

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

February 1, 2012

Upon motion made, Chairman Colmers called the meeting to order at 12:58 p.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 Bone, Keane, Loftus, Mullen, and Wong.

Patrick Redmon, Steve Ports, Jerry Schmith, Mary Beth Pohl, and Dennis Phelps attended representing staff.

Also attending were Stan Lustman and Leslie Schulman Commission Counsel.

Item One

The Chairman updated the Commissioners on the status of the current Medicare waiver and negotiations for an updated waiver.

The Executive Session was adjourned at 1:26 p.m.

Public Minutes
485th Meeting of the
Health Services Cost Review Commission

February 1, 2012

Chairman John Colmers called the meeting to order at 1:32 p.m. Commissioners 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 SESSION OF FEBRUARY 1, 2012

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the February 1, 2012 Executive Session.

ITEM I
EXECUTIVE AND PUBLIC SESSIONS OF DECEMBER 8, 2011

The Commission voted unanimously to approve the minutes of the December 8, 2011 Executive Session and Public Sessions.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Patrick Redmon, Executive Director, stated that Monitoring Maryland Performance shows Maryland hospitals' inpatient charge per case increased by 8.28% for the 12 months ending November 2011 versus the 12 months ending November 2010, while cases (admission plus newborns) decreased by 3.62%. In addition, Dr. Redman noted that outpatient revenue increased by 11.86% over the same period. Dr. Redman announced that staff has begun trying to determine the reasons for why revenue is increasing above the amount projected (4.3%) during last year's update factor discussions. At next month's public meeting, staff will report on its findings.

Steve Ports, Principal Deputy Director, summarized the FY 2013 State Operating, HSCRC, and Medicaid budgets. Mr. Ports reported that the Maryland General Assembly's Spending Affordability Committee recommended that the State's structural deficit of \$2 billion be eliminated over a 3-year period ending FY 2014.

Mr. Ports also disclosed that Medicaid's budget for FY 2013 increases by 3.37%. Included in the budget is the continuation of the provider taxes on all major Medicaid providers. The language in last year's Budget Reconciliation Act requires that for FY 2013 and every fiscal year thereafter, that the HSCRC and the Department of Health and Mental Hygiene adopt policies that will provide at least \$389,825,000 in savings from reduced hospital or other payments made by the

Medicaid program. Mr. Ports noted that the amount in the Medicaid budget to come from the Medicaid Deficit Assessment/Remittance in FY is \$413 million, a 6.2% increase over the FY 2012 Medicaid Deficit Assessment/Remittance. As in FY 2012, the HSCRC is to determine how this burden would be distributed between hospitals and payers.

In addition, the FY 2013 Medicaid budget anticipates cost containment from policy changes associated with: 1) the HSCRC permitting the tiering of clinic and emergency services rates; 2) the HSCRC initiating the pooling of Disproportionate Share funding; 3) reducing payments for enrollees in Medicaid's Medically Needy Program; 4) cutting the funding for Medicaid Managed Care Organizations by 1%; and 5) a freeze on payments to hospitals in the District of Columbia and non-HSCRC regulated Maryland hospitals.

Dr. Redmon updated the Commission on the progress of several current and future projects. They include: 1) the initiation of the update factor process and the first meeting of the update factor workgroup; 2) status of the Medicare waiver test; 3) the issuance of Admission-Readmission Revenue (ARR) Charge-per Episode weights have been issued, operational policies will be released shortly; and discussions on ARR reporting will begin; 4) the issuance of rate orders; 5) the exemption granted Maryland by the Centers for Medicare and Medicaid Services' (CMS) from its Value Based Purchasing quality program; and 6) CMS' request for a description of the HSCRC's current efforts to reduce readmissions in Maryland.

ITEM III
DOCKET STATUS CASES CLOSED

2143A – Johns Hopkins Health System 2144A - MedStar Health
2145A – Johns Hopkins Health System

ITEM IV
DOCKET STATUS CASES OPEN

Johns Hopkins Health System – 2146A

On December 16, 2011, the Johns Hopkins Health System filed an application for an alternative method of rate determination on behalf of 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 Global Excel Management, Inc. cardiovascular procedures for a period of one year beginning December 30, 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 December 30, 2011. 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 – 2147A

On December 16, 2011, the Johns Hopkins Health System filed an application for an alternative method of rate determination on behalf of Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals") requesting approval to continue to participate in a capitation arrangement with TRICARE, the managed care program for CHAMPUS beneficiaries for a period of one year beginning January 1, 2012.

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 January 1, 2012. 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.

Mount Washington Pediatric Hospital – 2148N

On January 3, 2012, Mount Washington Pediatric Hospital submitted a partial rate application requesting a rate for Electrocardiography (EKG) services. The Hospital requested that the rate be effective January 1, 2012.

Staff recommended:

1. That COMAR 10.37.10.07 requiring that rate applications be filed 60 days before the opening of a new service be waived;
2. That an EKG rate of \$2.89 per RVU be approved effective February 1, 2012; and
3. That the EKG rate not be rate realigned until a full year's experience data have been reported to the Commission.

The Commission voted unanimously to approve staff's recommendation.

