All Payer Hospital System Modernization
Payment Models Workgroup

Meeting Agenda

March 3, 2020
10:00 am to 12:00 pm
Health Services Cost Review Commission
Conference Room 100
4160 Patterson Avenue
Baltimore, MD 21215

I Introductions and Meeting Overview

II Balanced Update Model for RY2021

III Proposed Changes in Clinic RVUs Revenue

IV Future Topics

V Adjourn

Payment Model Work Group

March 3, 2020

HSCRC
Health Services Cost Review Commission

Important Spring Dates for Payment Model & Update Factor Season

- **March 31 Workgroup Meeting**
  - Update Factor Table with available draft inputs
  - Discussion on estimated position on Medicare Target and Guardrails
- **April 30 Workgroup Meeting**
  - Review of Draft Recommendation
- **May 13 Commission Meeting**
  - Draft Recommendation Presentation to the Commission
- **May 28 Workgroup Meeting**
  - Review of Comment Letters and Final Recommendation
- **June 10 Commission Meeting**
  - Final Recommendation Presentation to the Commission

Balanced Update Model for RY 2021			
Components of Revenue Change Linked to Hospital Cost Drivers/Performance			
			Weighted Allowance
Adjustment for Inflation (this includes 3.10% for compensation)			2.56%
- Rising Cost of Outpatient Oncology Drugs			0.21%
Gross Inflation Allowance	**A**		**2.77%**
Care Coordination/Population Health	**B**		**0.19%**
- Regional Partnership Grant			
- EMS			
Adjustment for Volume			
-Demographic /Population			0.16%
-Transfers			
-Drug Population/Utilization			
Total Adjustment for Volume	**C**		**0.16%**
Other adjustments (positive and negative)			
- Set Aside for Unknown Adjustments	D		0.29%
- Low Efficiency Outliers	E		-0.20%
- Capital Funding	F		0.04%
- Categoricals & Innovation	G		-0.05%
-Reversal of one-time adjustments for drugs	H		-0.03%
Net Other Adjustments	**I=**	**Sum of D thru H**	**0.05%**
Quality and PAU Savings			
-PAU Savings	J		-0.29%
-Reversal of prior year quality incentives	K		0.19%
-QBR, MHAC, Readmissions			
-Current Year Quality Incentives	L		0.00%
Net Quality and PAU Savings	**M =**	**Sum of J thru L**	**-0.10%**
Total Update First Half of Rate Year 21			
Net increase attributable to hospitals	**N =**	Sum of A + B + C + I + M	**3.07%**
Per Capita First Half of Rate Year (July - December)	**O =**	(1+N)/(1+0.16%)	**2.91%**
Adjustments in Second Half of Rate Year 21			
-Oncology Drug Adjustment	P		0.00%
-QBR	Q		0.00%
Total Adjustments in Second Half of Rate Year 21	**R =**	P + Q	**0.00%**
Total Update Full Fiscal Year 21			
Net increase attributable to hospital for Rate Year	**S =**	N + R	**3.07%**
Per Capita Fiscal Year	**T =**	(1+S)/(1+0.16%)	**2.91%**
Components of Revenue Offsets with Neutral Impact on Hospital Finanical Statements			
-Uncompensated care, net of differential	U		0.02%
-Deficit Assessment	V		-0.09%
Net decreases	**W =**	U + V	**-0.07%**
Total Update First Half of Rate Year 21			
Revenue growth, net of offsets	**X =**	N + W	**3.00%**
Per Capita Revenue Growth First Half of Rate Year	**Y =**	(1+X)/(1+0.16%)	**2.84%**
Total Update Full Rate Year 21			
Revenue growth, net of offsets	**Z =**	S + W	**3.00%**
Per Capita Fiscal Year	**AA =**	(1+Z)/(1+0.16%)	**2.70%**

