

**Executive Session Minutes
Of the
Health Services Cost Review Commission**

November 2, 2011

Upon motion made, Chairman Colmers called the meeting to order at 9:34 a.m.

The meeting was held under the authority of Section 10-508 of the State-Government Article.

In attendance, in addition to Chairman Colmers, were Commissioners Antos, Bone, Keane, Loftus, Mullen, and Wong.

Steve Ports, Jerry Schmith, and Dennis Phelps attended representing staff.

Bobby Neal, CEO, and Edward Kumian, CFO, attended representing Priority Partners, and Susan Rewers-Green, Director of Operations, attended representing Maryland Physicians Care.

Also attending was Stan Lustman Commission Counsel.

Item One

The Commissioners discussed the progress in the hiring of the Executive Director.

Mr. Ports reported on the latest developments concerning the modernization of the waiver test and participation in CMS' Bundled Payments for Care Initiative.

Item Two

Mr. Neal and Mr. Kumian provided proprietary information on the current experience and future plans of Priority Partners. Chairman Colmers recused himself from this presentation.

Ms. Rewers-Green also provided proprietary information on the current experience and future plans of Maryland Physicians Care.

The Executive Session was adjourned at 10:39 a.m.

**483rd MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION**

November 2, 2011

Chairman John Colmers called the meeting to order at 10:45 a.m. Commissioners Joseph R. Antos, Ph.D., George H. Bone, M.D., Jack C. Keane, Bernadette C. Loftus, M.D., Thomas R. Mullen, and Herbert S. Wong, Ph.D. were also present.

REPORT OF THE EXECUTIVE SESSIONS OF NOVEMBER 2, 2011

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the November 2, 2011 Executive Session.

**ITEM I
EXECUTIVE AND PUBLIC SESSIONS OF OCTOBER 12, 2011**

The Commission voted unanimously to approve the minutes of the October 12, 2011 Executive Session and the amended minutes of the October 12, 2011 Public Session.

**ITEM II
EXECUTIVE DIRECTOR'S REPORT**

As requested at the Commission's October public meeting, Steve Ports, Acting Executive Director, reported on the magnitude of total revenue involved in the Admission-Readmission Revenue (ARR) and Total Patient Revenue (TPR) revenue constraint initiatives. According to Mr. Ports, the hospitals participating in the ARR and TPR initiatives represent 65% of the system's total revenue. However, estimated revenue "at risk" under the ARR initiative is approximately \$650 million or 9% of the system's inpatient revenue. The combined revenue at risk for both the ARR and TPR initiatives is approximately 15% of the system's total revenue.

Mr. Ports advised the Commission of the progress on current major initiatives and issues. They include: 1) finalizing twenty-eight ARR agreements for FY 2012; 2) finalizing the ARR operational plan; and 3) making progress on completing the various components required to issue rate orders, e.g., calculation of uncompensated care provision, settling-up Charge-per-Case (CPC) and Charge-per-Visit (CPV) programs for FY2011, calculating FY 2012 CPC and CPV targets, finalizing Total Patient Revenue hospital budgets and calculating ARR Charge-per Episode (CPE) weights.

Mr. Ports stated that we have not received a definitive answer from the Centers for Medicare and Medicaid Services (CMS) as to whether the HSCRC may participate as a convener in the CMS Bundled Payments for Care Improvement Initiative. Mr. Ports reported that there will be a conference with CMS on November 3rd to seek obtain approval to participate in the initiative.

Nevertheless, Mr. Ports recommended that hospitals that are interested in participating in any of the initiative models should apply separately to CMS.

Mr. Ports reported that, as requested by the legislature, staff will convene a workgroup to discuss the HSCRC's current capital policy and to discuss whether changes should be made to at least some elements of the policy as a result of the new payment initiatives.

ITEM III
DOCKET STATUS CASES CLOSED

None

ITEM IV
DOCKET STATUS CASES OPEN

MedStar Health – 2128A

On July 26, 2011, MedStar Health filed an application for an Alternative Method of Rate Determination on behalf of Franklin Square Hospital, Good Samaritan Hospital, Harbor Hospital, and Union Memorial Hospital requesting approval for the continued participation of MedStar Family Choice Program in the Medicaid Health Choice Program. The Hospitals requested approval for an additional year beginning January 1, 2012.

