

Health Services Cost Review Commission

**Final Recommendation on the Revenue Neutrality Adjustment under the
Uncompensated Care Policy**

September 1, 2010

Introduction

At the June 9, 2010 Commission meeting, staff presented a status report on the fiscal year 2011 Uncompensated Care Policy results and updated the Commission on discussions surrounding the policy. The purpose of this paper is to recommend for Commission approval an alternative approach to the Revenue Neutrality Adjustment under the Commission's Uncompensated Care Policy.

The HSCRC's provision for uncompensated care in hospital rates is one of the unique features of rate regulation in Maryland. Uncompensated care includes bad debt and charity care. By recognizing reasonable levels of bad debt and charity care in hospital rates, the system enhances access to hospital care for those citizens who cannot pay for care. The uncompensated care provision in rates is applied prospectively and is meant to be predictive of actual uncompensated care costs in a given year.

The HSCRC uses a regression methodology as a vehicle to predict actual uncompensated care costs in a given year. The uncompensated care methodology has undergone substantial changes over the years since it was initially established. The most recent version of the policy was adopted by the Commission on May 2, 2007.

The uncompensated care regression estimates the relationship between a set of explanatory variables and the rate of uncompensated care observed at each hospital as a percentage of gross patient revenue. Under the current policy, the following variables are included as explanatory variables:

- The proportion of a hospital's total charges from inpatient non-Medicare admissions through the emergency room;
- The proportion of a hospital's total charges from inpatient Medicaid, self-pay, and charity cases;
- The proportion of a hospital's total charges from outpatient Medicaid, self-pay, and charity visits to the emergency room; and
- The proportion of a hospital's total charges from outpatient charges.

Discussions surrounding the Uncompensated Care Policy

In the last six months, a number of hospital representatives have met with staff to discuss various issues related to the uncompensated care methodology. Most of the discussions have focused on the impact of the ongoing Medicaid expansion and the economy on the stability of the uncompensated care regression estimates. Discussions have also taken place on the difficulty of reconciliation and settlement of monies associated with "averted bad debt" and on reconstituting the explanatory variables used in the uncompensated care regression.

There were also suggestions for revising the regression model as presented by representatives from the Johns Hopkins Medical System and Mercy Medical Center at the Maryland Hospital Association's April 15, 2010 Financial Technical Issues Task Force meeting. A subsequent meeting was held by hospital representatives at the behest of MHA to further discuss the

proposal on April 21, 2010.

A meeting was also held on May 6, 2010 between the HSCRC staff and hospital representatives to discuss possible recommendations from the MHA. On June 21, 2010, the MHA sent a letter (see attached) to HSCRC staff recommending "adding the final FY 2009 hospital-specific averted UCC best estimates to the reported UCC, and then proceeding with the regression and subsequent calculations," based on the June 9, 2010, report to the Commission.

The uncompensated care model

The model remains as specified in the current methodology. The amount of uncompensated care in rates is computed as follows:

1. Compute a three-year moving average for uncompensated care for each hospital.
2. Use the most recent three years of data to compute the uncompensated care regression (while adding "dummy" variables for each year).
3. Generate a predicted value for the hospital's uncompensated care rate based on the last available year of data.
4. Compute a 50/50 blend of the predicted and three-year moving average as the hospital's amount in rates.
5. Calculate the statewide amount of uncompensated care in rates from this process, and generate the percentage difference between the preliminary amount in rates and the last year of actual experience.
6. Add/subtract the statewide difference (step 5) to the hospital's preliminary UCC rate (step 4) to get adjusted rates that tie to the State's last year of actual UCC experience.

This addition or subtraction of the statewide difference to the hospital's preliminary UCC rate to get adjusted rates that tie to the State's last year of actual UCC experience is what is referred to as **Revenue Neutrality Adjustment**.

The result is the hospital's UCC rate for the next fiscal year.

Medicaid's expansion and "averted bad debts"

To account for the impact of Medicaid's expansion and "averted bad debts" on the UCC policy, staff is now using a methodology that parallels the Commission-approved method for handling uncompensated care resulting from the previous imposition of day-limits in State Medicaid reimbursement to acute care hospitals. Under that methodology, adjustments were made to the UCC policy by removing the pre-funded amounts in rates for day limits from actual uncompensated care prior to calculating the model described above. The pre-funded amounts were then added to the UCC rate calculated in step 6 to finance the day limits portion separately. Therefore, the impact of Medicaid's expansion and "averted bad debts" is accounted for by adding the "FY 2009 hospital-specific averted UCC best estimates" to hospital reported UCC and then applying the regression and other subsequent calculations. "FY 2009 hospital-specific averted UCC best estimates" refers to the hospital reconciled amount attributable to the ongoing Medicaid expansion based on the most current data available as of the date of this report.