MARYLAND

Estimated Position on Medicare Target		
Actual Revenue CY 2019		18,280,855,954
Step 1:		
Estimated Approved GBR RY 2020		18,385,224,655
Actual Revenue 7/1/19-12/31/19		9,213,257,269
Projected Revenue 1/1/20-6/30/20	**A**	**9,171,967,386**
Step 2:		
Estimated Approved GBR RY 2021		18,937,632,367
Permanent Update		3.00%
Step 3:		
Estimated Revenue 7/1/20-12/31/20(after 49.73% & seasonality)		9,417,684,576
Reversal of AdHoc One-Times*		(1,000,000)
Estimated Undercharge Percentage**		(23,544,211)
	B	**9,393,140,365**
Step 4:		
Estimated Revenue CY 2020	**A+B**	**18,565,107,751**
Increase over CY 2019 Revenue		1.55%

*Hopkins Payback, , CarT & Spinraza

**0.25% estimated undercharge to mid-year target

Proposed Changes in Clinic RVUs Revenue and Rate Realignment

February 2020

Overview

- HSCRC staff identified Emergency Room and Clinic billing as two areas that needed RVU updates and standardization
  - ER RVUs were updated in 2019
- HSCRC staff plans to update Clinic RVUs and billing over several years, starting with three steps in 2020, including:
  - Eliminating the hold on clinic rate realignment
  - Aligning the office visit evaluation and management clinic RVUs with national policy levels
  - Removing $60 to $70 million in revenues from the clinic revenue center to reduce the effect of overhead allocations to the clinics
- The proposed changes will result in more reasonable clinic office visit fees, addressing concerns of patients, while having minimal impact of the distribution of charges across payers
- HSCRC staff will need to work with hospital staff to implement the initial changes by July 1, 2020

Background

- The current level of revenues in the clinic rate center is ~ $700 million statewide.
- There are three major categories of clinic care. Including other ancillary services, the clinic service line charges total $968 million.

Clinic Service Line Revenues and Visits
Year Ended June 30, 2018

	Revenues (millions)	Visits	Charge per Visit
General clinics	$324	1,093,000	$296
Psychiatric services	$124	239,000	$519
Oncology services	$520	367,000	$1,417
	$968	1,699,000	$570

Source: Case-mix data, HSCRC trends report
Note: Clinic visits include some ancillary services, drug charges are excluded from oncology services

Problems to Address

- There are increasing complaints about clinic charges, especially for the general clinics.
  - Complaints are primarily focused on higher level visit codes (99213, 99214, and 99215)
  - HSCRC staff has determined that the RVUs for these codes are out of line with national RVUs
- The clinic revenue center has not been realigned for a number of years. The hold on realignment was implemented to prevent increasing allocations of overhead to clinic services.
  - Overall, HSCRC staff have determined that the hold is not keeping revenues down state-wide
  - Several hospitals have excess cost captured in clinic rates, which is adding to the complaints about clinic charges
- The nature of clinic visits has begun to change to focus on chronic conditions and care coordination, as well as specialized and behavioral health, preserving funding for these approaches is important.

HSCRC will Focus 2020 Clinic Changes to Address Patients' Concerns

- Patients/payers get two bills for most primary and specialty clinics (general clinics), one for hospital staff/expenses and another for the physician's professional fee, as required under Medicare rules.
  - An increasing number of patients have high deductibles and co-insurance and have to pay both bills out-of-pocket
  - About one-fourth of Medicare patients do not have supplemental insurance and have to pay 20% of outpatient bills out of pocket
  - HSCRC staff is focusing on addressing concerns for the general clinic in 2020, where
- HSCRC staff do not receive as many patient complaints regarding other clinics, although staff has identified additional issues to address for these clinics after 2020
  - Cancer infusions and psychiatric visits generally do not result in two bills

Proposed RVU Changes

- RVUs will be reduced on higher level visit CPT codes, to align the increases over level I with the increasing levels observed in Medicare's global physician RVUs.

