

**Closed Session Minutes
Of the
Health Services Cost Review Commission
January 14, 2015**

Upon motion made in public session, Chairman Colmers call for adjournment into closed session to discuss the following item:

1. Status of Medicare Data Submission and Reconciliation.

The Closed Session was called to order at 12:33 p.m. and held under authority of Section 3-104 of the General Provisions Article.

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

In attendance representing Staff were Donna Kinzer, David Romans, Steve Ports, Sule Calikoglu, Jerry Schmith, and Chris O'Brien.

Also attending were Leslie Schulman and Stan Lustman, Commission Counsel.

Item One

David Romans, Director-Payment Reform and Innovation, presented an updated analysis of Medicare per beneficiary data. Authority: General Provisions Article, § 3-104.

Closed Session was adjourned at 12:56 p.m.

MINUTES OF THE
515th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

JANUARY 14, 2015

Chairman John Colmers called the public meeting to order at 12:33 pm. Commissioners George H. Bone, M.D., Stephen F. Jencks, M.D., MPH, Jack C. Keane, Bernadette C. Loftus, M.D., Tom Mullen, and Herbert S. Wong Ph.D. were also in attendance. Upon motion made by Commissioner Jencks and seconded by Commissioner Bone, the meeting was moved to Executive Session. Chairman Colmers reconvened the public meeting at 1:02 pm.

REPORT OF THE JANUARY 14, 2015 EXECUTIVE SESSION

Chris O'Brien, Chief-Audit & Compliance, summarized the minutes of the January 14, 2015 Executive Session.

ITEM I
REVIEW OF THE MINUTES FROM DECEMBER 10, 2014 EXECUTIVE SESSION
AND PUBLIC MEETING

The Commission voted unanimously to approve the minutes of the December 10, 2014 Executive Session and the Public Meeting.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Ms. Donna Kinzer, Executive Director, congratulated the Maryland TPR Collaborative on receiving the American Hospital Association's Carolyn Boone Lewis Living the Vision award for its work to improve the health of communities through actions that go beyond traditional hospital care. The ten hospitals involved in the Maryland Total Patient Revenue system formed the collaborative in 2010 to reshape their approach to health care. The hospitals' efforts to reduce costs, increase access to primary care, and share best practices in a way that all hospitals can learn from, resulted in the Collaborative receiving this recognition.

Ms. Kinzer noted that the Board of Public Works approved a package of cuts and transfers proposed by the Governor to reduce the FY 2015 State Budget shortfall by more than \$400 million. Part of this package is that the Department of Health and Mental Hygiene (DHMH) is targeted for cuts of approximately \$39 million, which include reducing physicians' evaluation and management reimbursement rates from 100% to 87% of Medicare rates and reducing developmental disabilities and mental health provider rate increases. DHMH has targeted cuts of \$8 million in assumed savings to Medicaid from a reduction in hospital rates as a result of a reduction in hospital uncompensated care costs contingent on Commission action. Ms. Kinzer stated that staff is not prepared to implement a further uncompensated rate reduction at this time.

Ms. Kinzer noted that a \$45 million transfer from the non-federal portion of the Maryland Health Insurance Plan (MHIP) fund would support increases in Medicaid enrollment as part of the Board of Public Works action.

Ms. Kinzer stated that Staff is considering the possibility of recommending a change to the statute that would allow affiliated hospitals to take advantage of the 340B drug pricing programs that are available in other states. If pursued, this may give hospitals an opportunity for cost reductions that can be passed down to patients and purchasers, as well as improve service delivery. Staff will keep the Commissioners informed of the progress in researching this change.

Ms. Kinzer reported on the progress of the staff's evaluation of a request from the University of Maryland St Joseph Medical Center for a market share adjustment and an advance on its adjustment. Staff agreed to adjust the Hospital's Global Budget Revenue (GBR) agreement to advance fund revenues for a market shift in FY 2014 and FY 2015 totaling \$20.4 million. Approximately \$6.4 million of this adjustment will be funded by offsetting reductions at other University of Maryland Medical System (UMMS) facilities. Ms. Kinzer stated that a combination of several surrounding hospitals not receiving population adjustments along with the additional market constraints and the UMMS adjustment will fund the remainder of Hospital's \$20.4 million adjustment.

