



Payment Model Workgroup

## **Meeting Agenda**

**March 30, 2022**

**11:00 am to 1:00 pm**

**Health Services Cost Review Commission**

- |     |   |
|-----|---|
| I   | Update on Fee For Service Data  |
| II  | Analysis of National Inflation Trends   |
| III | Update Factor Overview  |
| IV  | Estimated Position on Medicare Target <ul style="list-style-type: none"><li>● Guardrail</li><li>● Saving Test</li></ul> |
| V   | GSP Review  |
| VI  | Adjourn   |



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**health services**  
cost review commission

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## Payment Model Work Group

March 30, 2022



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cost review commission

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# Update on Medicare FFS Data & Analysis

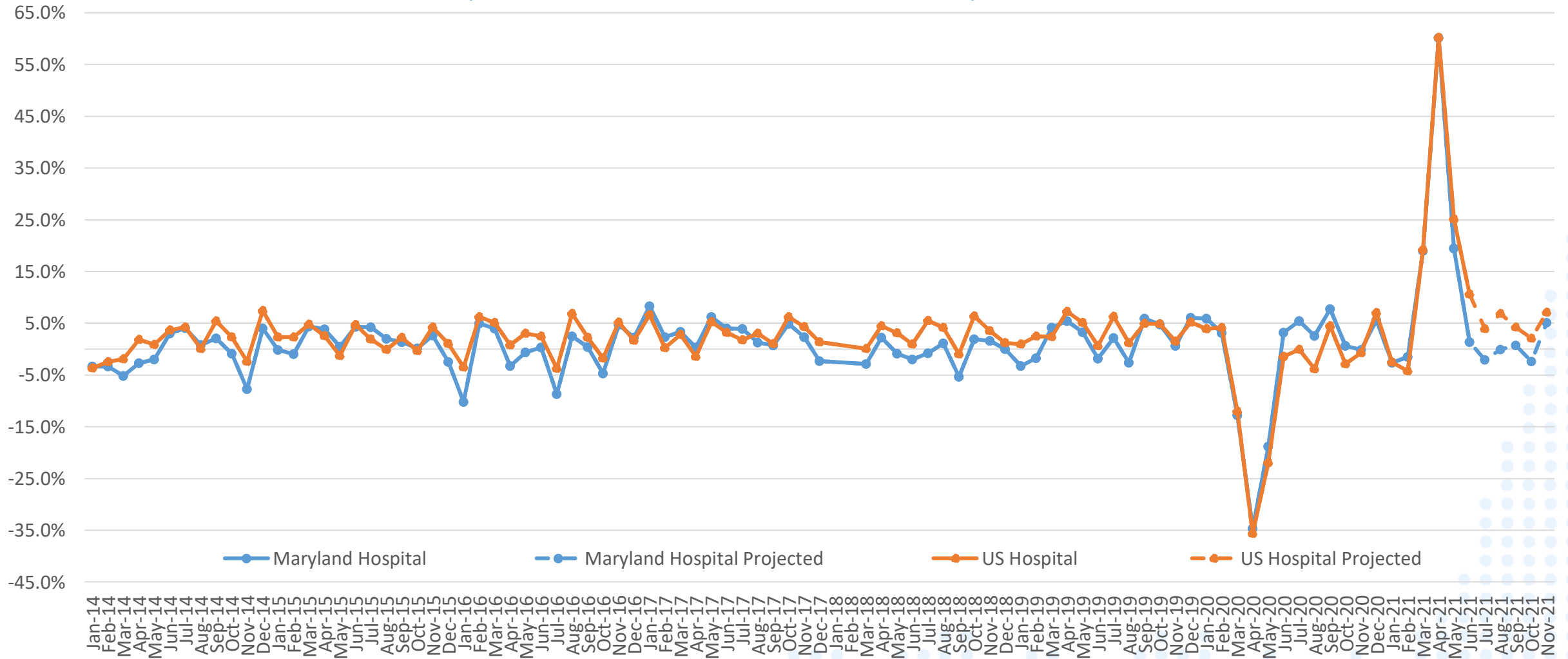
## March 2022 Update

Data through November 2021, Claims paid through January 22

Data contained in this presentation represent analyses prepared by HSCRC staff based on data summaries provided by the Federal Government. The intent is to provide early indications of the spending trends in Maryland for Medicare FFS patients, relative to national trends. HSCRC staff has added some projections to the summaries. This data has not yet been audited or verified. Claims lag times may change, making the comparisons inaccurate. ICD-10 implementation and EMR conversion could have an impact on claims lags. These analyses should be used with caution and do not represent official guidance on performance or spending trends. These analyses may not be quoted until public release.