Newly estimated “averted bad debts” for each hospital will be calculated and the UCC policy results adjusted for these new estimates before the 100 percent UCC pooling methodology is applied. The new uncompensated care provisions will become effective on July 1, 2010 with the new charge per case targets.

Staff Recommendation on the Revenue Neutrality Adjustment under the Uncompensated Care Policy

Since the most recent version of the UCC policy was adopted by the Commission on May 2, 2007, a substantial revenue neutrality adjustment to hospital’s preliminary UCC rate has not been needed to arrive at adjusted rates that tie to the State’s last year of actual UCC experience. This is because the adjustment has never been greater than 0.05% and, therefore, is negligible across hospitals.

However, with Medicaid’s recent expansion and ensuing “averted bad debts” and their impact on the UCC policy, the applicable revenue neutrality adjustment for FY 2011 is 0.17%. Therefore, the Commission’s current additive revenue neutrality adjustment has substantial impact on some hospitals.

Making the revenue neutrality adjustment multiplicative instead of additive would direct much of the additional dollars to hospitals that are underfinanced relative to their actual UCC. Hospitals with adjusted rates (under the 50/50 blend) close to the State’s actual UCC experience in the previous year would experience no effect from this change. Hospitals with higher actual UCC would receive additional revenue, while those with lower actual UCC would receive less revenue. Table 1 illustrates the policy results from the regression and compares the additive and multiplicative revenue neutrality impacts

Staff, therefore, recommends that the Commission change the application of the revenue neutrality adjustment from being additive or subtractive to multiplicative. Staff will also ask the Commission to waive the sixty day comment period so that this recommendation may be considered for final approval.

Result

The result of this approach is that the prospective amount built into rates across the industry is the amount actually experienced in the previous year of available data, excluding any new estimates for averted bad debt due to Medicaid expansion. If, for example, uncompensated care was \$1 billion in FY 2009, this model would establish rates that would deliver \$1 billion in fiscal year 2011, if volumes and rates remain the same.

Table 2 provides summary results of the UCC policy for Fiscal Year 2011 without additional expected offset for FY 2011 averted bad debt due to Medicaid expansion. Table 3 shows the results from the regression analysis and the multiplicative revenue neutrality adjustment. Table 4 provides details of the FY 2009 data used in the regression model. Table 5 provides a statistical summary of the variables and regression results.

Table 1
Policy Results from the Regression and Comparison of Revenue Neutrality Adjustments (Current Additive Versus Proposed Multiplicative Adjustment)

