



**All Payer Hospital System Modernization  
Payment Models Workgroup**

**Meeting Agenda**

**May 25, 2017**

**9:30 am to 11:00 am**

**Health Services Cost Review Commission**

**Conference Room 100**

**4160 Patterson Avenue**

**Baltimore, MD 21215**

- I            Introductions and Meeting Overview
- II            FY 2018 Update Factor Discussion
- III            Adjourn

**ALL MEETING MATERIALS ARE AVAILABLE AT THE MARYLAND ALL-PAYER HOSPITAL  
SYSTEM MODERNIZATION TAB AT [HSCRC.MARYLAND.GOV](http://HSCRC.MARYLAND.GOV)**

## Balanced Update Model for Discussion

### Components of Revenue Change Linked to Hospital Cost Drivers/Performance

		Weighted Allowance
Adjustment for Inflation		2.40%
- Total Drug Cost Inflation for All Hospitals*		0.28%
Gross Inflation Allowance	A	2.68%
Care Coordination		
-Rising Risk With Community Based Providers		
-Complex Patients With Regional Partnerships & Community Partners		
-Long Term Care & Post Acute		
	B	
Adjustment for volume	C	0.56%
-Demographic Adjustment (0.36%)		
-Transfers		
-Categoricals		
- Drug Population/Utilization (.2%**)		
Other adjustments (positive and negative)		
- Set Aside for Unknown Adjustments	D	0.40%
- Medicare Performance Adjustment (Future Use)	E	0.00%
Net Other Adjustments	F = Sum of D thru E	0.40%
- Reversal of one-time adjustments for drugs	G	-0.10%
-Reverse prior year's PAU savings reduction	H	1.25%
-PAU Savings	I	-1.45%
-Reversal of prior year quality incentives	J	-0.12%
-QBR, MHAC, Readmissions		
-Positive incentives & Negative scaling adjustments	K	0.30%
Net Quality and PAU Savings	L = Sum of G thru K	-0.12%
Net increase attributable to hospitals	M = Sum of A + B + C + F + L	3.52%
Per Capita	N = (1+M)/(1+0.36%)	3.15%

### Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements

-Uncompensated care reduction, net of differential	O	-0.18%
-Deficit Assessment	P	0.00%
Net decreases	Q = O + P	-0.18%
Revenue growth, net of offsets	R = M + Q	3.34%
Per capita revenue growth	S = (1+R)/(1+0.36%)	2.97%

\* Provided Based on proportion of drug cost to total cost (drug index 5.2% X 5.4% national weight)

\*\*Prospective adjustment 0.10 percent for new outpatient infusion and chemotherapy drugs (50% of estimated input in rates the beginning of FY)  
The second 0.10 percent will be earmarked for new outpatient infusion and chemotherapy drugs (50% of actual input in rates mid-year)

**Proposed Update & Compliance with the All-Payer Gross Revenue Test**

	<b>A</b> Actual Jan- June 2014	<b>B</b> Actual FY 2015	<b>C</b> Actual FY 2016	<b>D</b> Staff Est. FY 2017	<b>E</b> Proposed FY 2018	<b>F = (1+A)*(1+B)*(1+C)*(1+D)*(1+E)</b> Cumulative Through FY 2018
<b>Maximum Gross Revenue Growth Allowance</b>	<b>2.13%</b>	<b>4.21%</b>	<b>4.06%</b>	<b>3.95%</b>	<b>3.95%</b>	<b>19.68%</b>
Revenue Growth for Period	0.90%	2.51%	2.47%	2.23%	3.34%	11.97%
Savings from UCC & Assessment Declines that do not Adversely Impact Hospital Bottom Line		1.09%	1.40%	0.69%	0.18%	3.40%
Revenue Growth with UCC & Assessment Savings Remo	0.90%	3.60%	3.87%	2.92%	3.52%	<b>15.69%</b>
Revenue Difference from Growth Limit						<b>3.99%</b>

**Table 6A. Scenario 1 Maximum All-Payer Increase that will still produce the Desired FY 2018 Medicare Savings**

<b><u>Maximum Increase that Can Produce Medicare Savings</u></b>		
<b><u>Medicare</u></b>		
Medicare Growth (CY 2017 1.6%+ CY 2018 4.2%)/2	A	2.90%
Savings Goal for FY 2018	B	-0.50%
Maximum growth rate that will achieve savings (A+B)	C	<u>2.40%</u>
<b><u>Conversion to All-Payer</u></b>		
Actual statistic between Medicare and All-Payer	D	1.36%
Conversion to All-Payer growth per resident $(1+C)*(1+D)-1$	E	<b>3.79%</b>
Conversion to total All-Payer revenue growth $(1+E)*(1+0.36%)-1$	F	<b>4.17%</b>

