



maryland
health services
cost review commission

Payment Model Workgroup

May 26, 2022

Update Factor Discussion

Components of Revenue Change Link to Hospital Cost Drivers /Performance

		Weighted Allowance
Adjustment for Inflation (this includes 4.80% for wages and compensation)		3.64%
- Outpatient Oncology Drugs		0.02%
Gross Inflation Allowance	A	3.66%
Care Coordination/Population Health		
- Reversal of One-Time Grants		-0.22%
- Regional Partnership Grant Funding RY23		0.20%
Total Care Coordination/Population Health	B	-0.03%
Adjustment for Volume		
-Demographic /Population		-0.12%
-Transfers		
-Drug Population/Utilization		
Total Adjustment for Volume	C	-0.12%
Other adjustments (positive and negative)		
- Set Aside for Unknown Adjustments	D	0.10%
- Low Efficiency Outliers	E	0.00%
- Capital Funding	F	0.00%
- Complexity & Innovation	G	0.14%
-Reversal of one-time adjustments for drugs	H	-0.04%
Net Other Adjustments	I = Sum of D thru H	0.20%
Quality and PAU Savings		
-PAU Savings	J	-0.32%
-Reversal of prior year quality incentives	K	-0.11%
-QBR, MHAC, Readmissions		
-Current Year Quality Incentives	L	0.00%
Net Quality and PAU Savings	M = Sum of J thru L	-0.43%
Total Update First Half of Rate Year 23		
Net increase attributable to hospitals	N = Sum of A + B + C + I + M	3.28%
Per Capita First Half of Rate Year (July - December)	O = (1+N)/(1-0.12%)	3.41%
Adjustments in Second Half of Rate Year 23		
-Oncology Drug Adjustment	P	0.00%
-Current Year Quality Incentives	Q	TBD
Total Adjustments in Second Half of Rate Year 23	R = P + Q	0.00%
Total Update Full Fiscal Year 23		
Net increase attributable to hospital for Rate Year	S = N + R	3.28%
Per Capita Fiscal Year	T = (1+S)/(1-0.12%)	3.41%
Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements		
-Uncompensated care, net of differential	U	-0.43%
-Deficit Assessment	V	0.00%
Net decreases	W = U + V	-0.43%
Total Update First Half of Rate Year 23		
Revenue growth, net of offsets	X = N + W	2.85%
Per Capita Revenue Growth First Half of Rate Year	Y = (1+X)/(1-0.12%)	2.98%
Total Update Full Rate Year 23		
Revenue growth, net of offsets	Z = S + W	2.85%
Per Capita Fiscal Year	AA = (1+Z)/(1-0.12%)	2.98%

Table 2: Page 7 of Recommendation

CY22 Revenue Growth Estimate

Estimated Position on Medicare Test		
Actual Revenue CY 2021		18,951,788,063
Step 1:		
Approved GBR RY 2022		19,638,102,984
Actual Revenue 7/1/21-12/31/21		9,501,433,932
Approved Revenue 1/1/22-6/30/22		10,136,669,052
FY22 Undercharge in First Half of CY22		(113,000,000)
Anticipated Revenue 1/1/22-6/30/22	A	10,023,669,052
Step 2:		
Approved GBR RY 2022		19,638,102,984
Reverse One Time Extraordinary Adjustments:		(189,274,421)
Adjusted GBR RY 2022		19,448,828,563
Projected Approved GBR RY 2023		20,003,578,467
Permanent Update RY 2023		2.85%
Adjusted Change from GBR RY 2022		1.86%
Step 3:		
Estimated Revenue 7/1/22-12/31/22 (after 49.73% & seasonality)		9,947,779,572
CARES Act \$ Payback		-
FY23 Inflation Advance Payback		(98,505,808)
FY21 Undercharge Release in Second Half of CY22		95,754,888
Projected Revenue 7/1/22-12/30/22	B	9,945,028,652
Step 4:		
Estimated Revenue CY 2022	A+B	19,968,697,704
Increase over CY 2021 Revenue		5.37%

Table 7: Page 13 of Recommendation

CY 22 Scenarios

Guardrail Scenarios

CY 2022 Predicted Guardrail: Scenario 3			
	Maryland	US	
2021	\$13,088	\$11,527	
2022	\$13,731	\$12,103	Predicted Variance
YOY Growth	4.91%	5.00%	-0.09%