Hospid	Hospital Name	UCC in Rates (July 1, 2008)	Actual UCC for FY '09	Adjusted UCC for FY '09 (Includes Averted Bad Debt)	Predicted UCC	FY '07 - FY '09 UCC Average	50/ 50 Blended UCC Average	Current (Additive) Revenue Neutrality Adjustment	Current Policy Results	Proposed (Multiplicative) Revenue Neutrality Adjustment	Proposed Policy Results	Difference Between Current Policy and Proposed Policy Results
1	2	3	4	5	6	7	8	9	10	11	12	13
210013	Bon Secours Hospital	13.68%	17.93%	18.30%	18.35%	16.47%	17.41%	0.17%	17.58%	1.0229	17.80%	0.22%
210003	Prince Georges Hospital	13.35%	15.62%	16.06%	14.58%	15.33%	14.96%	0.17%	15.13%	1.0229	15.30%	0.17%
210038	Maryland General Hospital	11.59%	13.14%	13.87%	13.17%	12.68%	12.93%	0.17%	13.10%	1.0229	13.22%	0.12%
210060	Fort Washington Medical Center	9.60%	14.68%	15.07%	11.46%	13.73%	12.60%	0.17%	12.77%	1.0229	12.89%	0.11%
210055	Laurel Regional Hospital	11.07%	11.53%	12.02%	11.10%	12.05%	11.58%	0.17%	11.75%	1.0229	11.84%	0.09%
210006	Harford Memorial Hospital	8.24%	11.76%	12.09%	10.32%	11.35%	10.83%	0.17%	11.01%	1.0229	11.08%	0.07%
210034	Harbor Hospital Center	9.05%	8.58%	9.23%	11.00%	9.09%	10.05%	0.17%	10.22%	1.0229	10.28%	0.06%
210051	Doctors Community Hospital	8.25%	9.61%	10.04%	9.83%	10.11%	9.97%	0.17%	10.14%	1.0229	10.20%	0.05%
210045	McCreedy Foundation, Inc.	6.84%	10.39%	11.26%	10.04%	9.73%	9.88%	0.17%	10.06%	1.0229	10.11%	0.05%
210002	Univ. of Maryland Medical System	8.69%	9.18%	9.73%	9.39%	9.58%	9.48%	0.17%	9.66%	1.0229	9.70%	0.04%
210016	Washington Adventist Hospital	7.29%	8.64%	9.01%	8.84%	9.52%	9.18%	0.17%	9.36%	1.0229	9.39%	0.04%
210029	Johns Hopkins Bayview Med. Center	8.68%	10.49%	11.05%	8.54%	9.81%	9.17%	0.17%	9.35%	1.0229	9.38%	0.04%
210030	Chester River Hospital Center	7.39%	10.60%	11.26%	6.48%	11.73%	9.11%	0.17%	9.28%	1.0229	9.32%	0.03%
210032	Union Hospital of Cecil County	7.89%	10.10%	10.95%	9.56%	8.55%	9.06%	0.17%	9.23%	1.0229	9.26%	0.03%
210054	Southern Maryland Hospital	7.39%	8.05%	8.42%	8.80%	8.81%	8.80%	0.17%	8.98%	1.0229	9.01%	0.03%
210017	Garrett County Memorial Hospital	8.08%	9.14%	10.20%	8.68%	8.65%	8.66%	0.17%	8.84%	1.0229	8.86%	0.02%
210015	Franklin Square Hospital	7.93%	7.26%	7.83%	9.17%	8.15%	8.66%	0.17%	8.83%	1.0229	8.85%	0.02%
210010	Dorchester General Hospital	8.25%	8.28%	9.20%	9.17%	7.54%	8.35%	0.17%	8.53%	1.0229	8.55%	0.02%
210043	North Arundel General Hospital	6.73%	8.01%	8.40%	8.44%	8.00%	8.22%	0.17%	8.40%	1.0229	8.41%	0.01%
210040	Northwest Hospital Center, Inc.	7.30%	8.28%	8.60%	8.22%	8.03%	8.12%	0.17%	8.30%	1.0229	8.31%	0.01%
210008	Mercy Medical Center, Inc.	7.79%	7.98%	8.35%	7.88%	7.86%	7.87%	0.17%	8.05%	1.0229	8.05%	0.01%