According to Ms. Kinzer, in the last few weeks staff has been made aware of an increase in the incidence of the flu in Maryland and the nation. According to Ms. Kinzer, this has resulted in overcrowded emergency rooms and full occupancy for some hospitals.

Ms. Kinzer stated that utilization associated with the flu has the potential to impact hospitals' global budgets. Staff will be especially attentive to this situation during the next six to eight weeks and will make adjustments to individual hospital global budgets if needed.

ITEM III **NEW MODEL MONITORING**

Mr. David Romans, Director Payment Reform and Innovation, stated that Monitoring Maryland Performance (MMP) for the new All-Payer Model for the month of November will focus on fiscal year (July 1 through June 30) as well as calendar year results.

Mr. Romans reported that for the five months ended November 30, 2014, All-Payer total gross revenue increased by 1.34% over the same period in FY 2013. All-Payer total gross revenue for Maryland residents increased by 1.87%; this translates to a per capita growth of 1.22%. All-Payer gross revenue for non-Maryland residents decreased by 3.67%.

Mr. Romans reported that for the 11 months of the calendar year ended November 30, 2014, All-Payer total gross revenue increased by 1.50% over the same period in FY 2013. All-Payer total gross revenue for Maryland residents increased by 1.82%; this translates to a per capita growth of 1.17%. All-Payer gross revenue for non-Maryland residents decreased by 1.63%.

Mr. Romans reported that for the five months ended November 30, 2014, Medicare Fee-For-Service gross revenue increased by 1.03% over the same period in FY 2013. Medicare Fee-For-Service for Maryland residents increased by 1.79%; this translates to a per capita growth decrease of 1.37%. Maryland Fee-For-Service gross revenue for non-residents decreased by 6.82%.

Mr. Romans reported that for the 11 months of the calendar year ended November 30, 2014, Medicare Fee-For-Service gross revenue increased by 1.40%. Medicare Fee-For-Service for Maryland residents increased by 1.68%; this translates to a per capita growth decrease of 1.55%. Maryland Fee-For-Service gross revenue for non-residents decreased by 1.62%.

According to Mr. Romans, for the five months of the calendar year ended November 30, 2014, unaudited average operating profit for acute hospitals was 2.59%. The median hospital profit was 3.82%, with a distribution of 1.53% in the 25th percentile and 7.01% in the 75th percentile. Rate Regulated profits were 4.33%.

Dr. Alyson Schuster, Associate Director Data & Research, presented a quality report update on the Maryland Hospital Acquired Conditions program based upon Potentially Preventable Complications (PPCs) data and discharges through September 2014 and readmission data on discharges through September 2014.

Potentially Preventable Complications

- The All-Payer risk adjusted PPC rate was .94 for September 2014 YTD. This is a decrease of 27.12% from the September 2013 YTD risk adjusted PPC rate.
- The Medicare Fee for Service risk adjusted PPC rate was 1.03 for September 2014 YTD. This is a decrease of 31.01% from the September 2013 risk adjusted PPC rate.
- These preliminary PPC results indicate that hospitals are on track for achieving the annual 6.89% PPC reduction required by CMMI to avoid corrective action.

Readmissions

- The All-Payer risk adjusted readmission rate was 11.98% for October 2014 YTD. This is a decrease of 4.04% from the October 2013 risk adjusted readmission rate.
- The Medicare Fee for Service risk adjusted readmission rate was 12.97% for October 2014 YTD. This is a decrease of 1.63% from the October 2013 YTD risk adjusted readmission rate.
- Based on the New-Payer model, hospitals must reduce Maryland's readmission rate to or below the national Medicare readmission rate by 2018. The Readmission Reduction incentive program has set goals for hospitals to reduce their adjusted readmission rate by 6.76% during CY 2014 compared to CY 2013. Currently, only 15 out of 46 hospitals have reduced their risk adjusted readmission rate by more than 6.76%.