TCOC Savings Test Using Scenarios

CY 2022 Predicted Guardrail (Scenario 3)	
	Maryland
2021 Savings (Run Rate)	\$338 M
2022 Annual Savings	\$8 M
2022 Savings (Run Rate)	\$346 M

STAKEHOLDER COMMENTS



ANNUAL PAYMENT UPDATE



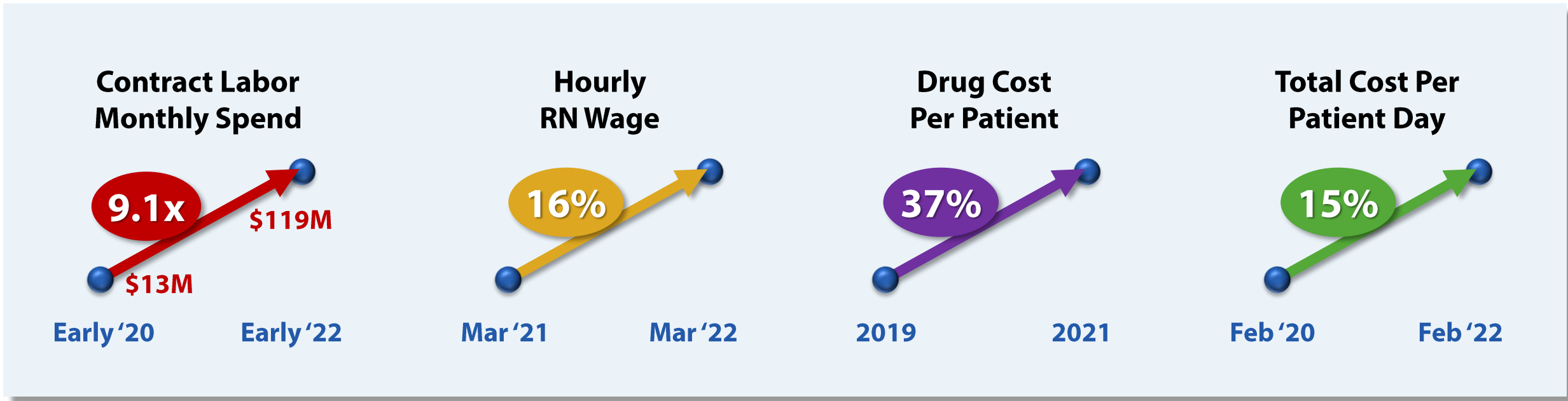
HSCRC Public Meeting

May 11, 2022