210001	Washington County Hospital	6.67%	8.52%	8.93%	7.60%	8.09%	7.84%	0.17%	8.02%	1.0229	8.02%	0.01%
210012	Sinai Hospital	7.06%	7.74%	8.03%	7.69%	7.95%	7.82%	0.17%	8.00%	1.0229	8.00%	0.00%
210057	Shady Grove Adventist Hospital	6.60%	6.92%	7.24%	8.41%	7.15%	7.78%	0.17%	7.95%	1.0229	7.95%	0.00%
210035	Civista Medical Center	6.10%	6.02%	6.50%	9.01%	6.29%	7.65%	0.17%	7.82%	1.0229	7.82%	0.00%
**210058	James Lawrence Kernan Hospital	6.30%	7.54%	7.86%	0.00%	6.95%	6.82%	0.00%	6.82%	0.0000	6.82%	0.00%
210028	St. Marys Hospital	6.51%	5.41%	5.86%	9.16%	6.04%	7.60%	0.17%	7.77%	1.0229	7.77%	-0.00%
210011	St. Agnes Hospital	7.07%	6.28%	6.72%	8.60%	6.59%	7.60%	0.17%	7.77%	1.0229	7.77%	-0.00%
210004	Holy Cross Hospital of Silver Spring	6.43%	7.57%	7.81%	7.81%	7.24%	7.53%	0.17%	7.70%	1.0229	7.70%	-0.00%
210039	Calvert Memorial Hospital	6.14%	5.86%	6.32%	8.40%	5.88%	7.14%	0.17%	7.31%	1.0229	7.30%	-0.01%
210049	Upper Chesapeake Medical Center	5.47%	6.97%	7.27%	7.43%	6.37%	6.90%	0.17%	7.07%	1.0229	7.06%	-0.02%
210048	Howard County General Hospital	5.73%	5.70%	5.99%	7.80%	5.48%	6.64%	0.17%	6.82%	1.0229	6.80%	-0.02%
210019	Peninsula Regional Medical Center	5.56%	6.45%	6.90%	6.66%	6.45%	6.55%	0.17%	6.73%	1.0229	6.70%	-0.02%
210018	Montgomery General Hospital	6.03%	6.02%	6.17%	7.20%	5.90%	6.55%	0.17%	6.72%	1.0229	6.70%	-0.02%
210005	Frederick Memorial Hospital	5.62%	5.77%	6.22%	6.97%	5.92%	6.44%	0.17%	6.62%	1.0229	6.59%	-0.03%
210009	Johns Hopkins Hospital	5.65%	6.60%	6.78%	6.49%	6.22%	6.35%	0.17%	6.53%	1.0229	6.50%	-0.03%
210024	Union Memorial Hospital	6.33%	6.23%	6.59%	5.85%	6.83%	6.34%	0.17%	6.52%	1.0229	6.49%	-0.03%
210061	Atlantic General Hospital	5.64%	6.21%	6.67%	6.68%	5.89%	6.28%	0.17%	6.46%	1.0229	6.43%	-0.03%
210025	The Memorial Hospital	4.86%	4.55%	5.35%	6.76%	5.54%	6.15%	0.17%	6.33%	1.0229	6.29%	-0.03%
210037	Memorial Hospital at Easton	5.92%	4.95%	5.47%	6.83%	5.20%	6.01%	0.17%	6.19%	1.0229	6.15%	-0.04%
210056	Good Samaritan Hospital	5.72%	5.30%	5.71%	6.27%	5.67%	5.97%	0.17%	6.14%	1.0229	6.11%	-0.04%
210033	Carroll County General Hospital	5.17%	4.46%	4.94%	6.74%	5.09%	5.92%	0.17%	6.09%	1.0229	6.05%	-0.04%
210022	Suburban Hospital Association, Inc	4.71%	5.09%	5.18%	5.40%	4.93%	5.17%	0.17%	5.34%	1.0229	5.28%	-0.06%
210027	Braddock Hospital	4.06%	5.03%	5.60%	4.91%	5.07%	4.99%	0.17%	5.16%	1.0229	5.10%	-0.06%
210023	Anne Arundel General Hospital	4.36%	4.28%	4.31%	4.95%	4.39%	4.67%	0.17%	4.84%	1.0229	4.78%	-0.07%
210044	Greater Baltimore Medical Center	2.54%	2.87%	3.08%	4.67%	2.83%	3.75%	0.17%	3.93%	1.0229	3.84%	-0.09%
210007	St. Josephs Hospital	2.81%	4.09%	4.18%	3.44%	3.63%	3.53%	0.17%	3.71%	1.0229	3.61%	-0.09%
	STATE-WIDE	6.73%	7.42%	7.79%	7.77%	7.43%	7.62%	0.17%	7.79%	1.0229	7.79%	0.00%

