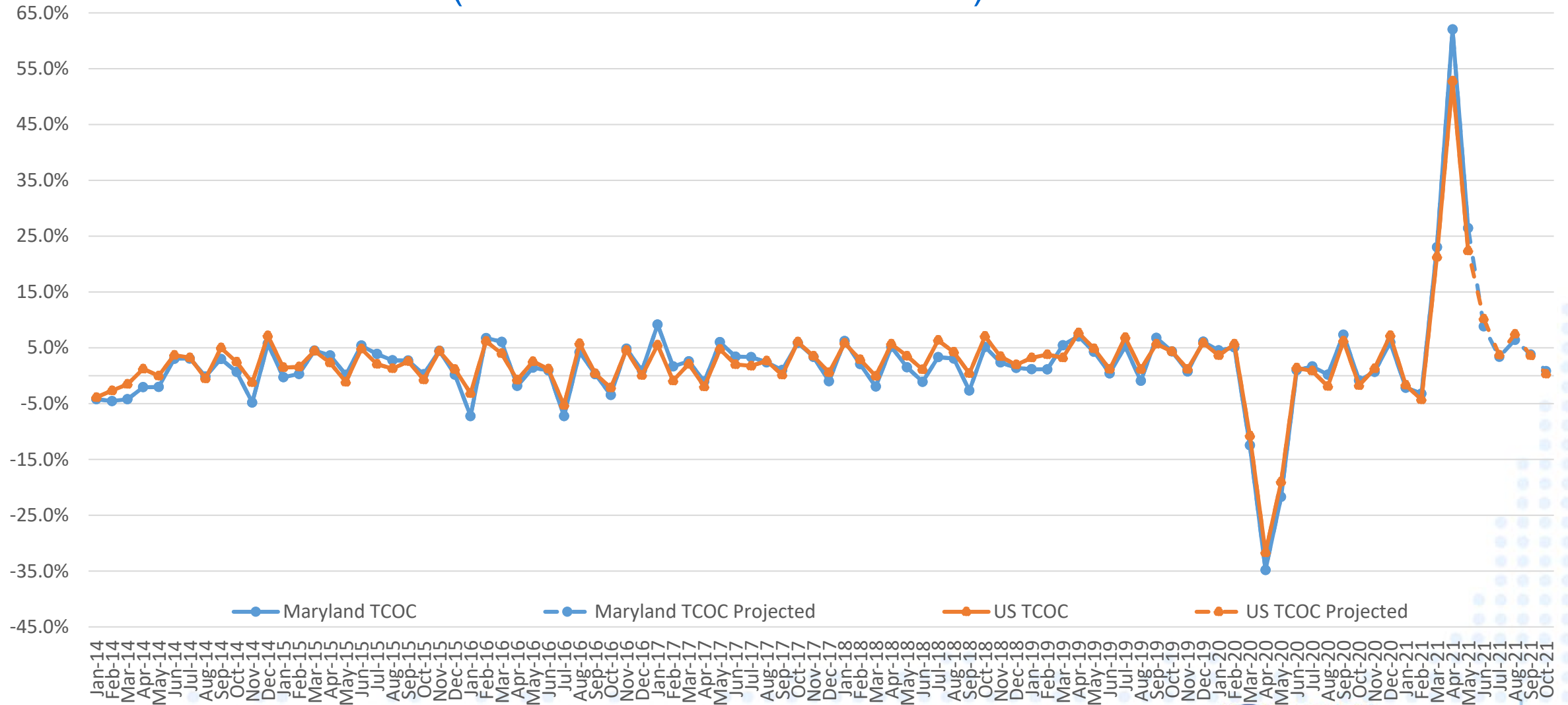
# Medicare Total Cost of Care Payments per Capita