Maryland
Hospital Association

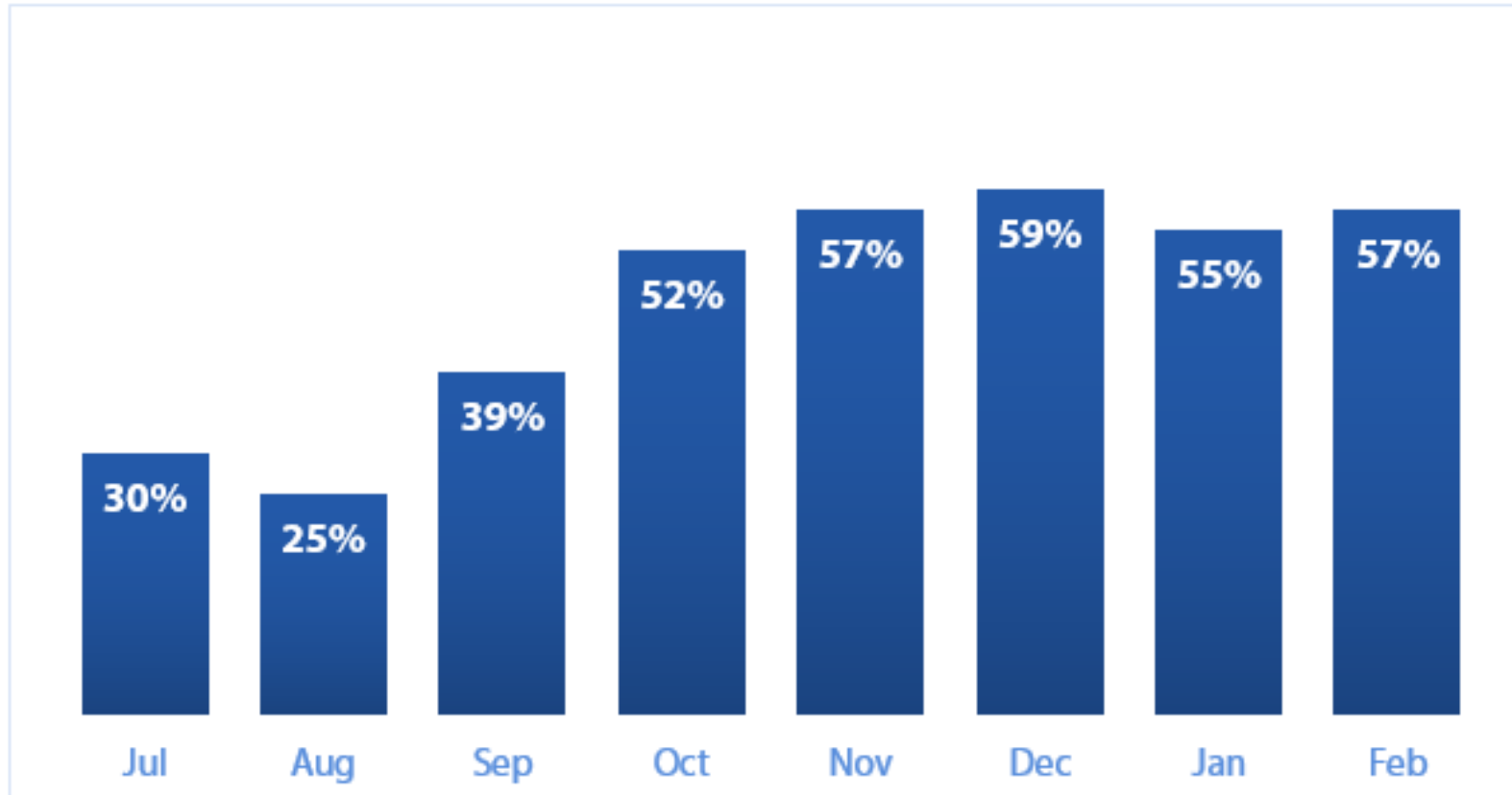
HOSPITAL COST PRESSURES MOUNT, WILL PERSIST



Sources: Drug spend, January 2022 Kaufman Hall National Hospital Flash Report; all other, MHA member surveys

Total Cost Per Patient Day is expense per equivalent inpatient day (EIPD)

