All Payer Hospital System Modernization
Payment Models Workgroup

Meeting Agenda

January 12, 2015
1:00 pm to 4:00 pm
Health Services Cost Review Commission
Conference Room 100
4160 Patterson Avenue
Baltimore, MD 21215

1:00	Introductions and Meeting Overview Donna Kinzer, Executive Director
1:15	Review of Market Shift Calculations Sule Calikoglu, Deputy Director
2:00	FY 2016 Update Process Review David Romans, Director
2:45	FY2016 Uncompensated Care Adjustment Process David Romans, Director
3:30	Adjourn

ALL MEETING MATERIALS ARE AVAILABLE AT THE MARYLAND ALL-PAYER HOSPITAL SYSTEM MODERNIZATION TAB AT HSCRC.MARYLAND.GOV

Maryland Health Services Cost Review Commission

Review of Market Shift Calculations

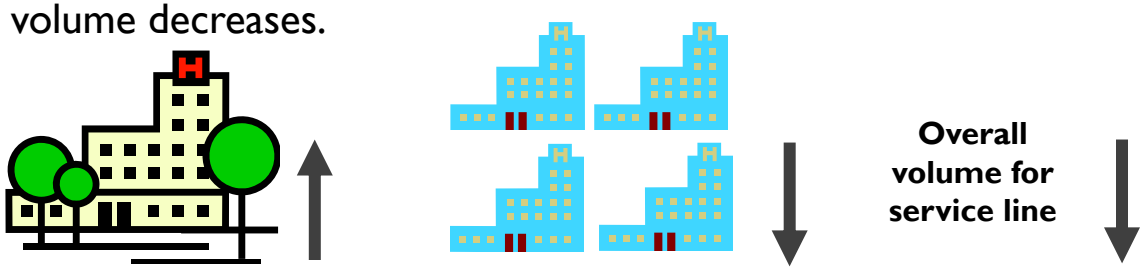
Jan 12, 2015

Market Share Calculations-Unit of Analysis

- Inpatient Service Lines based on APR-DRGs
  - Potentially Avoidable Utilization (Readmissions, PQIs) is excluded.
- Outpatient Service Lines based on APGs and hierarchical categorization
  - Oncology, Radiation Therapy and Drugs needs further development
  - Outpatient visits are converted to "Equivalent CaseMix Adjusted Discharge" (ECMAD)
- MD residents in MD hospitals
  - Non-MD resident utilization
  - Non-MD Hospital Utilization for residents
  - Shifts to unregulated space
- Zip code level trends
  - Possible aggregation for some zip codes

Original Formula: Hospital A Volume Increases, Other Hospital Volume Decreases, Overall Volume Decreases

Scenario: Volume in "General Surgery" at Hospital A increases while volume in "oncology" at other hospitals decreases. Overall volume decreases.



	Hospital A	Other Hospitals	Total
Base Year: General Surgery	1000	4000	5000
Current Year: General Surgery	1500	3200	4700
Change	+500	-800	-300

Result: Market Shift for Hospital A is the lesser of absolute change in Hospital A or Other Hospitals

|Change in Hospital A| = 500 |Change in Other Hospitals| = 800

800 > 500 so Market Shift for Hospital A = +500

Modified Market Shift Formula

Zipcode 21000 General Surgery	ECMAD CY13	ECMAD CY14	ECMAD Growth	Proportion of Hospital	Market Shift		Original Formula	
	A	B	C=B-A	D=C/Subtotal C	E=D*Allowed Market Shift		Other Hospitals	Market Shift
HOLY CROSS	1,000	1,500	500	76%	99		25	0
SUBURBAN	500	600	100	15%	20		425	0
MONTGOMERY GENERAL	50	100	50	8%	10		475	0
JOHNS HOPKINS	-	4	4	1%	1		521	0
Utilization Increase			654		129			
SINAI	500	500	-	0%	-		525	-
UPPER CHESAPEAKE HEALTH	500	400	(100)	78%	(100)		625	(100)
SHADY GROVE	50	25	(25)	19%	(25)		550	(25)
UNIVERSITY OF MARYLAND	4	-	(4)	3%	(4)		529	(4)
Utilization Decline			(129)		(129)			
Zip Total			**525**		-			(129)
Allowed Market Shift			**129**					

Market Value of Adjustments

- State-wide Average Adjusted Charge per ECMAD
- Hospital Specific Adjusted Charge per ECMAD
  - Casemix adjusted
  - Other Adjustments
  - Gaining Hospital Charge vs Loosing Hospital Charge
- Geographic Adjusted Charge per ECMAD
  - Zip code average
  - Market Shift calculations
- Revenue Neutrality