Year to Date Growth  
Jan-Oct 2020 vs. Jan-Oct 2021



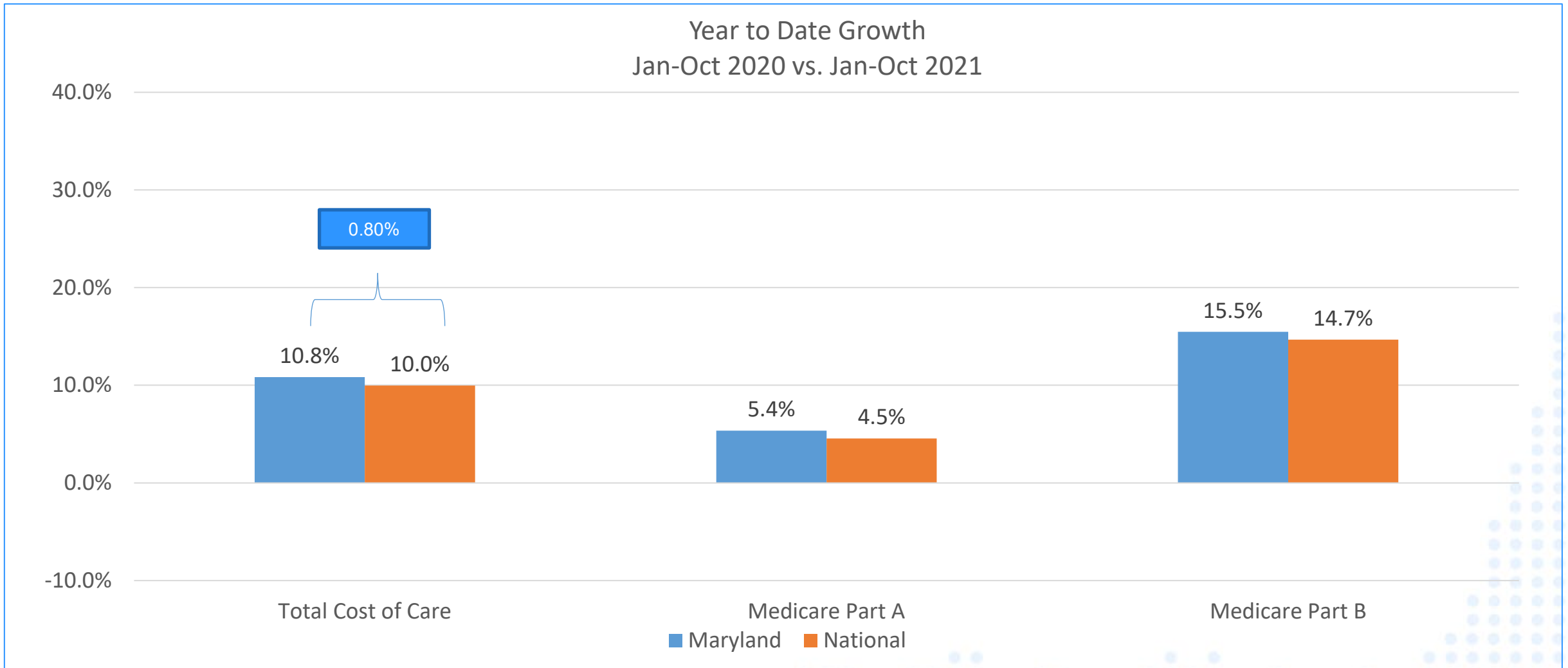
# Medicare Total Cost of Care Spending per Capita

## Actual Growth Trend (CY month vs. Prior CY month)



CY16 has been adjusted for the undercharge

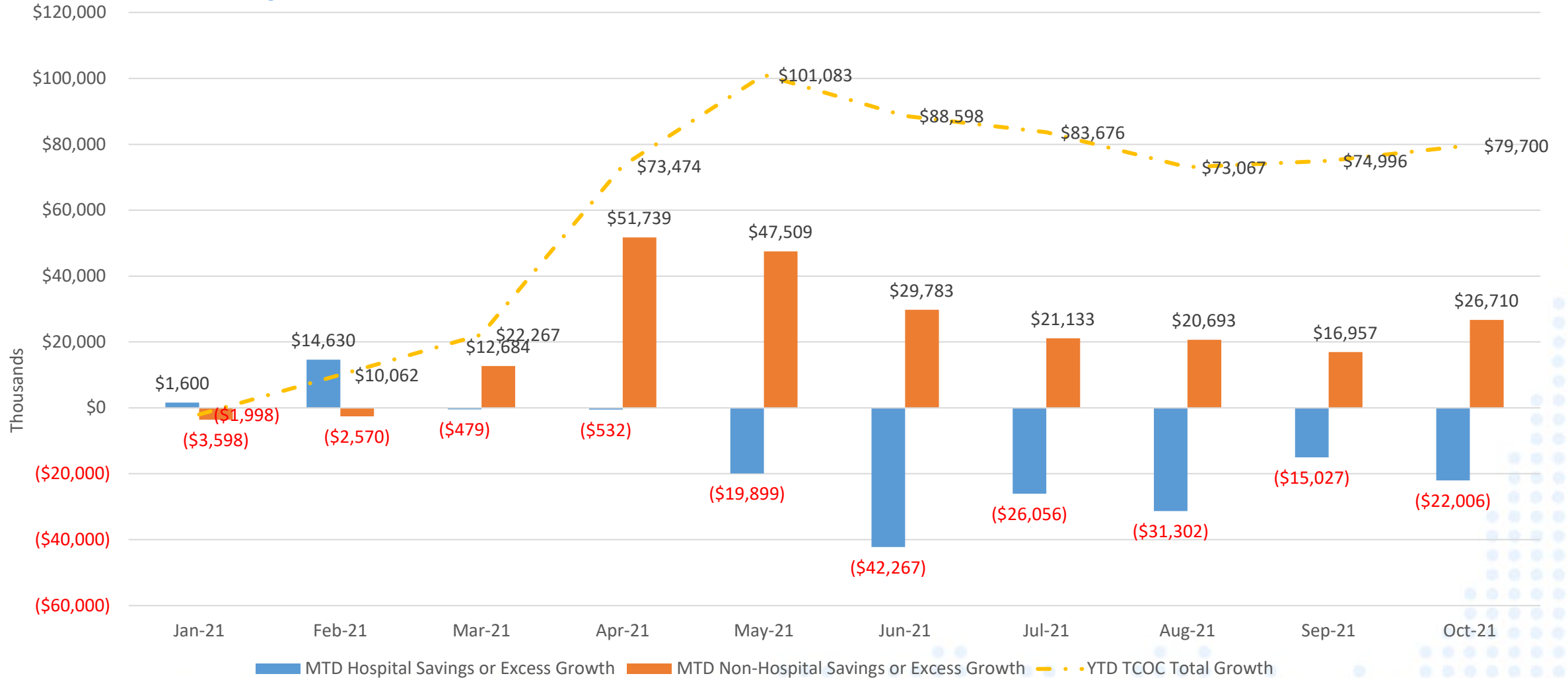
# Medicare Total Cost of Care Payments per Capita





