Payment Model Workgroup Meeting

March 31, 2020

Agenda

- Update Factor Status
- Rate Setting Changes Related to COVID-19 Response
  - Volume Trough Response
  - Emergency Funding Mechanism
  - Volume Spike Response
- Telehealth in hospital setting
- Data Reporting Changes Related to COVID-19 Response

Update Factor Status

- A major component of the Update Factor is the implementation of global budget adjustments and various grant programs:

Global Budget Adjustments	Grant Programs
Market Shift	Medicare Advantage
Demographic Adjustment	Regional Partnerships
NEW! Complexity and Innovation Policy	Nurse Support Program I
Maryland Hospital Acquired Condition Program	Nurse Support Program I
Uncompensated Care Policy	
Readmissions Reduction Incentive Program	
Quality Based Reimbursement Program	
Potentially Avoidable Utilization Program	
Medicare Performance Adjustments	

- Staff is currently convening with Commissioners to discuss the implementation of all adjustments given the COVID-19 response.
  - Planned communication on final decisions will be provided on April 1, 2020
  - Additional work on Update Factor inputs are delayed until these decisions are finalized
  - Stakeholders will have a chance to respond to Commissioners implementation decisions through the RY 2021 Update Factor Policy

Volume Trough Response

- In the short term, volumes are expected to decrease by 30-40% due to
  - Cancelation of elective procedures and
  - General reluctance to use hospital services given the outbreak.

- In response, the HSCRC authorized increasing rate corridors to allow greater charge capacity.
  - Specifically, the greater of 10% corridors or a 5% increase from current charging variance was approved as a way to stabilize hospital revenue but avoid price gouging.

Volume Trough Response cont.

Corridor Expansion	Corridor Time Period Assessed	Cash on Hand (Cash & Short Term Investments)	Cash on Hand with (inc. unrestricted long term investments)	Revenue not Charged in RY 2020 (assuming 30% volume reduction)	Cash on Hand Deterioration	Effective Rate Increase for Remainder of RY 2020
Greater of 10% Corridor or 5% from Current Charging Variance	Monthly	52 days	173 days	$945 million	20 days	7.7%

- Additional action approved to support hospitals includes waiving RY 2020 undercharge penalties and allowing undercharge to be credited to RY 2021 global budgets.
  - Effectively guarantees global budgets on a longer time horizon, but does not guarantee short term liquidity

Example of Corridor Compliance March - June

Unit Rate Compliance	
Jul	3.0%
Aug	3.0%
Sept	3.0%
Oct	4.0%
Nov	4.0%
Dec	3.0%
Jan	2.0%
Feb	2.0%
Mar	10.0%
April	10.0%
May	10.0%
Jun	10.0%
Jul-Feb	**3.0%**
Mar-Jun	**10.0%**
Annual	**5.3%**

- HSCRC will monitor FY20 corridors regularly as conditions change
- Corridor expansion will be evaluated for RY2021as conditions change

- Example:
  - Hospital with no previously approved corridor expansion
  - Previous compliance July 2019 through Feb 2020
  - 10% Corridors extended March 2020 through June 2020

Example of Uniform Corridor Expansion with No GBR Penalty

		Annual GBR Effective July 1 2019			Mar-Jun	Fiscal Year End 2020 Acctual			Under/Over
	Revenue Center	Unit Rates	Budgeted Volume	Annual Revenues	Unit Rates @ 10%	Unit Rates 3.33%	Actual Volume	Annual Revenues	Annual Revenues
MSG	Med./Surg. Acute	$950	18,760	$17,821,769	$1,045	$982	12,000	$11,780,000	Under
OBS	Obstetric Acute	$1,325	8,496	$11,257,653	$1,458	$1,369	6,300	$8,625,750	Under
MIS	Med./Surg. I.C.U.	$1,950	2,181	$4,253,354	$2,145	$2,015	2,218	$4,469,270	Over
NEO	Neo-Natal I.C.U.	$1,350	3,622	$4,889,628	$1,485	$1,395	3,680	$5,133,600	Over
NUR	New Born Nursery	$850	3,250	$2,762,607	$935	$878	3,100	$2,722,833	Under
ADM	Admissions	$210	7,075	$1,485,786	$231	$217	5,387	$1,168,979	Under
EMG	Emergency Services	$150	114,299	$17,144,846	$165	$155	133,599	$20,707,845	Over
All Other Rate Centers				$240,384,358				$227,391,723	Under
TOTAL				**$300,000,000**				**$282,000,000**	Under
								-$18,000,000	**Carry Over**

- Full $18 million added to FY2021 rate order 'One-time'
- All rate centers uniformly increased to 10% March-June
- Unit rates are fully compliant
- No corridor penalties for Revenue Centers' Annual Revenues
- No penalties

Example of GBR Undercharge Waiver:

Hospital Annual Revenue (thousands)	**$**	**300,000**
RY2020 March -June		
Budgeted revenue	$	100,000
Projected volume decline		-30%
Adjusted charges	$	76,923
Short fall	$	(23,077)
Current unit price position		3.0%
Up to 10% or 5%		7.0%
Charges with corridor relief	$	82,308
GBR Shortfall/Undercharge	**$**	**(17,692)**
Carry Over to RY2021	**$**	**17,692**

		Rate Order Date:	Budgeted Revenue per Commission:	Period of Months:	Effective Period Revenue:
Period:		07/01/19	$ 300,000	12	$ 300,000
			Add't Approved Amount 1:		$ -
			Add't Approved Amount 2:		$ -
LINE A	WEIGHTED BUDGETED REVENUE				$ 300,000
LINE B	TOTAL ACTUAL REVENUE			12	$ 282,000
	TOTAL ACTUAL REVENUE annualized				$ 282,000
	Additional Adjustment				$ -
LINE C			Gross Undercharge $		$ (18,000)
			Gross Undercharge %		-6.00%