# Medicare Hospital Spending per Capita

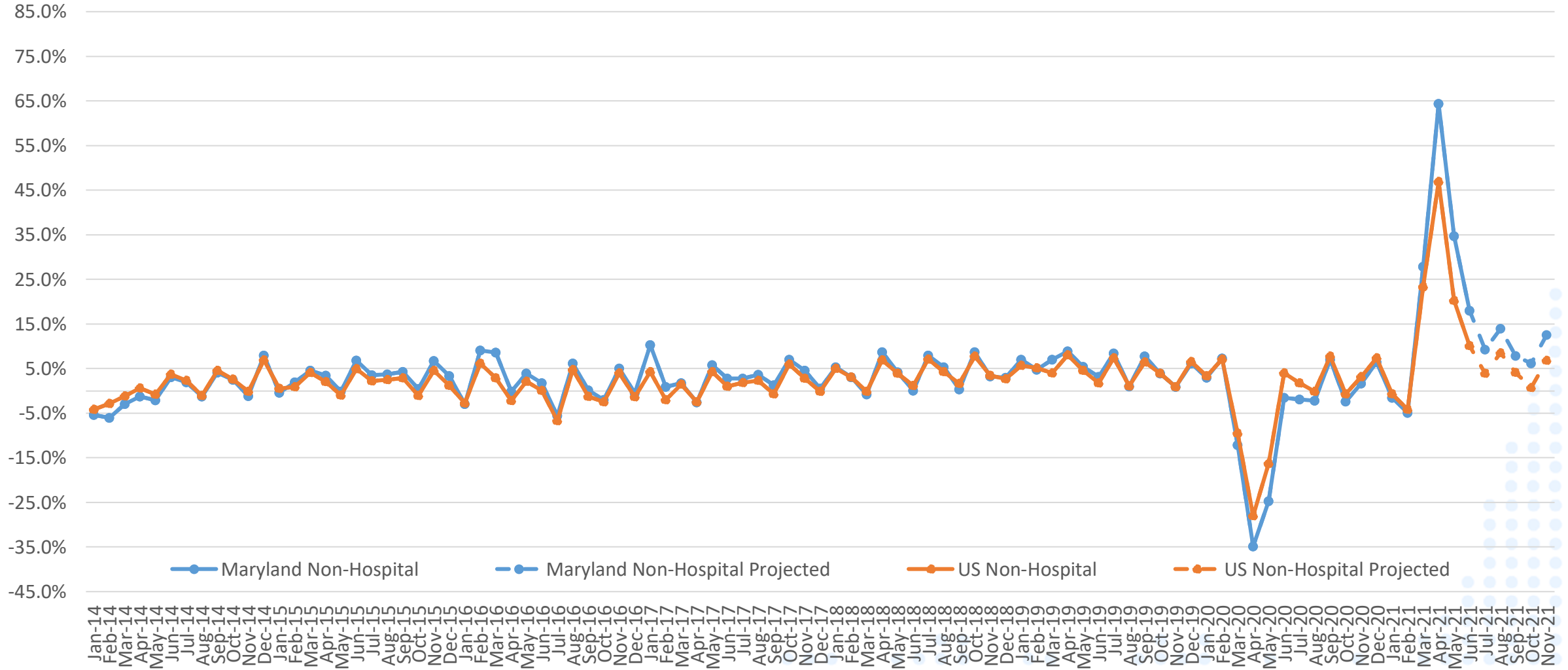
## Actual Growth Trend (CY month vs. Prior CY month)



CY16 has been adjusted for the undercharge.

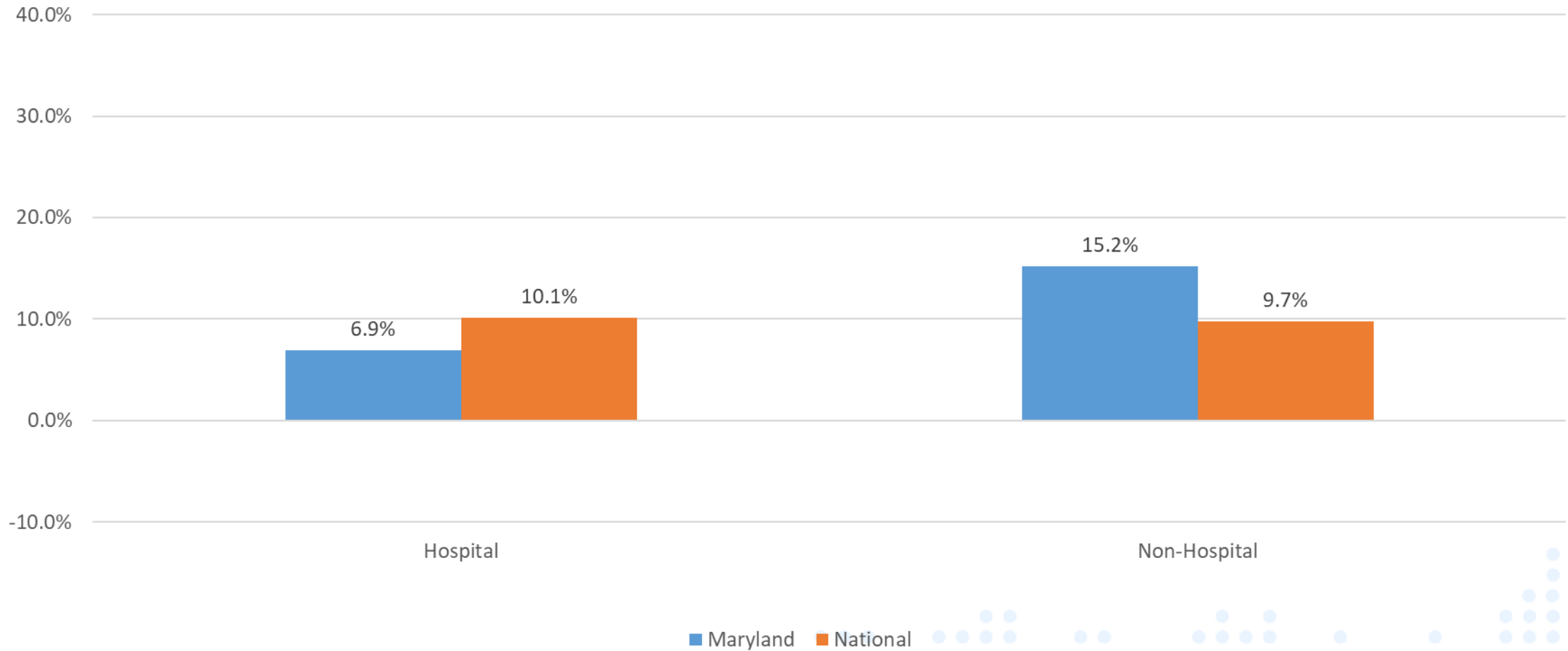
# Medicare Non-Hospital Spending per Capita