# Maryland Medicare Hospital & Non-Hospital Growth

## CYTD through October 2021





# FY2021 Undercharge

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## FY 2021 Undercharge

- The FY 2021 undercharge was guaranteed as part of the FY 2022 Update Factor Recommendation due to unpredictable volumes from the COVID -19 pandemic
- The net undercharge for FY 2021 was \$213 M (net of CARES funding)
- Staff provided 55 percent of the \$213M undercharge in the January rate updates, totaling \$117M
  - Staff also increased corridors to +10% for January – June 2022 to ensure hospitals could charge the undercharge that was added to rates
- The remaining 45 percent of the undercharge (approximately \$100M) will be provided to hospitals on July 1, 2022, subject to any additional offsets to federal provider relief funding and/or COVID surge funding

# Advanced Inflation Funding for FY23

# Advance Inflation for FY23

- The Commission voted to provide \$100 M to Maryland hospitals to stabilize workforce staffing pressures placed on hospitals as a result of the COVID-19 pandemic.
- January 2022 Rate Updates in FY 2022
  - \$100 million industry wide provided to hospitals as a one-time adjustment, effective July 1, 2021.
  - This is a one-time loan that will be reversed out July 1, 2022.
- July 2022 Rate Updates in FY 2023
  - An additional one-time reduction, in the amount of \$100 million statewide, will be applied to offset the funding provided on January 1, 2022. This portion of the adjustment will be offset against the December 31 interim target for FY 23 to ensure charges related to this are accounted for in CY 22.

# Inflation Review

- Between RY14 and RY22, the Commission has cumulatively funded above actual cost inflation by 0.61 percentage points (23.87% funded vs. 23.12% actual)
- When taking into account other permanent rate changes (infrastructure funding over three years and ongoing PAU Savings reductions), statewide funded inflation is below that of actual cost inflation by 0.91 percentage points (22.01% funded vs. 23.12% actual)

	RY13	RY14	RY15	RY16	RY17	RY18	RY19	RY20	RY21	RY22	Cumulative Growth
<b>Funded Inflation</b>		1.65%	2.40%	2.40%	1.92%	2.68%	2.32%	2.96%	2.77%	2.57%	23.87%
<b>Actual Inflation</b>		1.85%	1.93%	1.84%	2.29%	2.38%	2.59%	2.31%	2.01%	3.86%	23.12%
<b>Difference</b>		-0.20%	0.46%	0.55%	-0.36%	0.29%	-0.26%	0.64%	0.75%	-1.24%	<b>0.61%</b>
<b>Infrastructure</b>		0.33%	0.33%	0.40%							1.06%
<b>PAU Savings</b>		0.00%	-0.40%	-0.20%	-0.65%	-0.20%	-0.30%	-0.35%	-0.28%	-0.22%	-2.58%
<b>Infrastructure/PAU Difference</b>		0.33%	-0.08%	0.20%	-0.65%	-0.20%	-0.30%	-0.35%	-0.28%	-0.22%	-1.54%
<b>Funded Inflation + Infrastructure/PAU</b>											22.01%
<b>Actual Inflation</b>		1.98%	2.33%	2.60%	1.27%	2.48%	2.02%	2.61%	2.49%	2.35%	23.12%
<b>Total Difference</b>		0.13%	0.39%	0.75%	-1.00%	0.10%	-0.56%	0.29%	0.47%	-1.45%	<b>-0.91%</b>
<b>Regulated Margin</b>	<b>4.59%</b>	<b>7.23%</b>	<b>8.42%</b>	<b>8.59%</b>	<b>8.05%</b>	<b>8.98%</b>	<b>8.09%</b>	<b>7.80%</b>	<b>9.70%</b>		

- Because inflation is applied to revenue and volumes have declined under the Model, regulated margins have improved despite any underfunding of cost inflation and continued PAU reductions.