ITEM IV
DOCKET STATUS CASES CLOSED

2278A- Johns Hopkins Health System
2279A- MedStar Health
2280A- Johns Hopkins Health System
2281A- Riverside Health

ITEM V
2282A- University of Maryland Medical Center

The University of Maryland Medical Center (the “Hospital”) filed an application on December 4, 2014 requesting continued participation in a global rate arrangement for selected solid organ transplant services with BlueCross and BlueShield Association Blue Distinction Centers beginning January 3, 2015.

Staff recommends that the Commission approve the Hospital’s’ application for an alternative method of rate determination for solid organ transplant services for one year beginning January 3, 2015, and that the approval be contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff’s recommendation.

2283A- Johns Hopkins Health System

Johns Hopkins Health System on behalf its member hospitals filed an application on December 8, 2014 seeking approval to continue to participate in a revised global rate arrangement for cardiovascular procedures with Global Excel Management, Inc. for one year beginning on February 1, 2015.

Staff recommends that the Commission approve the Hospitals’ application for an alternative method of rate determination for cardiovascular procedures for one year beginning February 1, 2015, and that the approval be contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff’s recommendation. Chairman Colmers recused himself from the discussion and vote.

2286A-Johns Hopkins Health System

Johns Hopkins Health System (the “System”), on behalf its member hospitals Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the “Hospitals”), filed an application on December 23, 2014 requesting continued participation in a revised global rate arrangement for solid organ and bone marrow transplant services and cardiovascular services with Life Trac (a subsidiary of Optum Health, a division of United HealthCare). The Hospitals are requesting an approval for one year beginning February 1, 2015.

Staff recommends that the Commission approve the Hospitals’ application for an alternative method of rate determination for solid organ and bone marrow transplant services and cardiovascular services for one year beginning February 1, 2015, and that the approval be contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff’s recommendation. Chairman Colmers recused himself from the discussion and vote.

Staff requested 30 day extensions for both Proceeding # 2284R Garrett County Memorial Hospital and Proceeding # 2285R Johns Hopkins Bayview Medical Center. The Commission voted unanimously to approve these extensions.

ITEM VI **FINAL RECOMMENDATION FOR MODIFICATION TO THE MHAC PROGRAM** **FY 2017**

Ms. Diane Feeney, Associate Director Quality Initiatives, presented the staff’s final recommendation for modifications to the Maryland Hospital Acquired Conditions (MHAC) Program for FY 2017 (See “Final Recommendations for Modifying the Maryland Hospital Acquired Conditions program for FY2017” on the HSCRC website).

The MHAC program was implemented in FY 2011. To enhance the HSCRC’s ability to incentivize hospital care improvements and meet the MHAC reduction targets in the Center for Medicare and Medicaid Innovation All-Payer model demonstration contract that began on January 1, 2014, Commission staff has developed recommendations that will result in significant changes to the MHAC existing policy. The Commission approved the revised recommendations at the April 2014 public meeting which modified the measurement, scoring, and payment scaling methodologies that translate scores into rate adjustments for the MHAC initiative. The updates are effective for performance in calendar year 2014 (beginning January 1, 2014) and are to be applied to FY 2016 rates for each hospital. Among these changes were: measuring hospital performance using observed to expected ratio values for each PPC rather than the additional incremental cost of the PPCs measured at each hospital; and shifting from relative scaling to pre-established PPC performance targets for payment adjustments. The revised approach also established a statewide MHAC improvement target with tiered amounts of revenue at risk. The amount of revenue at risk is based on whether or not the target is met. Rewards for

FY 2016 equal the amount of revenue in penalties collected. This recommendation proposes to continue the current MHAC initiative methodology for FY 2017. The policy will be updated so that rewards may not be equal to the penalties.

Staff made the following final recommendations to the MHAC program for 2017:

- The statewide reduction target should be set at 7% comparing FY 2014 to CY2015 risk adjusted PPC rates.
- The program should continue to use a tiered approach where a lower level of revenue at risk is set if the statewide target is met versus not met as modelled in FY 2016 policy.
- Rewards should be distributed only if the statewide target is met and should not be limited to penalties collected.

Commissioner Keane recommended changing the payment incentive structure to remove the component of statewide accountability, remove the “neutral” zone, and apply a payment adjustment to all hospitals based on their individual performance alone.