## Actual Growth Trend (CY month vs. Prior CY month)



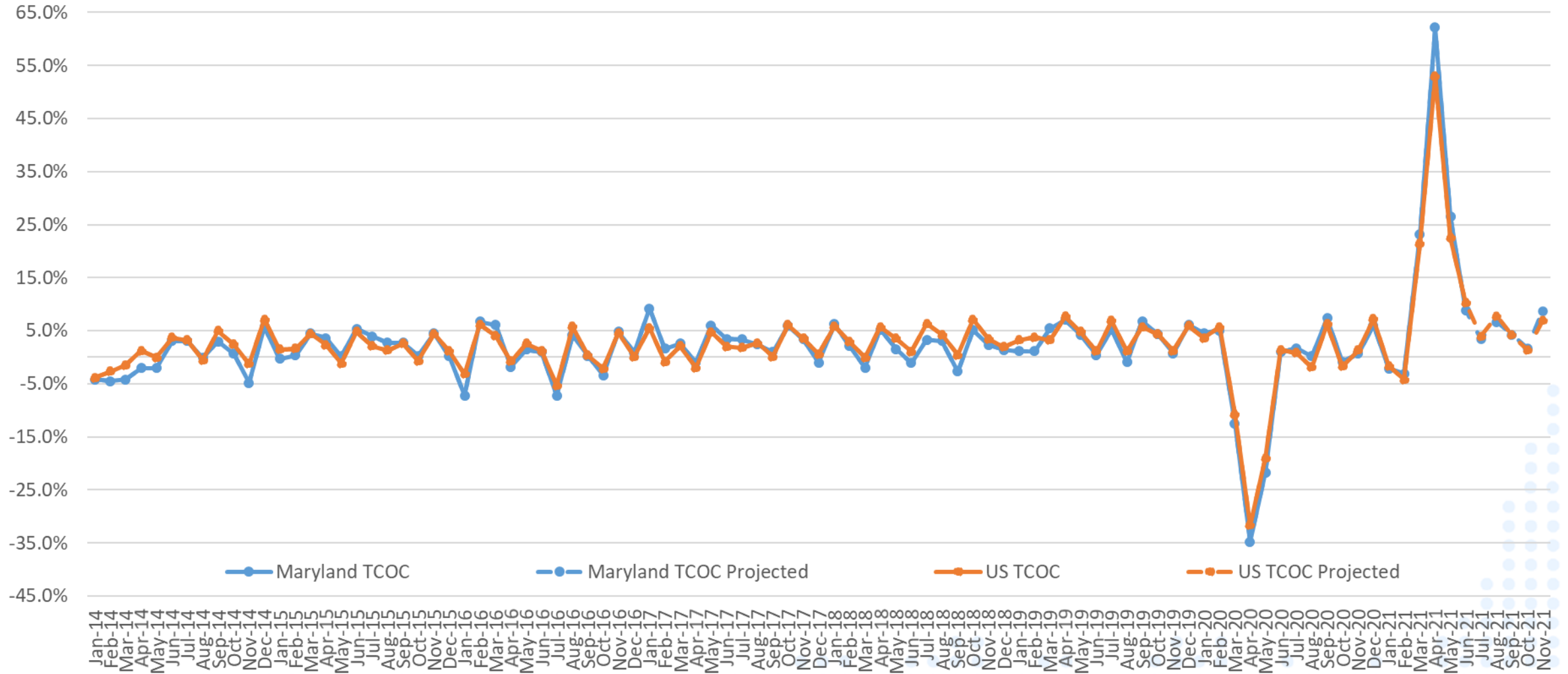
# Medicare Hospital & Non-Hospital Payments per Capita

Year to Date Growth  
Jan-Nov 2020 vs. Jan-Nov 2021



# Medicare Total Cost of Care Spending per Capita

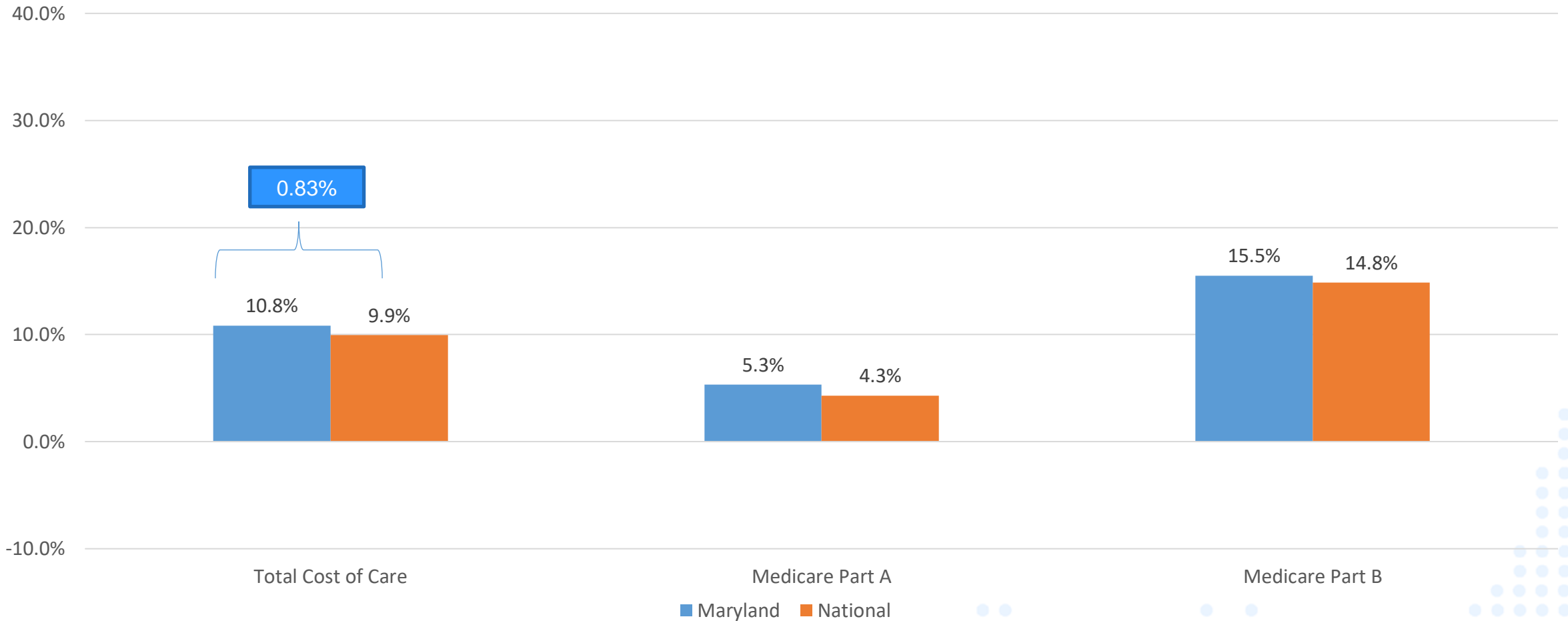
## Actual Growth Trend (CY month vs. Prior CY month)