**Table 6B. Scenario 2 Maximum All-Payer Increase that will still produce the Desired FY 2018 Medicare Savings**

<b><u>Maximum Increase that Can Produce Medicare Savings</u></b>		
<b><u>Medicare</u></b>		
Medic Medicare Growth (CY 2017 1.6%+ CY 2018 4.2%)/2	A	2.90%
Savings Goal for FY 2018	B	-0.50%
Maximum Growth Rate that will Achieve Savings (A+B)	C	<u>2.40%</u>
<b><u>Conversion to All-Payer</u></b>		
Actual Statistic between Medicare and All-Payer (CAGR)	D	1.50%
Conversion to All-Payer Growth per Resident $(1+C)*(1+D)-1$	E	<b>3.94%</b>
Conversion to Total All-Payer Revenue Growth $(1+E)*(1+0.36%)-1$	F	<b>4.31%</b>

## Estimated Revenue CY 2017 and FY 2018

Using 7/1/16-12/31/16 Undercharge of \$79,735,505 (1.0%)

	No Undercharge Adjustment Added Back	With Undercharge Adjustment Added Back	
<u>Actual Revenue 1/1/16-12/31/16</u>	16,334,425,107	16,414,160,613	79,735,505
Allowed Increase ((1.0358*1.0036)-1)	<b>3.95%</b>	<b>3.95%</b>	<b>3.95%</b>
Maximum Revenue Allowed CY17	16,979,634,899	17,062,519,957	
Approved GBR FY 2017	16,740,527,157	16,740,527,157	
Actual Revenue 7/1/16-12/31/16	8,105,430,358	8,185,165,864	79,735,505
<b>Projected Revenue 1/1/17-6/30/17</b>	<b><u>8,635,096,799</u></b>	<b><u>8,555,361,293</u></b>	<b>A</b>
<u>Estimated Approved GBR FY 2018</u>			
Approved GBR FY 2017 (includes full Bon Secour GBR)	10,230,544	16,750,757,701	
Remove Current One time Adjustments		(697,779,679)	
Apply Inflation. PAU Savings, & Mark up (2.68%, -0.20% & -0.18%)		367,554,106	
Apply Demographic and Other Volume (0.47%)		76,690,158	
Add Jobs program and Oncology Drug Increase		21,439,445	
Estimated Approved GBR Permanent Revenue		16,518,661,731	
Approved GBR Permanent Increase Over FY2017		<b>2.90%</b>	
Add: New One Time Adjustments		645,105,114	
Total Estimated GBR Revenue FY 2018		17,163,766,845	
Change to Approved GBR FY 2017 (includes full Bon Secour GBR)		<b>2.53%</b>	
<u>Why are New One Time Adjustments Lower</u>			
Reverse Advance & Prior Overcharge Adjustment		(29,000,000)	
Adjust FY2018 Portion of Advance Payback		(35,000,000)	
Total Estimated GBR Revenue FY 2018 if Adjustments NOT Made		17,227,766,845	
		<b>2.85%</b>	
<u>Estimated Revenue 7/1/17-12/31/17</u>			
Midyear Target After Seasonality Adjustment and Hopkins Payback		8,495,687,451	
<b>Estimated Revenue 7/1/17-12/31/17</b>		<b>8,495,687,451</b>	<b>B</b>
Estimated Revenue 1/1/17-12/31/17		<b>17,051,048,744</b>	<b>A+B</b>
<b>Increase Over CY 16 Revenue</b>		<b>3.88%</b>	
Amount Over (Under) Maximum Revenue Allowed for CY 2017		<b>(11,471,213)</b>	<b>-0.07%</b>
<u>Approved Revenue 7/1/17-6/30/18</u>			
Additional Increase provided		<b>0.20%</b>	<b>3.05%</b>
<b>Estimated Revenue 7/1/17-12/31/17</b>		<b>8,512,678,826</b>	<b>C</b>
Estimated Revenue 1/1/17-12/31/17		<b>17,068,040,119</b>	<b>A+C</b>
<b>Increase Over CY 16 Revenue</b>		<b>3.98%</b>	
Amount Over (Under) Maximum Revenue Allowed for CY 2017		<b>5,520,162</b>	<b>0.03%</b>