Staff found that actual financial experience for CY 2010 was favorable, and interim experience data for CY 2011 are positive; however, projections for CY 2012 are unfavorable. Staff believes that the proposed renewal arrangement is acceptable under Commission policy and recommended that the request for renewal of the arrangement for one year, beginning January 1, 2012, be approved. In addition, staff recommended that the approval be contingent on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

Maryland Physicians Care – 2131A

On August 17, 2011, Maryland Physicians Care on behalf of Maryland General Hospital, St. Agnes Health System, Western Maryland Health System, and Washington County Hospital (the "Hospitals") filed an application requesting approval for continued participation of Maryland Physicians Care in the Medicaid Health Choice Program. The Hospitals requested approval for an additional year beginning January 1, 2012.

Staff found that actual financial experience for CY 2010 was favorable and, based on interim data and forecasts, is expected to improve in CY 2011 and CY 2012. Therefore, staff recommended that the request for renewal of the arrangement for one year, beginning January 1,

2012, be approved. In addition, staff recommended that the approval be contingent on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

Johns Hopkins Health System – 2135A

On August 30, 2011, the Johns Hopkins Health System filed an application for an Alternative Method of Rate Determination on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals") requesting approval for the continued participation of Priority Partners, Inc. in the Medicaid Health Choice Program. The Hospitals requested approval for an additional year beginning January 1, 2012.

Staff found that actual financial experience for CY 2010 was favorable and, based on interim data and forecasts, is expected to improve in CY 2011 and CY 2012. Therefore, staff recommended that the request for renewal of the arrangement for one year, beginning January 1, 2012, be approved. In addition, staff recommended that the approval be contingent on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation. Chairman Colmers recused himself from consideration of this application.

University of Maryland Medical Center - 2137A

On October 5, 2011, University of Maryland Medical Center filed an alternative method of rate determination application requesting approval to participate in a new global rate arrangement for solid organ and bone marrow transplant services with Interlink Health Services for a period of three years beginning November 1, 2011.

Since the format utilized to calculate case rates, i.e., historical data for like cases, has been utilized as the basis for other successful transplant arrangements in which the Hospital is currently participating, staff recommended that the Commission: 1) waive the requirement that alternative rate applications be filed 30 days before the proposed effective date; 2) approve the Hospital's request for a period of one year effective November 1, 2011, and 3) that the approval be contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

University of Maryland Medical Center - 2138A

On October 5, 2011, the University of Maryland Medical Center filed an application requesting approval to continue to participate in a global rate arrangement with BlueCross and Blue Shield Association Quality Centers for Transplant (BQCT) for blood and bone marrow transplant services. The Hospital requested approval for three years beginning September 1, 2011.

Staff recommended that: 1) the requirement that an application be filed 30 days prior to the proposed effective date of an alternative method of rate determination arrangement be waived; and 2) the Hospital's request be approved for one year beginning September 1, 2011 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

University of Maryland Medical Center – 2139A

On October 12, 2011, the University of Maryland Medical Center filed an application requesting approval to continue to participate in a global rate arrangement with United Resource Networks for solid organ and blood and bone marrow transplants services. The Hospital requested approval for one year beginning November 1, 2011.

Staff recommended that: 1) the requirement that an application be filed 30 days prior to the proposed effective date of an alternative method of rate determination arrangement be waived; and 2) the Hospital's request be approved for one year beginning November 1, 2011 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation.

Johns Hopkins Health System – 2140A

On October 13, 2011, the Johns Hopkins Health System filed an application for an Alternative Method of Rate Determination on behalf Johns Hopkins Bayview Medical Center (the "Hospital") requesting approval for continued participation in a capitated arrangement serving persons with mental health needs under the program title, "Creative Alternative." The arrangement is between the Johns Hopkins Health System and the Baltimore Mental Health Systems, Inc, with the services coordinated through the Hospital. The requested approval is for the period of one year beginning November 1, 2011.