CY16 has been adjusted for the undercharge

# Medicare Total Cost of Care Payments per Capita

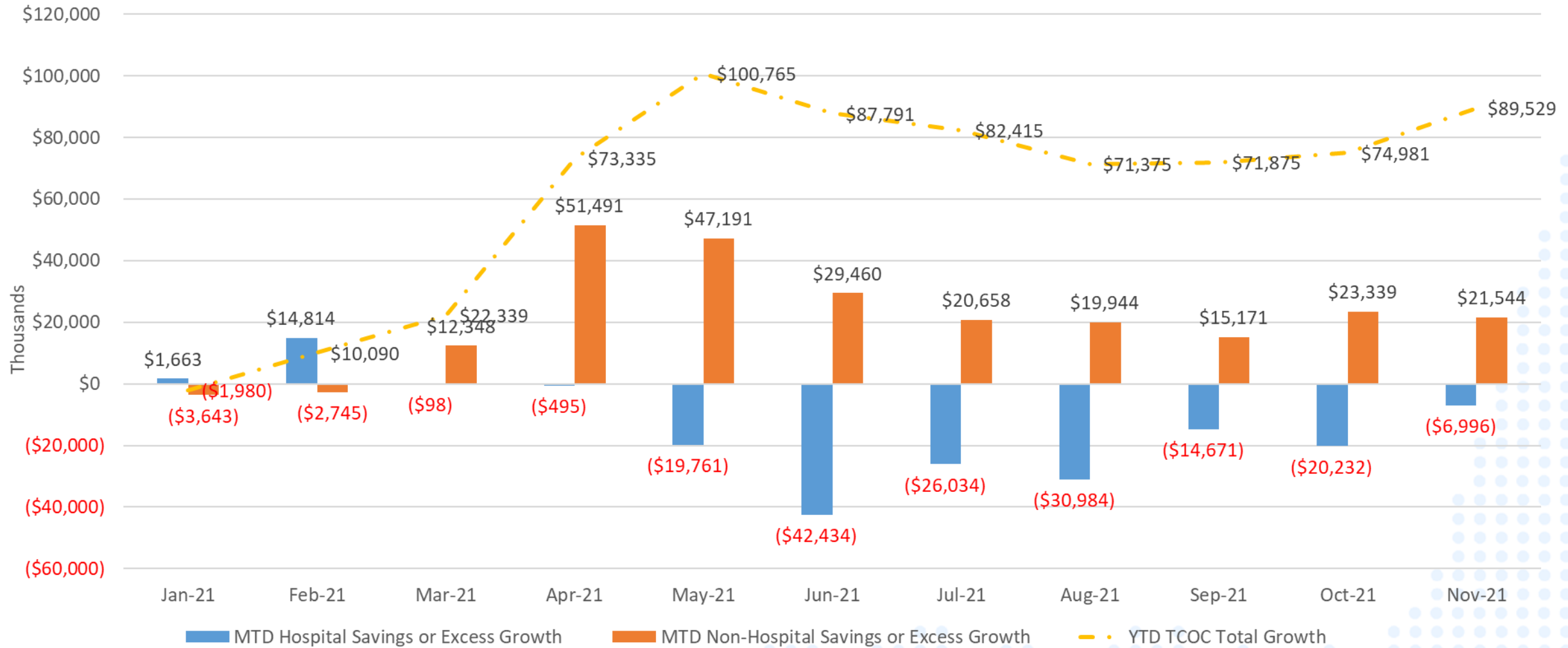
Year to Date Growth  
Jan-Nov 2020 vs. Jan-Nov 2021





# Maryland Medicare Hospital & Non-Hospital Growth

## CYTD through November 2021





# Overview of National Inflation

# Overview of National Inflation

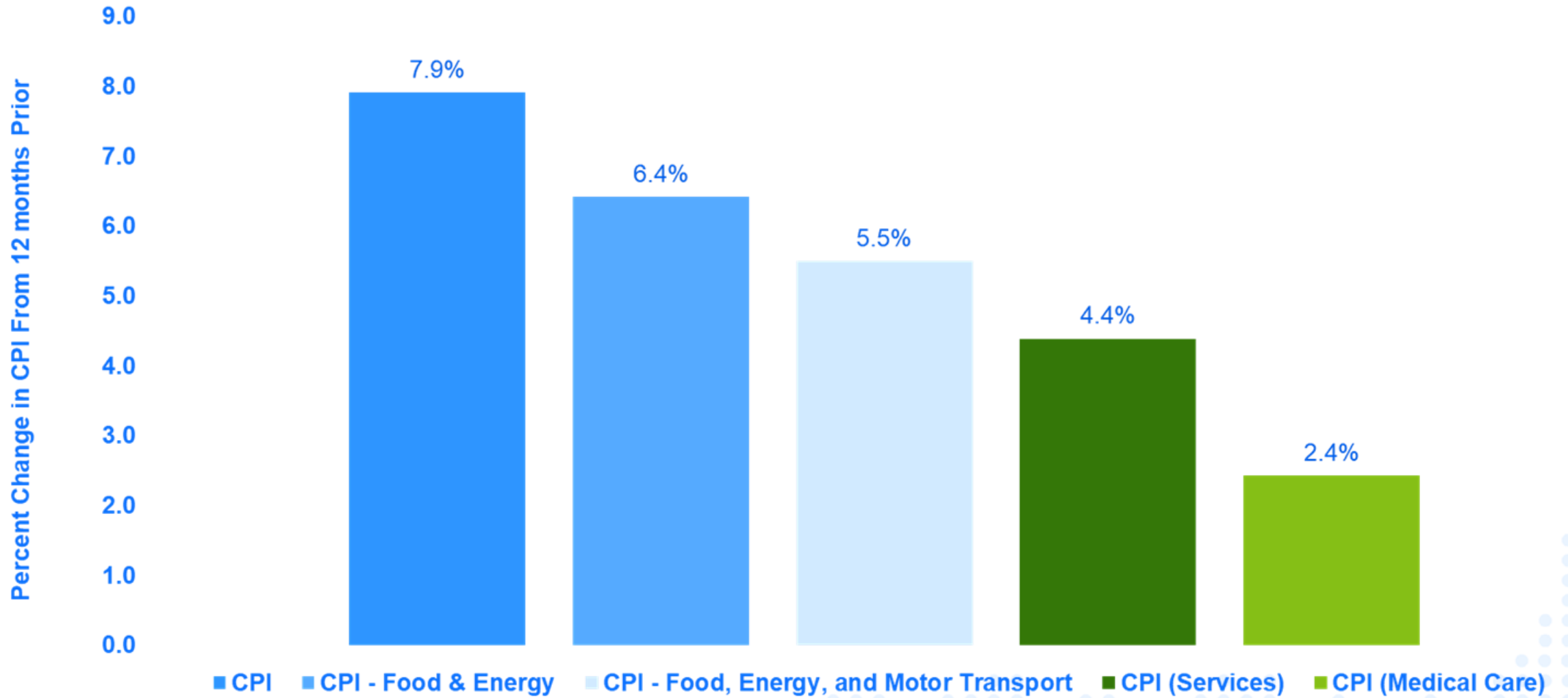
Recent inflation growth has been higher than any point since the 1980s.