Variable Cost Factor

- 50% VCF
  - Symmetrical adjustment
  - Asymmetrical adjustment

Market Shift Adjustment Timing

- Prospective Adjustments
  - Prior notifications for planned changes
- Annual calculations
  - FY2016 : July 2014-Dec 2014
  - FY2017: Jan 2015-Dec 2015

Zipcode 210000	ECMAD_CY13	ECMAD_CY14	ECMAD Growth	Proportion of Hospital	Market Shift		Original Formula	
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FY 2016 Balanced Update

January 12, 2015

Goals to Guide Payment Policy

- Promotes Three Part Aim (better care, better health, lower costs)
- Meets All-Payer Model Requirements
- Provides Hospitals with Overall Fair and Reasonable Compensation
- Provides rates and revenues that are sufficient for efficient and effectively operated hospitals and equity among payers
- Promotes health equity

Desirable Features of Payment Policies

- Promotes adequate information sharing
- Promotes cooperation and collaboration
- Provides sound value incentives
- Considers other requirements

Key Considerations

- Compliance with All-Payer & Medicare Guardrails
- Expected growth in Medicare Hospital Rates
- Inflation
- Population & Demographic Adjustments
- Financial Condition of Hospitals
- Uncompensated Care & ACA Expansion
- Infrastructure Adjustments
- Shared Savings Adjustments
- Holy Cross Germantown Hospital (annualize)
- Changes to MHIP/Medicaid Assessments
- Other including Categoricals and Transfers

Model Performance to Date

- CY 2014 All-payer per capita revenues (thru October) grew 1.83%, below the waiver guardrail of 3.58%.

- Maryland Fee-for-service costs per Medicare beneficiary growing slower than national average over first seven months of CY 14.

Balanced Update Model

Maximum allowed growth

Maximum revenue growth allowance		A	3.58% per capita
Population growth		B	0.57%
Maximum revenue growth allowance ((1+A)*(1+B)		C	4.17%

Components of revenue change-increases

	Proportion of Revenues	Allowance	Weighted Allowance
Adjustment for inflation/policy adjustments			
-Global budget revenues			2.78%
Adjustment for volume (population net of PAU)			
-Global budget revenues			0.57%
-Transfers			
-Categoricals			
-Market share adjustments			
			0.57%
Infrastructure allowance provided			
-Global budget revenues except TPR	80%		
-Regional Collaboration			
CON adjustments-			
-Opening of Holy Cross Germantown Hospital			TBD
Net increase before adjustments			3.35%
Other adjustments (positive and negative)			
-Set aside for unknown adjustments			
-Reverse prior year's shared savings reduction			0.40%
-Positive incentives (Readmissions)			0.15%
-Shared savings/negative scaling adjustments			-0.60%
Net increase attributable to hospitals			3.30%
Per Capita			2.71%

Components of revenue changes - not hospital generated

-Uncompensated care reduction, net of differential	-0.50% +
-Utilization Impact of Medicaid Expansion	
-MHIP adjustment - Annualize FY 15	-0.27%
-Other assessment changes	
Net decreases	-0.77%
Net revenue growth	2.53%
Per capita revenue growth	1.95%

Uncompensated Care

Current FY 2015 UCC Policy

- Uncompensated care in the FY 2015 hospital rates was adjusted down by 1.09 percentage points to capture the anticipated impact of the Medicaid expansion for the PAC population ($166 M).
  - HSCRC FY 2015 UCC Policy Before PAC Adjustment = 7.23%
  - PAC Adjustment included in FY 15 Rates = 1.09%
  - UCC calculation: 7.23% - 1.09% = 6.14%

Development of FY 2016 UCC Policy

- Utilize results of final FY 2015 regression again in FY 2016
  - Remove Adjustment for PAC
  - Replace PAC Adjustment with revised estimate of impact of Affordable Care Act Expansion on Uncompensated Care

- Rationale
  - Dynamic environment limits utility of new regression analysis.
  - Substantial Medicaid coverage expansion in CY 2014 impacts many of variables traditionally analyzed in regression.
  - CY 2014 delay in Medicaid re-determinations temporarily skews Medicaid & Self-pay/Charity coverage and charge figures.

Next Steps

- Review Data at February Meeting
  - CY 2013 & CY 2014 Trends in Self-Pay/Charity Care & Medicaid Charges
  - CRISP Data on Prior Hospital Utilization by People Enrolled in Medicaid Expansion
  - UCC reported in hospital financials