Staff recommended that: 1) the requirement that an application be filed 30 days prior to the proposed effective date of an alternative method of rate determination arrangement be waived;

and 2) the Hospital's request be approved for one year beginning November 1, 2011 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff's recommendation. Chairman Colmers recused himself from consideration of this application.

Johns Hopkins Health System – 2141A

On October 13, 2011, the Johns Hopkins Health System filed an application on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals") requesting approval to continue to participate in a global rate arrangement with Preferred Health Care LLC, for solid organ and bone marrow transplant services for a period of one year beginning October 1, 2011.

Staff recommended that: 1) the requirement that an application be filed 30 days prior to the proposed effective date of an alternative method of rate determination arrangement be waived; and 2) the Hospitals' request be approved for one year beginning October 1, 2011 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding. Staff

The Commission voted unanimously to approve staff's recommendation. Chairman Colmers recused himself from consideration of this application.

Johns Hopkins Health System – 2142A

On October 24, 2011, the Johns Hopkins Health System filed an application on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals") requesting approval to continue to participate in a global rate arrangement with Life Trac, a subsidiary of Allianz Insurance Company of North America, for solid organ and bone marrow transplant services for a period of one year beginning November 1, 2011.

Staff recommended that: 1) the requirement that an application be filed 30 days prior to the proposed effective date of an alternative method of rate determination arrangement be waived; and 2) the Hospitals' request be approved for one year beginning November 1, 2011 based on historically favorable performance under this arrangement. In addition, staff recommended that the approval be based on the execution of the standard Memorandum of Understanding. Staff

The Commission voted unanimously to approve staff's recommendation. Chairman Colmers recused himself from consideration of this application.

Hal Cohen, Ph.D., representing CareFirst of Maryland and Kaiser Permanente, suggested that if hospitals can consistently achieve successfully performance for transplant cases under the HSCRC's alternative method of rate determination global price arrangements, these cases should be included under the Reasonableness of Charges and Charge-per-Case methodologies.

ITEM V
PRESENTATION OF DRAFT REVISED LABOR AND DELIVERY
RELATIVE VALUE UNITS

Chris O'Brien, Chief-Audit & Compliance, advised the Commission that staff was going to promulgate the revised Labor and Delivery relative value units, developed by a sub-group of the Maryland Hospital Association's Financial Technical Issues Task Force, to all Maryland hospitals for review and comment. Mr. O'Brien stated that it was staff's intention to present a final version of the revised RVUs at the December public meeting for adoption.

ITEM VI
UPDATE ON THE RESULTS OF THE QUALITY BASED REIMBURSEMENT AND
MARYLAND HOSPITAL ACQUIRED CONDITIONS INITIATIVES

As requested at the October, 12, 2011 public meeting, Sule Calikoglu, Ph.D., Chief Quality Analysis, provided the Commissioners with staff's findings, analysis, and measurement of the Quality Based Reimbursement (QBR) and Maryland Hospital Acquired Conditions (MHAC) programs. Dr. Calikoglu noted that these data were submitted with a letter seeking exemption from CMS' Value Based Purchasing program.

Dr. Calikoglu presented data that indicated that all of the QBR program's clinical "process of care measures" have shown improvement since the program was launched in 2008, and that the number of potentially preventable complications (PPCs) as measured in the MHAC program had declined by 20% in two years with cost savings of \$105.4 million. Dr. Calikoglu observed that both of the quality payment programs have shown improvement and with the promise of greater success in the future; however, as noted by Dr. Cohen at last month's public meeting, the nation is improving at a faster rate than Maryland.

Dr. Cohen pointed out that the top five PPCs generate more than half of the cost savings.

ITEM VII
HEARING AND MEETING SCHEDULE

December 8, 2011

Time to be determined, 4160 Patterson Avenue,
HSCRC Conference Room

January 11, 2012

Time to be determined, 4160 Patterson Avenue,
HSCRC Conference Room

There being no further business, the meeting was adjourned at 11:31 a.m.