- However, inflation is primarily concentrated in food, energy, and transportation costs.
- Medical inflation remains low. In 2020/2021, average medical inflation was the lowest third lowest since 1949.

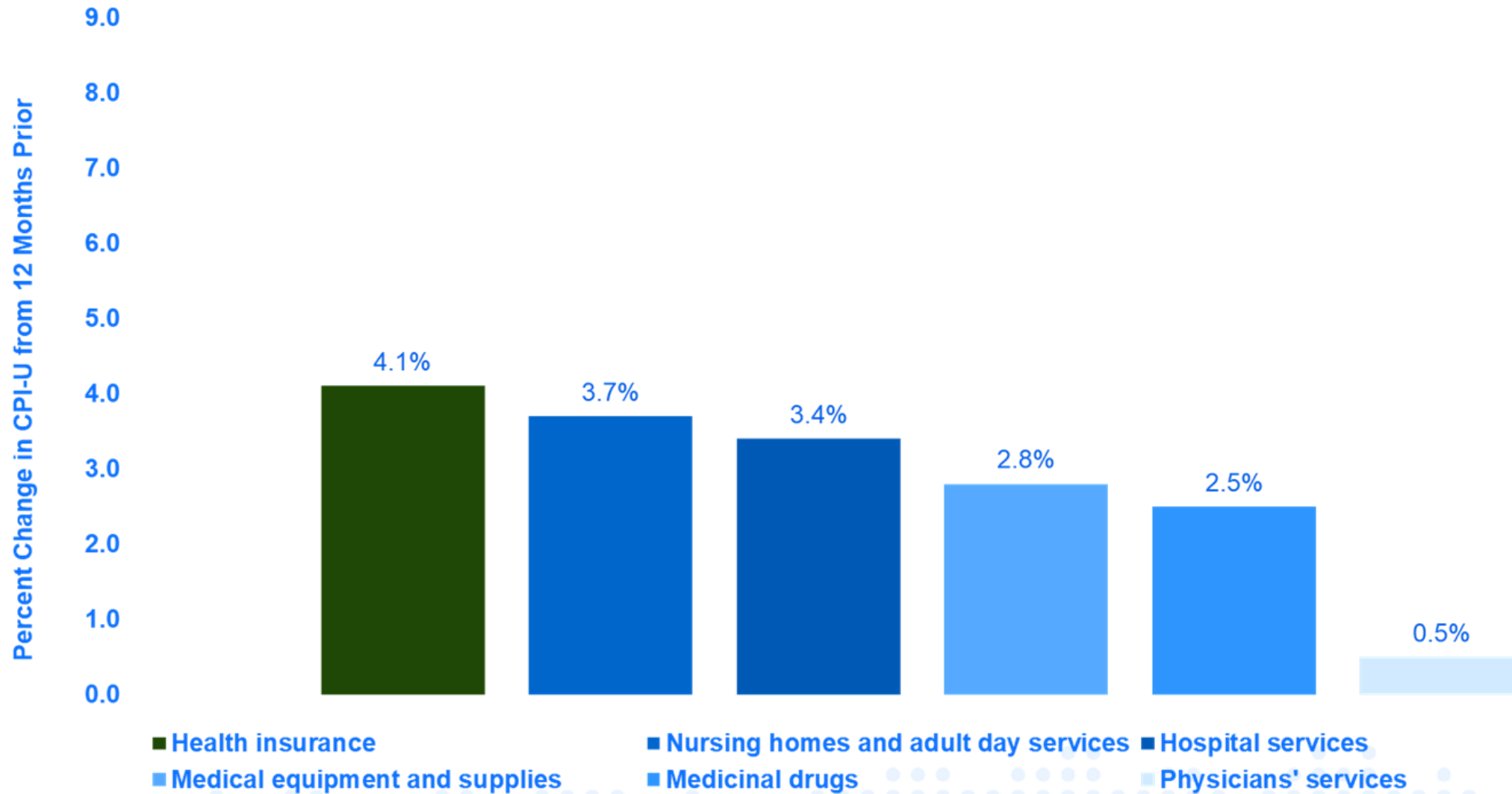
The national inflation outlook is important because the outlook for CMS's IPPS/OPPS update remains low.