Commissioner Jencks raised the concern about whether reductions in actual harm to patients and costs are occurring. He asked for a one month delay in approving the policy to allow time to better understand whether the incentives are really reducing harm and costs.

The Commission voted 4-2 to approve staff’s recommendation. Commissioners Jencks and Keane voted against the recommendation.

ITEM VII **FINAL REPORT AND RECOMMENDATION ON THE NSP II PROGRAM**

Ms. Claudine Williams, Associate Director Policy Analysis, presented staff’s final report and recommendation on the Nurse Support Program II (NSP II) program. (See “Nurse Support Program II Outcomes Evaluation FY 2006 – FY 2015 and Recommendations for Future Funding” on The HSCRC website).

The NSP II was designed to increase the number of hospital bedside nurses. This goal is to be achieved by expanding academic capacity, including the number of faculty available to teach in Maryland’s nursing programs while simultaneously supporting student success. The NSP II has two components, a competitive institutional grant and statewide initiatives. Nine rounds of Competitive Institutional Grant awards totaling \$63,373,650 were rewarded between fiscal years 2006 and 2015. Statewide initiatives provided \$27,997,338 to 950 graduate nursing students and faculty across the State in the forms of scholarships, fellowships, or grants to help them begin or enrich careers as faculty in Maryland schools/departments of nursing. Fifteen community colleges and eleven universities across all geographic regions and types of programs participated in the NSP II. All Maryland nursing programs received one or more institutional grants.

Staff final recommendations for the NSP II program going forward are as follows:

- Renew NSP II funding at .01% of the hospital regulated gross patient for five years, FY 2015 through FY 2020.
- Establish a work group to develop specific goals for a competitive institutional grant program and statewide initiative based on the Institute of Medicine (IOM) recommendations.
- Adopt goals and metrics that address the following IOM recommendations:
 - ❖ Increase the proportion of nurses with baccalaureate degree to 80% of all RNs in the workforce.
 - ❖ Double the number of nurses with a doctorate by 2020.
 - ❖ Ensure that nurses engage in lifelong learning
 - ❖ Prepare and enable nurses to lead change to advance health
- Purchase software to manage and report on outcomes data
- Review current NSP II statute, particularly the term “bedside nurse”, to ensure that it meets the move toward a coordinated care model.

The Commission voted unanimously to approve staff’s recommendation.

ITEM VIII
STAFF COMMENTS REGARDING MHA LETTER REQUESTING A MID-YEAR
RATE INCREASE

Ms. Kinzer presented the Staff’s recommendation in regard to the Maryland Hospital Association’s (MHA) request for a rate increase effective January 1, 2014 (See “Staff Comments Regarding MHA Letter Requesting a Mid-Year Rate Increase” on the HSCRC website).

MHA has requested a rate increase 0.75% for Maryland hospitals effective January 1, 2015. This amount is requested to support additional infrastructure investments of hospitals to advance the changes that will be required for success of the All Payer Model that was initiated on January 1, 2014.

The Staff recommendation does not support granting a mid-year rate increase:

- There is no financial crisis and hospitals were provided with full funding of inflation without a productivity offset for FY 2015;
- The impact of the Affordable Care Act on uncompensated care and hospital utilization is under evaluation, the recent State economy performance is worse than expected;
- There are other unanticipated factors that require evaluation.
- It is too early to assess the Medicare results and the trend line that will develop from the rate increase approved July 1, 2014.

The Commissioners did not vote on MHA’s request as no vote was required. The Commissioners did direct the staff to address the need for additional funding as part of the FY2016 update factor discussion within the Payment Model work group.

ITEM IX
WORK GROUP UPDATES

Mr. Steve Ports, Deputy Director Policy and Operations, and Dr. Sule Calikoglu, Deputy Director Research and Methodology, presented an update on both the Care Coordination and Consumer Engagement and the Payment Models Workgroups (See “Update on Work Groups” on the HSCRC website).

ITEM X
HEARING AND MEETING SCHEDULE

February 11, 2015	Times to be determined, 4160 Patterson Avenue HSCRC Conference Room
March 11, 2015	Times to be determined, 4160 Patterson Avenue HSCRC Conference Room

There being no further business, the meeting was adjourned at 4:42 pm.