** James Lawrence Kernan Hospital was excluded in the Regression Analysis

Table 2
Summary Results of the UCC Model for FY 2011
(Without Additional Expected Offset for FY 2011
Averted Bad Debt due to Medicaid Expansion)

Hospid	Hospital Name	UCC Provision for FY 2011
210001	Washington County Hospital	8.02%
210002	Univ. of Maryland Medical System	9.70%
210003	Prince Georges Hospital	15.30%
210004	Holy Cross Hospital of Silver Spring	7.70%
210005	Frederick Memorial Hospital	6.59%
210006	Harford Memorial Hospital	11.08%
210007	St. Josephs Hospital	3.61%
210008	Mercy Medical Center, Inc.	8.05%
210009	Johns Hopkins Hospital	6.50%
210010	Dorchester General Hospital	8.55%
210011	St. Agnes Hospital	7.77%
210012	Sinai Hospital	8.00%
210013	Bon Secours Hospital	17.80%
210015	Franklin Square Hospital	8.85%
210016	Washington Adventist Hospital	9.39%
210017	Garrett County Memorial Hospital	8.86%
210018	Montgomery General Hospital	6.70%
210019	Peninsula Regional Medical Center	6.70%
210022	Suburban Hospital Association,Inc	5.28%
210023	Anne Arundel General Hospital	4.78%
210024	Union Memorial Hospital	6.49%
210025	The Memorial Hospital	6.29%
210027	Braddock Hospital	5.10%
210028	St. Marys Hospital	7.77%
210029	Johns Hopkins Bayview Med. Center	9.38%
210030	Chester River Hospital Center	9.32%
210032	Union Hospital of Cecil County	9.26%
210033	Carroll County General Hospital	6.05%
210034	Harbor Hospital Center	10.28%
210035	Civista Medical Center	7.82%
210037	Memorial Hospital at Easton	6.15%
210038	Maryland General Hospital	13.22%
210039	Calvert Memorial Hospital	7.30%
210040	Northwest Hospital Center, Inc.	8.31%
210043	North Arundel General Hospital	8.41%
210044	Greater Baltimore Medical Center	3.84%
210045	McCready Foundation, Inc.	10.11%
210048	Howard County General Hospital	6.80%
210049	Upper Cheseapeake Medical Center	7.06%
210051	Doctors Community Hospital	10.20%
210054	Southern Maryland Hospital	9.01%
210055	Laurel Regional Hospital	11.84%
210056	Good Samaritan Hospital	6.11%
210057	Shady Grove Adventist Hospital	7.95%
** 210058	James Lawrence Kernan Hospital	6.82%
210060	Fort Washington Medical Center	12.89%
210061	Atlantic General Hospital	6.43%
	STATE-WIDE	7.79%