- With  $\frac{3}{4}$  of the data, MedPAC is predicts a low IPPS and OPPS update.
- “CMS’s 2021 third-quarter projections of the market basket and productivity (and the additional statutory increase to IPPS payments) would produce a 2.5 percent increase in the IPPS base payment rate and a 2.0 percent increase in the OPPS base payment rate”

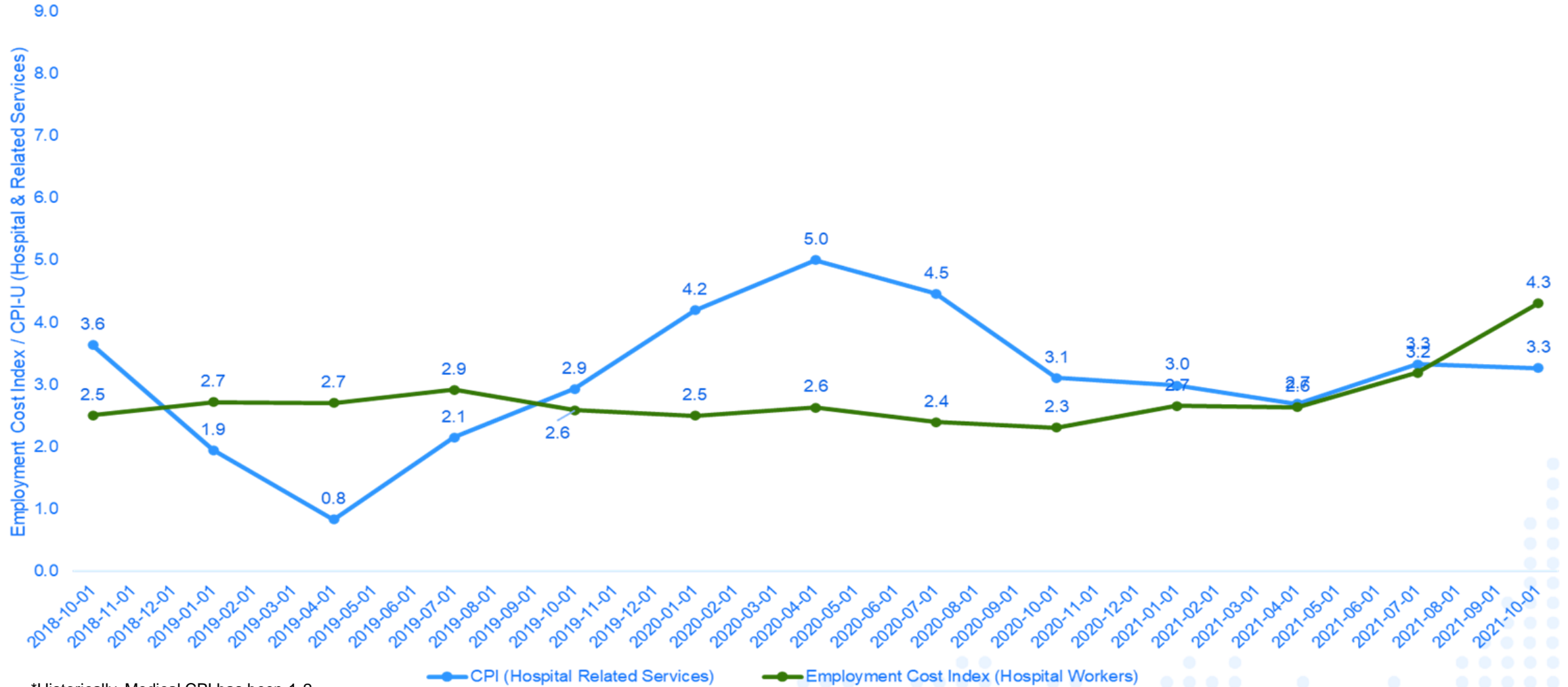
# Overview of National Inflation



# Components of Health Care Inflation



# Price Inflation vs Employment Costs



\*Historically, Medical CPI has been 1-2 percentage points higher than compensation growth.

# FY2023 Update Factor Model

Components of Revenue Change Link to Hospital Cost Drivers /Performance

		Weighted Allowance
Adjustment for Inflation (this includes 3.90% for wages and compensation)		2.87%
- Outpatient Oncology Drugs		0.21%
<b>Gross Inflation Allowance</b>	<b>A</b>	<b>3.08%</b>
<b>Care Coordination/Population Health</b>		
- Reversal of One-Time Grants		-0.22%
- Regional Partnership Grant Funding RY23		0.20%
<b>Total Care Coordination/Population Health</b>	<b>B</b>	<b>-0.03%</b>
<b>Adjustment for Volume</b>		
-Demographic /Population		-0.12%
-Transfers		
-Drug Population/Utilization		
<b>Total Adjustment for Volume</b>	<b>C</b>	<b>-0.12%</b>
<b>Other adjustments (positive and negative)</b>		
- Set Aside for Unknown Adjustments	D	0.00%
- Low Efficiency Outliers	E	0.00%
- Complexity & Innovation	G	0.14%
-Reversal of one-time adjustments for drugs	H	-0.04%
<b>Net Other Adjustments</b>	<b>I= Sum of D thru H</b>	<b>0.10%</b>
<b>Quality and PAU Savings</b>		
-PAU Savings	J	-0.28%
-Reversal of prior year quality incentives	K	-0.11%
-OBR, MHAC, Readmissions		
-Current Year Quality Incentives	L	-0.15%
<b>Net Quality and PAU Savings</b>	<b>M = Sum of J thru L</b>	<b>-0.54%</b>
<b>Total Update First Half of Rate Year 23</b>		
Net increase attributable to hospitals	<b>N = Sum of A + B + C + I + M</b>	<b>2.49%</b>
Per Capita First Half of Rate Year (July - December)	<b>O = (1+N)/(1-0.12%)</b>	<b>2.62%</b>
<b>Adjustments in Second Half of Rate Year 23</b>		
-Oncology Drug Adjustment	P	0.00%
-Future Adjustment	Q	0.00%
<b>Total Adjustments in Second Half of Rate Year 23</b>	<b>R = P + Q</b>	<b>0.00%</b>
<b>Total Update Full Fiscal Year 23</b>		
Net increase attributable to hospital for Rate Year	<b>S = N + R</b>	<b>2.49%</b>
Per Capita Fiscal Year	<b>T = (1+S)/(1-0.12%)</b>	<b>2.62%</b>
<b>Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements</b>		
-Uncompensated care, net of differential	U	-0.43%
-Deficit Assessment	V	0.00%
Net decreases	<b>W = U + V</b>	<b>-0.43%</b>
<b>Total Update First Half of Rate Year 23</b>		
Revenue growth, net of offsets	<b>X = N + W</b>	<b>2.06%</b>
Per Capita Revenue Growth First Half of Rate Year	<b>Y = (1+X)/(1-0.12%)</b>	<b>2.18%</b>
<b>Total Update Full Rate Year 23</b>		
Revenue growth, net of offsets	<b>Z = S + W</b>	<b>2.06%</b>
Per Capita Fiscal Year	<b>AA = (1+Z)/(1-0.12%)</b>	<b>2.18%</b>



