



Payment Models Workgroup Meeting

May 30, 2019



Agenda

1. Introductions and Meeting Overview
2. Feedback of Draft Recommendation and Review of Final Recommendation
3. Adjourn

Balanced Update Model for RY 2020

Components of Revenue Change Linked to Hospital Cost Drivers/Performance

		Weighted Allowance
Adjustment for Inflation (this includes 3.10% for compensation)		2.77%
- Rising Cost of Outpatient Oncology Drugs		0.19%
Gross Inflation Allowance	A	2.96%
Care Coordination/Population Health	B	0.00%
Adjustment for Volume		
-Demographic /Population		0.30%
-Transfers		
-Drug Population/Utilization		
Total Adjustment for Volume	C	0.30%
Other adjustments (positive and negative)		
- Set Aside for Unknown Adjustments	D	0.10%
- Low Efficiency Outliers	E	-0.04%
- Capital Funding -Adventist White Oak Medical Center	F	0.09%
- Categoricals & Innovation (1%)	G	0.23%
-Reversal of one-time adjustments for drugs	H	-0.03%
Net Other Adjustments	I = Sum of D thru H	0.34%
Quality and PAU Savings		
-PAU Savings	J	-0.30%
-Reversal of prior year quality incentives	K	0.53%
-QBR, MHAC, Readmissions		
-Positive incentives & Negative scaling adjustments	L	0.18%
Net Quality and PAU Savings	M = Sum of J thru L	0.41%
Total Update First Half of Rate Year 20		
Net increase attributable to hospitals	N = Sum of A + B + C + I + M	4.02%
Per Capita First Half of Rate Year (July - December)	O = (1+N)/(1+0.30%)	3.71%
Adjustments in Second Half of Rate Year 20		
-Oncology Drug Adjustment	P	0.00%
-QBR	Q	-0.37%
Total Adjustments in Second Half of Rate Year 20	R = P + Q	-0.37%
Total Update Full Fiscal Year 20		
Net increase attributable to hospital for Rate Year	S = N + R	3.64%
Per Capita Fiscal Year	T = (1+S)/(1+0.30%)	3.33%
Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements		
-Uncompensated care, net of differential	U	0.10%
-Deficit Assessment	V	-0.16%
Net decreases	W = U + V	-0.06%
Total Update First Half of Rate Year 20		
Revenue growth, net of offsets	X = N + W	3.96%
Per Capita Revenue Growth First Half of Rate Year	Y = (1+X)/(1+0.30%)	3.65%
Total Update Full Rate Year 20		
Revenue growth, net of offsets	Z = S + W	3.59%
Per Capita Fiscal Year	AA = (1+Z)/(1+0.30%)	3.28%
Private Payer Growth Rate, based on Total Update for Full Rate Year		4.79%
Public Payers Growth Rate		3.09%

Estimated CY All-Payer Revenue Growth

Estimated Position on Medicare Target		
Actual Revenue CY 2018		17,341,823,084
Step 1:		
Estimated Approved GBR RY 2019		17,494,637,515
Actual Revenue 7/1/18-12/31/18		8,596,133,432
Projected Revenue 1/1/19-6/30/19	A	8,898,504,082
Step 2:		
Estimated Approved GBR RY 2020		18,187,268,870
Permanent Update		3.96%
Step 3:		
Estimated Revenue 7/1/19-12/31/19 (after 49.73% & seasonality)		9,044,528,809
Reversal of AdHoc One-Times*		(1,000,000)
Estimated Undercharge Percentage**		(22,611,322)
	B	9,020,917,487
Step 4:		
Estimated Revenue CY 2019	A+B	17,919,421,569
Increase over CY 2018 Revenue		3.33%

*Hopkins Payback, Shady Grove GBR Adj, CarT & Spinraza

**0.25% estimated undercharge to mid-year target



Estimated Medicare Savings using CY19 Growth

Maximum Increase that Can Produce Medicare Savings			
Medicare			
Medicare TCOC Growth (CY 2018 3.5%)	A	3.50%	
Savings Goal for FY 2020	B	0.00%	
Maximum growth rate that will achieve savings (A+B)	C	3.50%	
Conversion to All-Payer			
Actual statistic between Medicare and All-Payer <i>with conservatism</i>		0.83%	Recommendation: Savings:
Excess Growth for Non-Hospital Cost Relative to the Nation <i>with conservatism</i>		-1.18%	
Net Difference Statistic Related to Total Cost of Care	D	-0.35%	
Conversion to All-Payer growth per resident $(1+C)*(1+D)-1$	E	3.14%	3.02% 0.12%
Conversion to total All-Payer revenue growth $(1+E)*(1+0.30\%)-1$	F	3.45%	3.33% 0.12%

Estimated Medicare Savings for Second Half of RY20

Maximum Increase that Can Produce Medicare Savings

Medicare

Medicare TCOC Growth (CY 2018 3.5%)	A	3.50%
Savings Goal for RY 2020	B	0.00%
Maximum growth rate that will achieve savings (A+B)	C	3.50%

Conversion to All-Payer

Actual statistic between Medicare and All-Payer <i>with conservatism</i>		0.83%	Recommendation:	Savings:
Excess Growth for Non-Hospital Cost Relative to the Nation <i>with conservatism</i>		-1.18%		
Net Difference Statistic Related to Total Cost of Care	D	-0.35%		
Conversion to All-Payer growth per resident (1+C)*(1+D)-1	E	3.14%	2.31%	0.82%
Conversion to total All-Payer revenue growth (1+E)*(1+0.30%)-1	F	3.45%	2.62%	0.83%

Estimated Increase that Maintains Affordability

Maximum Increase that Maintains Affordability

State Gross Domestic Product per Capita (3 year CAGR 3.42%)

Savings Goal for FY 2020

Maximum growth rate that will achieve savings (A+B)

Conversion to total All-Payer revenue growth $(1+C)*(1+0.30\%)-1$

		Recommendation:	Savings:
A	3.42%		
B	0.00%		
C	3.42%	3.02%	0.40%
D	3.73%	3.33%	0.40%



RY 2020 Update Factor Recommendations

▶ Global Budget Revenues

- ▶ 3.59% for Revenue/3.28% per Capita
 - ▶ Allocate 0.19% of total base inflation allowance to high cost outpatient oncology and infused drugs.
 - ▶ Provide additional allowance to the two major Academic Medical Centers of one percent growth for high cost inpatient procedures.
 - ▶ Reduce Global Budgets by 0.30% statewide for Potentially Avoidable Utilization.

▶ Non-Global Revenues

- ▶ 2.46% (2.96%-0.50% productivity adjustment)

Stakeholder Comment Letters Received

- ▶ Maryland Hospital Association
- ▶ Anne Arundel Medical Center
- ▶ CareFirst BlueCross BlueShield
- ▶ Johns Hopkins Health System
- ▶ MedStar Health System
- ▶ University of Maryland Medical Systems