**** James Lawrence Kernan Hospital was excluded in the Regression Analysis**

Table 3
Policy Results from the Regression and Revenue Neutrality Adjustment for FY 2011

Hospid	Hospital Name	UCC in Rates (July 1, 2008)	Actual UCC for FY '09	Adjusted UCC for FY '09 (Includes Averted Bad Debt)	Predicted UCC	FY '07 - FY '09 UCC Average	50/ 50 Blended UCC Average	Revenue Neutrality Adjustment	Policy Results	Dollar Amount
210001	Washington County Hospital	6.67%	8.52%	8.93%	7.60%	8.09%	7.84%	1.0229	8.02%	19,492,184
210002	Univ. of Maryland Medical System	8.69%	9.18%	9.73%	9.39%	9.58%	9.48%	1.0229	9.70%	91,202,055
210003	Prince Georges Hospital	13.35%	15.62%	16.06%	14.58%	15.33%	14.96%	1.0229	15.30%	39,862,460
210004	Holy Cross Hospital of Silver Spring	6.43%	7.57%	7.81%	7.81%	7.24%	7.53%	1.0229	7.70%	30,371,315
210005	Frederick Memorial Hospital	5.62%	5.77%	6.22%	6.97%	5.92%	6.44%	1.0229	6.59%	17,588,491
210006	Harford Memorial Hospital	8.24%	11.76%	12.09%	10.32%	11.35%	10.83%	1.0229	11.08%	10,665,618
210007	St. Josephs Hospital	2.81%	4.09%	4.18%	3.44%	3.63%	3.53%	1.0229	3.61%	14,416,519
210008	Mercy Medical Center, Inc.	7.79%	7.98%	8.35%	7.88%	7.86%	7.87%	1.0229	8.05%	30,776,594
210009	Johns Hopkins Hospital	5.65%	6.60%	6.78%	6.49%	6.22%	6.35%	1.0229	6.50%	105,321,972
210010	Dorchester General Hospital	8.25%	8.28%	9.20%	9.17%	7.54%	8.35%	1.0229	8.55%	4,506,249
210011	St. Agnes Hospital	7.07%	6.28%	6.72%	8.60%	6.59%	7.60%	1.0229	7.77%	27,888,989
210012	Sinai Hospital	7.06%	7.74%	8.03%	7.69%	7.95%	7.82%	1.0229	8.00%	50,182,682
210013	Bon Secours Hospital	13.68%	17.93%	18.30%	18.35%	16.47%	17.41%	1.0229	17.80%	21,747,467
210015	Franklin Square Hospital	7.93%	7.26%	7.83%	9.17%	8.15%	8.66%	1.0229	8.85%	36,746,895
210016	Washington Adventist Hospital	7.29%	8.64%	9.01%	8.84%	9.52%	9.18%	1.0229	9.39%	26,694,941
210017	Garrett County Memorial Hospital	8.08%	9.14%	10.20%	8.68%	8.65%	8.66%	1.0229	8.86%	3,262,188
210018	Montgomery General Hospital	6.03%	6.02%	6.17%	7.20%	5.90%	6.55%	1.0229	6.70%	9,420,461
210019	Peninsula Regional Medical Center	5.56%	6.45%	6.90%	6.66%	6.45%	6.55%	1.0229	6.70%	25,829,782
210022	Suburban Hospital Association, Inc	4.71%	5.09%	5.18%	5.40%	4.93%	5.17%	1.0229	5.28%	12,061,156
210023	Anne Arundel General Hospital	4.36%	4.28%	4.31%	4.95%	4.39%	4.67%	1.0229	4.78%	18,746,000
210024	Union Memorial Hospital	6.33%	6.23%	6.59%	5.85%	6.83%	6.34%	1.0229	6.49%	26,852,474
210025	The Memorial Hospital	4.86%	4.55%	5.35%	6.76%	5.54%	6.15%	1.0229	6.29%	6,683,448
210027	Braddock Hospital	4.06%	5.03%	5.60%	4.91%	5.07%	4.99%	1.0229	5.10%	8,512,750
210028	St. Marys Hospital	6.51%	5.41%	5.86%	9.16%	6.04%	7.60%	1.0229	7.77%	9,647,825
210029	Johns Hopkins Bayview Med. Center	8.68%	10.49%	11.05%	8.54%	9.81%	9.17%	1.0229	9.38%	48,183,825
210030	Chester River Hospital Center	7.39%	10.60%	11.26%	6.48%	11.73%	9.11%	1.0229	9.32%	5,675,069
210032	Union Hospital of Cecil County	7.89%	10.10%	10.95%	9.56%	8.55%	9.06%	1.0229	9.26%	11,746,184
210033	Carroll County General Hospital	5.17%	4.46%	4.94%	6.74%	5.09%	5.92%	1.0229	6.05%	11,876,290
210034	Harbor Hospital Center	9.05%	8.58%	9.23%	11.00%	9.09%	10.05%	1.0229	10.28%	20,647,133
210035	Civista Medical Center	6.10%	6.02%	6.50%	9.01%	6.29%	7.65%	1.0229	7.82%	8,107,365
210037	Memorial Hospital at Easton	5.92%	4.95%	5.47%	6.83%	5.20%	6.01%	1.0229	6.15%	9,845,970
210038	Maryland General Hospital	11.59%	13.14%	13.87%	13.17%	12.68%	12.93%	1.0229	13.22%	24,047,831
210039	Calvert Memorial Hospital	6.14%	5.86%	6.32%	8.40%	5.88%	7.14%	1.0229	7.30%	8,131,860
210040	Northwest Hospital Center, Inc.	7.30%	8.28%	8.60%	8.22%	8.03%	8.12%	1.0229	8.31%	17,593,350
210043	North Arundel General Hospital	6.73%	8.01%	8.40%	8.44%	8.00%	8.22%	1.0229	8.41%	26,012,047
210044	Greater Baltimore Medical Center	2.54%	2.87%	3.08%	4.67%	2.83%	3.75%	1.0229	3.84%	15,087,464
210045	McCready Foundation, Inc.	6.84%	10.39%	11.26%	10.04%	9.73%	9.88%	1.0229	10.11%	1,700,106
210048	Howard County General Hospital	5.73%	5.70%	5.99%	7.80%	5.48%	6.64%	1.0229	6.80%	15,676,137
210049	Upper Chesapeake Medical Center	5.47%	6.97%	7.27%	7.43%	6.37%	6.90%	1.0229	7.06%	15,495,190
210051	Doctors Community Hospital	8.25%	9.61%	10.04%	9.83%	10.11%	9.97%	1.0229	10.20%	19,242,643
210054	Southern Maryland Hospital	7.39%	8.05%	8.42%	8.80%	8.81%	8.80%	1.0229	9.01%	20,247,587
210055	Laurel Regional Hospital	11.07%	11.53%	12.02%	11.10%	12.05%	11.58%	1.0229	11.84%	10,851,962
210056	Good Samaritan Hospital	5.72%	5.30%	5.71%	6.27%	5.67%	5.97%	1.0229	6.11%	17,483,037
210057	Shady Grove Adventist Hospital	6.60%	6.92%	7.24%	8.41%	7.15%	7.78%	1.0229	7.95%	26,351,570
** 210058	James Lawrence Kernan Hospital	6.30%	7.54%	7.86%	2.65%	6.95%	6.82%	0.0000	6.82%	7,214,107
210060	Fort Washington Medical Center	9.60%	14.68%	15.07%	11.46%	13.73%	12.60%	1.0229	12.89%	6,087,941
210061	Atlantic General Hospital	5.64%	6.21%	6.67%	6.68%	5.89%	6.28%	1.0229	6.43%	4,916,290
	STATE-WIDE	6.73%	7.42%	7.79%	7.77%	7.43%	7.62%	1.0229	7.79%	1,000,701,473