Gross Undercharge $ $ (18,000)

Undercharge Range	Undercharge Penalty	Undercharge Variance	Undercharge Penalty $
0 - .5%	0%	1,500	$0
.5 - 1.0%	20%	1,500	$300
1.0% - 2%	50%	3,000	$1,500
2% or more	100%	12,000	$12,000

Total Undercharge Penalty Waiver	$ -
Net Undercharge Adjustment	$ (18,000)
Additional Adjustment	$ -
Out-of-state over/undercharged	$ -
Additional Revenue to GBR TPR-2	**$ 18,000**

Emergency Funding Mechanism

- If COVID-19 is not mitigated, hospitalizations could increase exponentially and potentially overwhelm current hospital capacity. Hospitals must expend revenue now to prepare for surge.

- Increasing global budgets further will only compound concerns over price gouging that were considered while expanding corridors for the remainder of RY 2020.
  - Additionally, given expected slowdown in claims processing from payers, increasing global budgets will likely not result in increased liquidity.

- Staff is exploring the feasibility of four approaches to increase liquidity and stabilize hospital finances:
  - Utilize emergency governmental funding
  - Issue bonds through MHHEFA that will be repaid through hospital assessments over a series of years
  - Access working capital advance from payers that will be repaid through a rate discounting mechanism over a short time horizon
  - Suspend the collection of various provider tax assessments for the remainder of the fiscal year

Volume Spike Response

- COVID-19 hospitalizations at the height of the crisis, which will likely coincide with the end of RY 2020 into RY 2021, may represent charges that exceed the allotment provided by the RY 2021 global budgets plus anticipated RY 2020 undercharges.

- To address this potential outcome, HSCRC in consultation with state stakeholders and the Center for Medicare and Medicaid Innovation (CMMI) are discussing alternatives to the existing reimbursement methodologies, e.g. increasing global budgets on a one-time basis to account for the surge.

Telehealth in Hospital Setting

- On Friday, March 27, Commission voted to approve a staff recommendation to allow reporting and charging of telehealth visits for the duration of the temporary state of emergency:
  - During the COVID-19 temporary state of emergency, hospitals shall not charge a clinic fee to patients who receive telehealth services from physicians or other healthcare providers who can bill for their professional services
  - The only instance when a hospital clinic fee for telehealth services can be charged is when the only telehealth services rendered are those provided by non-physician providers that cannot bill for their services
- In other words, in no case should a telehealth visit result in both a professional fee bill and a hospital charge
  - If there is a professional fee billed, the hospital may not charge separately
  - If there is no professional fee billed because the telehealth visit did not involve a clinician who is separately able to bill, then and only then may a hospital charge a clinic fee
- To implement this, an addendum to the Accounting and Budget Manual's Clinic Standard Units of Measure References, Appendix D -- approved only for the duration of the COVID-19 state of emergency
  - Once the COVID-19 state of emergency ends, so too will this telehealth policy, in line with the telehealth flexibility recently announced by the federal government for Medicare in response to COVID-19

Revisions to Reporting Requirements

Reporting Requirement Adjustments

Report	Performance Period	Recommendation	Additional Notes
Casemix Reporting	Preliminary Monthly Ongoing	Continue with current rules	Current rules allow hospitals to skip preliminary monthly submissions or submit with errors
Casemix Reporting	Final Quarterly Ongoing	Continue with current rules	Hospital can request an extension
Monthly Financial Reporting	Monthly Ongoing	Continue with current rules	
Monthly Casemix to Financial Reconciliation	Quarterly Ongoing	HSCRC will continue to send reconciliation spreadsheets but routine hospital explanations will not be required.	Staff may reach out to hospitals for further explanation where an outlier value is identified
Annual Filing	FY 2021	Continue with current rules, due dates are in Fall of 2020	Could consider extensions at later date
Community Benefit Report	FY 2020	Continue with current rules, due dates are in Fall of 2020	Could consider extensions at later date
Community Benefit Report	FY 2021	Release FY 2021 template on schedule, delay changes in reporting requirements	HSCRC evaluating whether reporting requirements should be adjusted later in FY 2021 or delayed to FY 2022.
Denials	Quarterly Ongoing	Hospitals have the option to forgo reporting for Q3 and Q4 of 2021, catch up will be required at later time	Require written notification for hospitals who wish to defer reporting

Reporting Requirement Adjustments

Report	Performance Period	Recommendation	Additional Notes
Uncompensated Care	Quarterly Ongoing	Hospitals have the option to forgo reporting for Q3 and Q4 of FY 2020, catch up will be required at later time	Require written notification for hospitals who wish to defer reporting
Casemix Audits	FY 2021	Continue as is, revisit if hospitals raise concern about resource constraints	
Annual Filing Revisions for Population Health	FY 2020	Release proposed revisions on schedule but consider delayed implementation based on responses	FY20 Implementation was already assumed to be preliminary
Annual Filing Revisions for Related Entities	FY 2020	Release proposed revisions on schedule but consider delayed implementation based on responses	FY20 Implementation was already assumed to be preliminary
NSP1 Annual Reporting	FY 2021	Continue with current rules, due dates are in Fall of 2020	Could consider extensions at a later date. (see further information on the grant funding below)
NSP 1 Initial Budget and	FY2021	Due date extended to May 1, 2020	Hospitals unable to meet that deadline contact the HSCRC
CMS Quality Data Reporting	FY 2020/FY2021	Follow CMS Directives	
CRP Hospital Quarterly Reports	FY 2020	April 15 reporting delayed to July 15	