# Population Health & Care Coordination – RY 2022 & 2023 Adjustments

- The following amounts will be adjusted in RY23 for population health and care coordination activities.

Program	RY 2022 Adjustment	RY 2023 Adjustments
Regional Partnership Catalyst Program	\$29,925,798	\$36,758,715
Maternal and Child Health Improvement Fund Assessment	\$11,135,680	\$11,136,100
Population Health Workforce Support for Disadvantaged Areas Program	\$188,870	(\$5,875,804)
Regional Partnership Legacy Grants – Transition Funding	\$2,840,422	(\$2,842,192)
<b>TOTAL</b>	<b>\$44,090,769</b>	<b>\$39,176,819</b>
<b>Percent Shown in Update</b>	<b>-0.22% (Reversal in RY23)</b>	<b>0.20%</b>

# HSCRC Update Factor Evaluation

# CY 22 Revenue Growth Estimate

Estimated Position on Medicare Test		
Actual Revenue CY 2021		18,953,053,765
<b>Step 1:</b>		
Approved GBR RY 2022		19,635,960,700
Actual Revenue 7/1/21-12/31/21		9,502,699,350
Approved Revenue 1/1/22-6/30/22	<b>A</b>	<b>10,133,261,350</b>
<b>Step 2:</b>		
Approved GBR RY 2022		19,635,960,700
Reverse One Time Extraordinary Adjustments:		(189,869,293)
Adjusted GBR RY 2022		19,446,091,407
Projected Approved GBR RY 2023		19,847,140,650
Permanent Update RY 2023		2.06%
Adjusted Change from GBR RY 2022		1.08%
<b>Step 3:</b>		
Estimated Revenue 7/1/22-12/31/22 (after 49.73% & seasonality)		9,869,983,045
CARES Act \$ Payback		-
FY22 Undercharge in First Half of CY22		(74,297,974)
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>B</b>	<b>9,792,934,151</b>
<b>Step 4:</b>		
<b>Estimated Revenue CY 2022</b>	<b>A+B</b>	<b>19,926,195,502</b>
Increase over CY 2021 Revenue		5.13%

# Adjustments to CY22 Revenue Estimate

- Assumes undercharge at 12/31/21 is recovered in first half of CY22 but that additional undercharges will be accrued in the remainder of FY22
  - Staff are not anticipating guaranteeing FY22 Undercharge other than the inflation advance
  - Therefore estimated CY22 revenue will be reduced by the anticipated amount of undercharge penalties as of 6/30/22 in evaluating spending tests
    - Amount is hard to estimate, hospitals should strive to submit accurate charging projections when they submit March experience data next month
    - Currently, as a placeholder, HSCRC is assuming FY21 undercharges put into rates at 1/1/22 will not be charged and penalties related to that will then be incurred = ~\$75M reduction in anticipated revenue
    - Staff will refine this estimate as we move toward a final update factor
- No assumptions have been made about COVID surge revenue for FY22 or COVID expense reimbursement for FY20 and FY21. Staff anticipates finalizing a position on these items in the coming months and including them in the final update factor. The exact terms of these approaches are still tbd but likely include:
  - Consideration of only incremental expenses
  - A more restrictive COVID surge policy than that instituted previously
  - That any expense and surge awards and remaining FY21 undercharge will be offset against additional CARES Phase 4 revenue and potentially previously unused CARES revenue.

# CY 2021 Test Approach

- National Approach

- Calculate average trend 2017 to 2019
- Trend 2019 forward at that rate for two years to calculate 2021 estimate
- Separately for Part A and Part B, Hospital and Non-Hospital (4 buckets)

- Compared to Maryland Approach:

- Maryland non-hospital estimated using the same approach
- Plus: Maryland hospital trended from 2020 to 2021 based on HSCRC data and proposed HSCRC all-payer update factor
  - Assumes Medicare trend = All-payer trend
  - Factors in estimated undercharge for FY21, settlement of FY20 undercharge and other Maryland-specific factors

# Alternative Guardrail Scenario

CY 2021 Predicted Guardrail			
	Maryland	US	
2020	\$11,916	\$10,618	
2021 Projected	\$13,343	\$11,889	Variance
YOY Growth	11.97%	11.97%	0.00%

CY 2021 Actual Guardrail			
	Maryland	US	
2020	\$11,888	\$10,552	
2021 Actual	\$13,089	\$11,527	Variance
YOY Growth	10.10%	9.24%	<b>0.86%</b>

## Per Capita (Over) Under Prediction

Variation in \$	Part A per Capita	Part B per Capita	Total Hospital	Part A per Capita	Part B per Capita	Total Non-Hospital
MD	<b>\$(157)</b>	\$2	\$(155)	\$37	<b>\$(105)</b>	\$(69)
US	\$(4)	<b>\$(72)</b>	\$(57)	\$(58)	<b>\$(238)</b>	\$(300)

Model overpredicted growth in both MD and US Non-Hospital Part B and US Hospital Part B, resulting in a greater overprediction in the US (see next slide). This was somewhat offset by an overprediction in hospital MD Part A.