** James Lawrence Kernan Hospital was excluded in the Regression Analysis

Table 4
Fiscal Year 2009 Data Used in Regression for FY 2011

Hospid	Hospital Name	Inpatient Medicaid Charges	Inpatient Non-Medicare Charges through the ER	Inpatient Self-Pay and Charity Charges	Outpatient Medicaid Charges through the ER	Outpatient Self-Pay and Charity Charges through the ER	Outpatient Revenue	UCC in Rates (July 1, 2008)	Gross Patient Revenue	Uncompensated Care
210001	Washington County Hospital	15,952,474	38,632,899	7,589,685	5,408,649	6,109,283	84,404,900	6.67%	243,018,300	21,702,105
210002	Univ. of Maryland Medical System	156,245,288	211,979,816	28,714,728	20,154,582	12,315,254	230,738,600	8.69%	940,100,100	91,431,903
210003	Prince Georges Hospital	63,962,391	87,265,226	10,231,269	5,709,816	10,991,631	55,608,200	13.35%	260,576,400	41,836,320
210004	Holy Cross Hospital of Silver Spring	50,300,641	72,057,998	14,009,580	5,637,406	6,592,324	104,017,600	6.43%	394,466,500	30,804,837
210005	Frederick Memorial Hospital	16,663,408	44,789,815	7,344,206	4,025,617	4,047,916	97,939,200	5.62%	266,844,200	16,596,515
210006	Harford Memorial Hospital	6,105,545	23,121,858	2,135,544	2,896,062	3,232,698	36,652,600	8.24%	96,235,600	11,636,821
210007	St. Josephs Hospital	13,845,556	44,266,439	7,684,253	1,959,318	2,819,792	104,312,600	2.81%	398,844,400	16,664,358
210008	Mercy Medical Center, Inc.	53,470,919	39,763,371	4,712,857	10,215,339	7,265,630	172,493,300	7.79%	382,169,900	31,904,414
210009	Johns Hopkins Hospital	238,447,216	203,793,243	9,290,264	23,864,212	16,266,132	532,549,400	5.65%	1,620,280,400	109,913,666
210010	Dorchester General Hospital	4,799,161	8,208,569	1,381,188	1,990,566	1,377,072	22,093,700	8.25%	52,734,300	4,853,083
210011	St. Agnes Hospital	39,588,328	69,594,308	13,158,174	8,259,139	6,945,992	106,315,300	7.07%	358,890,700	24,108,054
210012	Sinai Hospital	74,688,549	91,976,620	4,700,656	17,154,584	11,601,406	215,542,000	7.06%	627,278,200	50,401,507
210013	Bon Secours Hospital	23,302,229	39,995,914	10,790,145	7,596,937	8,070,408	40,612,800	13.68%	122,144,200	22,350,849
210015	Franklin Square Hospital	51,714,900	87,927,827	10,213,789	10,892,263	8,053,135	119,994,200	7.93%	414,987,900	32,510,444
210016	Washington Adventist Hospital	34,902,387	60,487,456	13,133,638	4,272,179	6,973,154	67,428,566	7.29%	284,247,984	25,613,179
210017	Garrett County Memorial Hospital	2,569,214	5,106,360	760,044	1,316,094	995,786	17,444,100	8.08%	36,812,400	3,756,527
210018	Montgomery General Hospital	8,131,948	28,869,822	4,488,155	1,842,120	2,049,850	41,711,400	6.03%	140,619,400	8,683,168
210019	Peninsula Regional Medical Center	29,619,422	57,572,291	11,512,770	7,138,622	5,920,880	122,608,300	5.56%	385,277,000	26,588,993
210022	Suburban Hospital Association, Inc	8,209,895	44,127,946	4,995,636	870,181	1,788,476	61,005,500	4.71%	228,243,300	11,821,537
210023	Anne Arundel General Hospital	20,659,710	50,459,440	6,304,903	3,275,172	4,042,253	132,999,100	4.36%	392,507,100	16,902,798
210024	Union Memorial Hospital	40,583,803	60,899,926	8,631,913	5,324,091	5,188,219	100,221,800	6.33%	413,847,100	27,273,257
210025	The Memorial Hospital	11,785,336	13,764,163	2,007,720	2,663,060	1,374,985	33,350,500	4.86%	106,194,800	5,682,857
210027	Braddock Hospital	6,930,410	17,588,088	3,325,686	1,092,822	824,958	79,602,300	4.06%	166,869,000	9,341,888
210028	St. Marys Hospital	9,293,320	22,882,844	3,666,776	3,982,189	2,452,100	54,536,400	6.51%	124,100,600	7,273,978
210029	Johns Hopkins Bayview Med. Center	71,125,805	86,667,581	18,193,203	8,808,268	10,707,631	173,521,800	8.68%	513,495,600	56,733,972
210030	Chester River Hospital Center	3,436,824	6,056,727	1,072,467	1,353,039	1,182,703	29,086,800	7.39%	60,914,200	6,859,800
210032	Union Hospital of Cecil County	12,546,014	17,520,386	3,244,674	5,020,856	4,061,508	58,238,200	7.89%	126,780,200	13,888,138
210033	Carroll County General Hospital	14,129,715	42,676,156	301,680	2,459,772	2,177,565	50,496,400	5.17%	196,154,700	9,687,701
210034	Harbor Hospital Center	35,035,129	45,075,760	6,591,080	7,339,924	5,284,135	50,840,100	9.05%	200,915,200	18,543,797
210035	Civista Medical Center	7,796,477	21,574,481	2,906,586	2,865,755	2,525,992	35,240,700	6.10%	103,621,000	6,736,477
210037	Memorial Hospital at Easton	13,744,371	20,378,409	3,027,840	3,368,904	2,765,253	61,997,900	5.92%	160,032,300	8,755,898
210038	Maryland General Hospital	56,783,529	47,535,543	5,356,870	4,723,381	4,002,021	42,813,000	11.59%	181,868,000	25,227,434
210039	Calvert Memorial Hospital	7,400,040	20,900,312	2,389,963	2,811,722	1,756,944	48,468,900	6.14%	111,417,900	7,045,237
210040	Northwest Hospital Center, Inc.	16,245,186	36,683,583	1,345,729	6,197,434	4,767,011	82,674,300	7.30%	211,714,700	18,213,422
210043	North Arundel General Hospital	15,308,972	62,717,014	9,045,149	6,552,618	9,170,935	106,197,100	6.73%	309,341,800	25,980,982
210044	Greater Baltimore Medical Center	13,815,354	47,179,356	3,068,008	3,436,144	2,565,757	161,811,600	2.54%	393,162,100	12,096,889
210045	McCready Foundation, Inc.	486,406	1,224,611	426,331	1,136,093	720,464	10,582,069	6.84%	16,819,985	1,893,209
210048	Howard County General Hospital	17,381,065	42,202,983	4,965,648	4,392,680	4,412,360	84,099,600	5.73%	230,685,500	13,807,153
210049	Upper Chesapeake Medical Center	11,630,699	42,905,186	1,729,814	4,123,845	3,944,147	79,900,400	5.47%	219,562,700	15,965,250
210051	Doctors Community Hospital	13,847,690	43,847,986	4,397,256	4,484,208	5,328,727	74,494,100	8.25%	188,720,500	18,950,583
210054	Southern Maryland Hospital	22,780,234	46,802,593	8,922,996	5,496,723	4,224,846	64,202,100	7.39%	224,831,800	18,923,051
210055	Laurel Regional Hospital	11,435,159	21,086,616	2,093,103	2,109,332	4,029,663	32,799,700	11.07%	91,640,000	11,011,682
210056	Good Samaritan Hospital	24,262,041	46,127,743	5,063,008	4,404,794	3,680,740	78,515,900	5.72%	286,296,100	16,358,751
210057	Shady Grove Adventist Hospital	31,115,779	69,386,808	9,253,034	5,379,982	5,721,686	112,384,799	6.60%	331,274,906	23,999,958
** 210058	James Lawrence Kernan Hospital	4,926,932	0	841,012	0	0	36,827,500	6.30%	105,778,700	8,317,195
210060	Fort Washington Medical Center	1,007,917	11,141,181	2,189,825	1,277,259	2,394,929	23,677,252	9.60%	47,242,143	7,118,211
210061	Atlantic General Hospital	2,059,390	8,919,426	1,316,867	1,379,530	1,965,090	38,586,400	5.64%	76,484,900	5,098,630
	STATE-WIDE	1,390,072,778	2,213,742,680	288,525,722	246,663,283	224,689,443	4,171,638,986	6.73%	12,846,044,718	1,000,866,478