Impact of Proposed RVU Changes

Visit Code	2018 Visits	Current RVUs	Proposed RVUs	2018 Charges	Modeled Charges	2018 Charge Per Visit	Modeled Charge Per Visit
99201	55,508	2	2	$6,372,178	$7,114,915	$110	$120
99202	27,671	4	3	$5,857,675	$4,045,403	$204	$148
99203	16,033	7	4	$6,291,474	$3,099,996	$368	$212
99204	12,668	15	5	$10,389,654	$3,398,566	$783	$269
99205	912	18	6	$900,014	$294,013	$955	$327
99211	757,218	2	2	$78,530,793	$87,674,162	$103	$101
99212	184,079	4	3	$40,813,087	$29,776,708	$204	$155
99213	113,550	7	4	$39,839,740	$22,525,035	$347	$203
99214	48,071	15	5	$33,932,441	$11,035,914	$727	$250
99215	4,162	18	6	$3,329,635	$1,177,296	$852	$286
G0463	62,449	4	3	$13,593,903	$7,933,421	$204	$157
Total	1,282,321	4	3	$239,850,594	$178,075,428	$187	$139

More appropriate charge levels (holding average charges per RVU constant)

Staff Determined that a Reduction in Clinic Revenues Commensurate with the RVU Reduction was Needed

- Staff modeled the impact of reducing general clinic RVUs but not removing revenues from the clinic center
- This shifts revenues to psychiatric clinics and oncology services. Rates would increase by 13% if revenue were not removed
- Therefore staff believe a charge reduction and reallocation was also needed (reduced charges would be reallocated to other centers).

Impact of Clinic RVU Reduction, without and with Charge Reduction

	2018 Charges (Millions)	Model Charges (Millions)	2018 RVUs	Modeled RVUs	Current Rates per RVU	With RVU Reduction	% Change	With Charge Reduction	% Change
Oncology and psych clinics	$433	$442	10,580,040	10,580,040	$41	$46	13%	$42	2%
General clinics	$238	$163	4,779,174	3,278,742	$50	$55	11%	$50	0%
Total	$671	$605	15,359,214	13,858,782	$44	$48	11%	$44	0%

Proposed Changes Have Minimal Payer Impact

- Staff modeled the impact of changing RVUs, realigning rates, and removing/reallocating revenues based on unit reductions by payer.
- Staff also modeled the impact of co-insurance differences on Medicare payment
- There are hospital-specific differences due to rate realignment changes

Modeled Impact by Payer After Rate Realignment

Payer	Change Before Coinsurance	Change After Coinsurance
Charity/Self Pay	-$1,493,479	-$2,513,741
Commercial/Other	$3,788,090	$727,303
Medicaid	-$1,135,739	-$1,135,739
Medicare FFS	-$1,241,314	$2,839,734
Medicare MA	$82,442	$82,442
Total	$0	$0

Overhead Justification

- Staff believes plant related costs for clinics are over-allocated. The cost per square foot for office construction is lower than general hospital construction, but the cost allocation to clinics is the same as inpatient and other hospital services.
- Staff calculated that if these overhead expenses were reduced it would justify a clinic revenue reduction in the range proposed.
- Staff plans to address overhead allocations, but prioritized several other areas of policy development in 2019 and 2020, such as efficiency methodology updates, total cost of care benchmarking, and innovation policy updates.
- Prior to any revision to overhead allocation the revenue reduction will be implemented via rate realignment.

Hospital Responsibilities

- By July 1
  - Change RVUs for targeted codes on E&M
    - HSCRC to provide template
  - Update clinic rates following rate realignment
    - Hospital will need to do preliminary analysis. HSCRC will provide its hospital level modeling

Next Steps and Timeline

- Provide additional details to hospitals
- Update modeling to 2021 rate year
- Brief Commissioners on proposed change (Feb)
- Draft policy change and proposed changes to HSCRC manual (March)
- Effective date—July 1, 2020

- FY 2021
  - Additional clinic RVU changes
  - Overhead allocation studies