# FY2023 Update Factor Model

Components of Revenue Change Link to Hospital Cost Drivers /Performance

		Weighted Allowance
Adjustment for Inflation (this allows for a increase of 3.90% for wages and compensation)		2.87%
- Outpatient Oncology Drugs		0.21%
<b>Gross Inflation Allowance</b>	<b>A</b>	<b>3.08%</b>
<b>Care Coordination/Population Health</b>		
- Reversal of One-Time Grants		0.00%
- Regional Partnership Grant Funding RY23		0.00%
<b>Total Care Coordination/Population Health</b>	<b>B</b>	<b>0.00%</b>
<b>Adjustment for Volume</b>		
-Demographic /Population		0.00%
<b>Total Adjustment for Volume</b>	<b>C</b>	<b>0.00%</b>
<b>Other adjustments (positive and negative)</b>		
- Set Aside for Unknown Adjustments	D	0.00%
- Low Efficiency Outliers	E	0.00%
- Complexity & Innovation	G	0.00%
-Reversal of one-time adjustments for inflation advance and drugs	H	0.00%
<b>Net Other Adjustments</b>	<b>I = Sum of D thru H</b>	<b>0.00%</b>
<b>Quality and PAU Savings</b>		
-PAU Savings	J	0.00%
-Reversal of prior year quality incentives	K	0.00%
-QBR, MHAC, Readmissions		
-Current Year Quality Incentives	L	0.00%
<b>Net Quality and PAU Savings</b>	<b>M = Sum of J thru L</b>	<b>0.00%</b>
<b>Total Update First Half of Rate Year 23</b>		
Net increase attributable to hospitals	<b>N = Sum of A + B + C + I + M</b>	<b>3.08%</b>
Per Capita First Half of Rate Year (July - December)	<b>O = <math>(1+N)/(1+0.01\%)</math></b>	<b>3.08%</b>
<b>Adjustments in Second Half of Rate Year 23</b>		
-Oncology Drug Adjustment	P	0.00%
-Future Adjustment	Q	0.00%
<b>Total Adjustments in Second Half of Rate Year 23</b>	<b>R = P + Q</b>	<b>0.00%</b>
<b>Total Update Full Fiscal Year 23</b>		
Net increase attributable to hospital for Rate Year	<b>S = N + R</b>	<b>3.08%</b>
Per Capita Fiscal Year	<b>T = <math>(1+S)/(1+0.01\%)</math></b>	<b>3.08%</b>
<b>Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements</b>		
-Uncompensated care, net of differential	U	-0.56%
-Deficit Assessment	V	0.00%
Net decreases	<b>W = U + V</b>	<b>-0.56%</b>
<b>Total Update First Half of Rate Year 23</b>		
Revenue growth, net of offsets	<b>X = N + W</b>	<b>2.52%</b>
Per Capita Revenue Growth First Half of Rate Year	<b>Y = <math>(1+X)/(1+0.01\%)</math></b>	<b>2.52%</b>
<b>Total Update Full Rate Year 23</b>		
Revenue growth, net of offsets	<b>Z = S + W</b>	<b>2.52%</b>
Per Capita Fiscal Year	<b>AA = <math>(1+Z)/(1+0.01\%)</math></b>	<b>2.52%</b>



# Update on February 4, 2022, Benchmarking Memo

# Benchmarking Memo

- On February 4<sup>th</sup> HSCRC staff sent out a memo discussing:
  - Comments received on the benchmarking approach at various times
  - Additional testing performed by staff on the benchmarking
  - Revisions based on the additional work
- Memo can be found on TCOC Workgroup page: [Benchmarking Memo](#)
- HSCRC expects to release 2019 Commercial and 2020 Medicare results in the coming months
  - 2020 results will not be used for any methodologies and are for information only.
  - Next period released for Commercial will likely be 2021 (in early 2023)

# Proposed Changes from Additional Review

- Additional reconciliation of Commercial data
  - Work completed with CareFirst for 2019 (leading to delayed release)
  - Reconciliation process established with MHCC and CareFirst will be built into future commercial updates
- Revision to the treatment of cost of care performance better than benchmark in the Full Rate Application policy.
  - Staff expecting to prepare revisions to that recommendation for Commission review
- Formally specified a 5-year process review
  - Entire benchmarking approach will be reviewed every after 5 data years (2025 on 2024 data)
  - Intervening periods will be updated for new data only, peer groups and underlying methodology will remain unchanged