ITEM V
**FINAL RECOMMENDATION REGARDING HOSPITAL GRADUATE MEDICAL
EDUCATION REPORTING CHANGES**

Mary Beth Pohl, Deputy Director-Research and Methodology, presented the final recommendation on revisions to the reporting of Graduate Medical Education (GME) data. The proposed changes to Direct Medical Education (DME) reporting include: 1) discontinuing the annual reporting schedules utilized to report the direct costs and Full-Time-Equivalents (FTEs) of Ineligible Interns and Residents to reflect the policy change that made all interns and residents eligible; and 2) modifying the instructions associated with the reporting of Eligible Interns and Residents (Schedule P4) to adopt the definition for calculating FTEs utilized by Medicare.

The proposed changes to the annual reporting of Intern and Resident FTEs for purposes of accounting for Indirect Medical Education costs include: 1) changing the reporting from a one-day snap shot of the number of Interns and Residents at each hospital to the time, in FTEs, that Interns and Residents provided patient care during the fiscal year; 2) modifying and clarifying the reporting requirements for the HSCRC's Intern and Resident Survey (Schedule IRS) to follow Medicare's Intern and Resident Reporting System (IRIS).

The Commission unanimously approved staff's recommendation

ITEM VI
**FINAL RECOMMENDATION REGARDING MEDICAL ASSISTANCE PROGRAM'S
REQUEST TO MODIFY THE CALCULATION OF CURRENT FINANCING
DEPOSITS**

Dennis Phelps, Associate Director-Audit & Compliance, presented a recommendation on the Medical Assistance Program's (MAP) request to modify the calculation of current financing deposits for FY 2012 (Staff Recommendation "Request by the Medical Assistance Program to Modify the Calculation of Current Financing Deposits FY 2012" on the HSCRC website).

MAP requested that the Commission grant approval for an exception to the approved current financing calculation for FY 2012 as the Commission had done for the FY 2011 current financing calculation, i.e., that MAP be permitted to increase the current financing amounts on deposit with each hospital by the HSCRC's most recent update factor.

Based on the current condition of the economy and its effect on MAP's budget, staff recommended that the Commission approve MAP's request. Staff also recommended that the approval be subject to the requirement that MAP continue to report annually on the status of the implementation of its new claims system and, if necessary, to apply for continuation of the application of the HSCRC's update factor to hospital current financing deposits for FY 2013.

Commissioner Mullen suggested that action on MAP's request be delayed until after the FY 2013 budget discussions are finalized.

Audrey Parham-Stewart, Director of Finance-Department of Health and Mental Hygiene, agreed with Commissioner Mullen's suggestion to delay action on MAP's request.

The Commission took no action on staff's recommendation.

ITEM VII
DRAFT RECOMMENDATION REGARDING PROPOSED CHANGES TO NURSE
SUPPORT PROGRAM II (NSPII) POLICIES

Mary Pohl presented a draft staff recommendation to modify NSP II statewide initiatives. The modifications were based on the suggestions of the Maryland Higher Education Commission (MHEC) staff who administer the NSP II program to strengthen the NSP II statewide initiatives by better supporting nursing faculty development.

The modifications for graduate nursing scholarships include: 1) increasing the annual maximum award from \$13,000 to the amount of tuition and fees at the applicable institution; 2) removing the time limitations on how many years a scholarship can be awarded (to accommodate students pursuing Doctoral degrees); and 3) authorizing the awarding of Graduate Nursing Scholarships to graduate students pursuing nursing education certificates.

Staff also recommended: 1) that the living expense grants be deemphasized; 2) references to loan repayment assistance be removed from NSP II recommendations; and 3) doctoral dissertation support be authorized under NSP II.

In addition, Mrs. Pohl expressed the sentiment of the staff that Dr. Hal Cohen be honored by renaming the Graduate Nursing Faculty Scholarships, "The Hal and Jo Cohen Graduate Nursing Faculty Scholarship Program."

Commissioner Bone asked why living expenses grants were being deemphasized.

Ms. Melinda Vann, Director of Outreach and Grants Management for MHEC, stated that one of the things that MHEC found when looking at the distribution of financial aid was that twice as much was being provided for living expenses grants as was being provided for tuition. MHEC felt that the program was going in the wrong direction, and that scholarships and tuition should be prioritized over living expense grants.

According to Ms. Vann, the modifications to the NSP II Statewide Initiatives will facilitate better preparation of graduate students for teaching and faculty nursing positions in Maryland higher educational institutions, including the preparation of more doctoral students.

As this was a draft recommendation, no action was taken by the Commission.

ITEM VIII
SUMMARY OF HSCRC RESPONSE TO THE JOINT CHAIRMEN'S REPORT (JCR)
REQUEST REGARDING CAPITAL REPLACEMENT COSTS

Steve Ports summarized the HSCRC's response to the JCR's request regarding capital replacement costs (see "2011 Joint Chairmen's Report, Page 84, MM00R0.02- Health Services Cost Review Commission Inclusion of Capital Replacement Costs in Hospital Rates" on the HSCRC website). Mr. Ports stated that staff did not anticipate any legislative changes based on the JCR.

According to Mr. Ports, the response included; 1) a description of the Certificate of Need process for approval of capital projects; 2) how capital costs are incorporated into hospital rates; 3) options for obtaining additional capital costs in rates; and 4) that many capital projects are funded through profitability, efficiencies, and increases in volume. The response also included an analysis of hospitals' depreciation and interest costs, as well as comments from hospital and payer representatives.

ITEM VII
HEARING AND MEETING SCHEDULE

March 7, 2012	1:00 p.m., 4160 Patterson Avenue, HSCRC Conference Room
April 11, 2012	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 2:38 p.m.