** James Lawrence Kernan Hospital was excluded in the Regression Analysis

Table 5
Statistical Summary of the Variables and Regression Results

R-Square	0.7091			
Adjusted R-Square	0.6958			
Variables:	Parameter Estimate	Standard Error	t Value	P-Value (Pr > t)
The proportion of a hospital's total charges from inpatient non-Medicare admissions through the emergency room	0.22643	0.03935	5.75	<.0001
The proportion of a hospital's total charges from inpatient Medicaid, self-pay, and charity cases	0.16134	0.03303	4.88	<.0001
The proportion of a hospital's total charges from outpatient Medicaid, self-pay, and charity visits to the emergency room	0.51025	0.11077	4.61	<.0001
The proportion of a hospital's total charges from outpatient charges	0.06799	0.02876	2.36	0.0195



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June 21, 2010

Andy Udom
Associate Director, Research and Methodology
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore MD 21215

Dear Mr. Udom:

On behalf of Maryland's 47 acute care hospitals, the Maryland Hospital Association (MHA) recommends that the Commission modify its method for accommodating the FY 2009 averted uncompensated care (UCC) prospective reduction in the FY 2011 UCC policy. In your June 9 *Report on Preliminary Results of the Uncompensated Care Policy for FY 2011*, you propose "...adding the estimated averted bad debts to hospital reported UCC and then applying the regression and subsequent calculations." The hospital field recommends adding the final FY 2009 hospital-specific averted UCC best estimates to the reported UCC, and then proceeding with the regression and subsequent calculations. Using the final best estimate of FY 2009, averted UCC will have a relatively small statewide effect, but a more meaningful effect on specific hospitals.

I appreciate the opportunity to comment on the UCC policy and the continued dialogue with you on this technically challenging issue. If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink that reads 'Traci Lynn LaValle'.

Traci La Valle
Assistant Vice President, Financial Policy

cc: Robert Murray, Executive Director, HSCRC