PERCENTAGE OF MARYLAND HOSPITALS WITH NEGATIVE OPERATING MARGINS IN RY2022



MHA POSITION – RATE YEAR 2023 REQUESTS

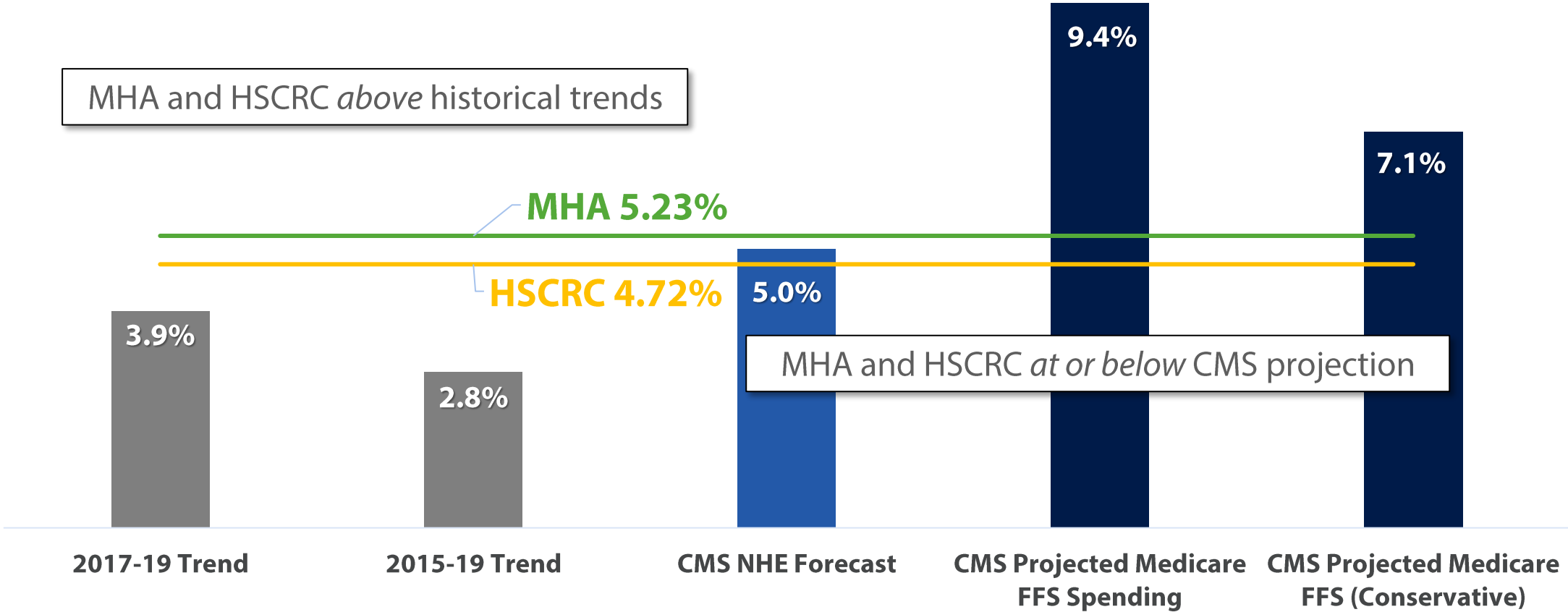
1. Fully fund FY2023 inflation – 3.66%
 2. Make the \$100 million (0.5%) advance funding permanent and require no repayment
 3. Modify PAU savings adjustment to reduce takeaway
 4. Limit uncompensated care funding reduction
 5. Monitor inflation and Model performance; **add funding Jan. 1, 2023**
- + *If needed, apply MPA savings adjustment to muffle one-time adjustments*

Category	MHA Proposal	HSCRC Draft
2023 Base Inflation (New IHS Q1 2022 forecast)	3.66%	3.66%
Make 2022 \$100m advanced funding permanent	0.50%	-
Subtotal	4.16%	3.66%
PAU savings offset	-0.16%	-0.32%
Quality policies (defer action until Jan. 1)	-0.11%	-0.11%
Other (net)	-0.05%	-0.05%
Uncompensated Care (UCC)	-0.22%	-0.43%
Total Revenue Growth	3.62%	2.76%
Total Per Capita Growth*	3.75%	2.89%

PROJECTED CY2022 REVENUE GROWTH

Category	MHA	HSCRC
RY2023 Rate Growth	3.75%	2.89%
Net one-time adjustments and price leveling to CY022, incl 2017-2019 trend for MD non-hosp. (MHA = no payback of \$100m advance; ½ year)	1.48%	1.83%
CY2022 Revenue Growth	5.23%	4.72%

CMS ACTUARY'S FORECAST GIVES HEADROOM



FY2023 Update Factor Comments; CareFirst

Increasing hospital rates has a significant and direct impact on Maryland residents and employers

- Two-thirds of CareFirst's Maryland business is covered by self-insured plans
- Roughly 43% of CareFirst's Maryland-based individual members are in plans with inpatient coinsurance

Mid-year adjustments to hospital rates have directly impacted Medicaid MCOs and Medicare Advantage plans

- This should be considered as HSCRC Staff thinks about a mid-year adjustment to inflation

Staff should revise its assumptions for Maryland's non-hospital spending and hospital undercharges

- After adjusting assumptions, Staff should consider the results of all three Medicare guardrail projections, and perhaps average their results

While Staff should seek to fund cost inflation at Maryland's hospitals, Staff should develop a plan to identify savings in the system to enable Maryland to pass its savings test requirements

- HSCRC should only approve an update factor that demonstrates a realistic projection and plan for meeting Model requirements