# Part B Trend History

## Nat'l Part B Non-Hosp

	Actual Spend	YoY Trend	2020 Normalized	YoY Trend
2015	\$3,565		\$3,565	
2016	\$3,610	1.2%	\$3,610	1.2%
2017	\$3,697	2.4%	\$3,697	2.4%
2018	\$3,897	5.4%	\$3,897	5.4%
2019	\$4,130	6.0%	\$4,130	6.0%
2020	\$3,965	-4.0%	\$4,307	4.3%
2021	\$4,484	13.1%	\$4,484	4.1%

Peak trend period used in 2021 projection

## MD Part B Non-Hosp

	Actual Spend	YoY Trend	2020 Normalized	YoY Trend
2015	\$3,822		\$3,822	
2016	\$3,925	2.7%	\$3,925	2.7%
2017	\$4,092	4.2%	\$4,092	4.2%
2018	\$4,321	5.6%	\$4,321	5.6%
2019	\$4,638	7.3%	\$4,638	7.3%
2020	\$4,373	-5.7%	\$4,893	5.5%
2021	\$5,149	17.8%	\$5,149	5.2%

## National Part B Hosp

	Actual Spend	YoY Trend	2020 Normalized	YoY Trend
2015	\$1,365		\$1,365	
2016	\$1,438	5.3%	\$1,438	5.3%
2017	\$1,545	7.5%	\$1,545	7.5%
2018	\$1,664	7.7%	\$1,664	7.7%
2019	\$1,770	6.4%	\$1,770	6.4%
2020	\$1,672	-5.5%	\$1,868	5.5%
2021	\$1,965	17.5%	\$1,965	5.2%

In all 3 buckets shown 2021 prediction was based on 2017 to 2019 actuals.

- But these seem to reflect a high period of trends.
- By replacing 2020 with the average of 2019 and 2021 value normalized trends can be calculated.
- These trends seem consistent with the longer history but not as high as the 2017 to 2019 peak. This could indicate:
  - A further bounce back is imminent or
  - 2017 to 2019 was a peak that has been passed

Staff are leaning towards the latter, more conservative, explanation which drives the new test shown on the next slide.

# CY 2022 Test Approach

- National Approach
  - Scenario 1 (Same as Last Year but updated Base Year):
    - Calculate average trend 2017 to 2019
    - Trend 2021 forward at that rate to calculate 2022 estimate
    - Separately for Part A and Part B, Hospital and Non-Hospital (4 buckets)
  - Scenario 2 (Increase Number of Years Assessed to Create More Stable Statistic):
    - Calculate average trend 2015 to 2019
    - Trend 2021 forward at that rate to calculate 2022 estimate
    - Separately for Part A and Part B Hospital and Non-Hospital (4 buckets)
- Compared to Maryland Approach:
  - Maryland non-hospital estimated using the same approach for Scenarios 1 and Scenarios 2
    - HSCRC considering specifically adjusting for MDPCP fees
  - Plus: Maryland hospital trended from 2021 to 2022 based on HSCRC data and proposed HSCRC all-payer update factor
    - Assumes Medicare trend = All-payer trend
    - Factors in estimated remaining release of remaining undercharge for FY21, take back of FY23 advanced inflation funding, anticipated FY22 undercharge, and other Maryland-specific factors



# CY 22 Guardrail Scenario 1: 2017-2019 CAGR

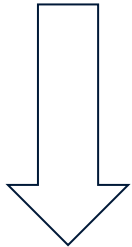
CY 2022 Predicted Guardrail			
	Maryland	US	
2021	\$13,089	\$11,527	
2022	\$13,747	\$11,986	Predicted Variance
YOY Growth	5.03%	3.98%	<b>1.05%</b>
TCOC Dissavings	\$71 Million		

# CY 22 Guardrail Scenario 2: 2015-2019 CAGR

CY 2022 Predicted Guardrail			
	Maryland	US	
2021	\$13,089	\$11,527	
2022	\$13,674	\$11,862	Predicted Variance
YOY Growth	4.47%	2.90%	<b>1.57%</b>
TCOC Dissavings	\$132 Millon		

# TCOC Savings Test Using Scenario 1 & 2

Removes Medicare portion of undercharge release in CY 2022: \$95.7M X 37% Medicare Payermix= \$35M



Does not remove undercharge released in January 2022 because staff scored anticipated RY 2022 undercharge savings

CY 2022 Predicted Guardrail (Scenario 1)	
	Maryland
2021 Savings (Run Rate)	\$301M
2022 Annual Dissavings	\$71M
2022 Savings (Run Rate)	\$230M
2022 Savings with One-Time Revenue Adjustments Removed	\$266M
CY 2022 Predicted Guardrail (Scenario 2)	
	Maryland
2021 Savings (Run Rate)	\$301M
2022 Annual Dissavings	\$132M
2022 Savings (Run Rate)	\$170M
2022 Savings with One-Time Revenue Adjustments Removed	\$205M

Target is \$267M in 2022

## Use of Medicare Savings Component

- The MPA Savings Component (MPA-SC) allows the State to achieve its savings benchmarks by reducing hospital Medicare payments in any one year
- Due to the historical all-payer nature of the Maryland Model, Staff considers this a mechanism that:
  - Should only be used in extraordinary circumstances
  - Should not be used to achieve permanent Medicare savings that results in Commercial and Medicaid updates exceeding inflation
  - Should not act as a replacement for an increased differential policy
- Given the concerns over Medicare TCOC tests in 2022, Staff is considering the application of the MPA-SC to offset Medicare increases related to the release of prior year undercharges

# Gross State Product (GSP) Review

- Staff calculated a 3 year CAGR of Maryland GSP for 2018 – 2021
- Compared it to a 3 year CAGR of Maryland Acute Hospital Charges for 2019-2022 (staff is able to project 2022 using the Update Factor)

	<b>GSP (2018-2021)</b>	<b>Maryland Hospital Charges (2019-2022)</b>	<b>Variance</b>
No Adjustments for Undercharge Released	2.22%	3.65%	1.43%
Removes July 2022 Undercharge Release	2.22%	3.47%	1.27%

- Comparing 3 years GSP to 3 year of charges provides more reliability of variance and a better projection of affordability