Introduction to Version 1 of the Proposed County Peer Groups for Medicare Fee-For-Service Benchmarking

March 19, 2019

HSCRC
Health Services Cost Review Commission

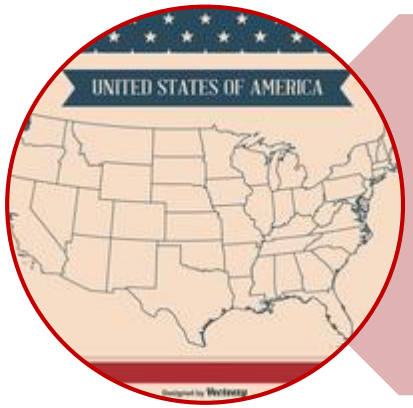
Introduction

- In this PPT:
  - Overview of Benchmarking Goals
  - Overview of Peer County Selection Approach
  - Next Steps
  - Supplemental Graphics on Selected Peer Counties

- In attached Excel
  - List of Version 1 Identified Peer Counties
  - Summary Demographics for Peer Counties and Comparison to Maryland Geographies

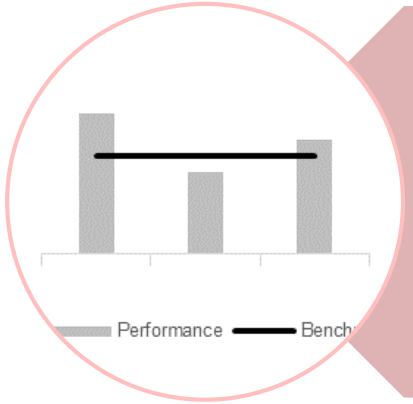
Benchmarking Goals

Overall Policy Needs



Build an understanding of national per capita trends and achievements

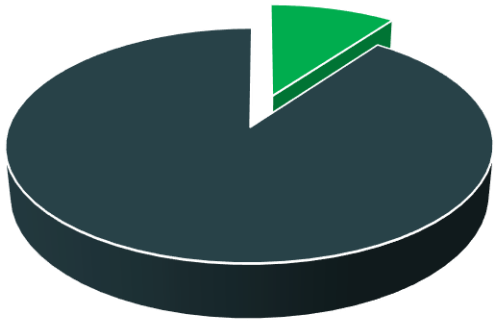
- Obligations under the TCOC Model
- Setting statewide goals and targets



Establish comparison points for setting targets and evaluating hospitals' performance under an attainment approach

The Broad Goal of Benchmarking

Allow comparison of Maryland performance to national performance while recognizing differences that drive legitimate variation.



Maryland regional differences account for ~10% of variation versus national MC FFS average

Because Maryland has a significant concentration in high cost urban areas, Maryland's costs relative to national averages look significantly higher when geographies are not matched.

Likely Policy Applications

- Medicare Performance Adjustment (MPA) –support an attainment approach and trend factor targets
- Inter-hospital Cost Comparison (ICC) – include total cost of care per capita performance in evaluation
- Quality Benchmarking – support a per capita attainment approach with national/comparison benchmarks
- Others to be determined

Multi-Payer Benchmarking

- Initial focus where data is most available:
  - Medicare Fee-for-service (MC FFS)-
    - Includes patients covered by the traditional Medicare program, not including those covered under a Medicare Advantage program
    - Version 1 introduced in these materials
  - Private Payer-
    - For this project private payer includes commercial group and individual markets but not Medicare Advantage or Medicaid MCOs.
    - Share analysis outcomes in Summer 2019
- Look to expand in the future

Medicare FFS Peer County Selection Approach

Medicare FFS Evaluation Unit: County

- **Focus for this effort is member/beneficiary geography:**
  - Geographies align best with per capita measures.
  - Selection of comparison group relies on measures that are available on a geographic basis.
  - Different site of service mixes makes it important to consider total cost of care, not just hospital per capita costs.
  - Since most HSCRC methodologies are hospital based will need to determine a weighting approach to blend per capita results into each methodology.
- **For this phase we are generating peer groups at the county level.** See discussion in next steps of efforts to provide additional specificity.

Characteristics Used to Select Peer Counties

- Focused initially on evaluating a wide variety of factors such as demographic, health status, economic and healthcare system (e.g. academic presences)

- Approach to Final Version 1 Counties:
  - *Step 1*: Narrow potential peer counties to counties with a similar level of urbanization
  - *Step 2*: Calculate potential peer county "similarity" to Maryland counties across 4 demographic characteristics selected from the original list
  - *Step 3*: Identify Peer Counties for each Maryland county

- Further detail on each step follows

Step 1: Narrow Counties based on Urbanization

- Only counties with same Rural-Urban Continuum Code as the Maryland county were considered as peer counties.
- Rural-Urban Continuum codes* range from 1 (most urbanized) to 9 (least urbanized)
  - Based on the population, degree of urbanization and adjacency to a metro area
- Due wide range of population and density within Urban/Rural Indicator Level 1, this level was further divided based on population size and density (See attached excel file)

* Rural-Urban Continuum codes are assigned to each US county by the US Department of Agriculture.

Step 2: Measure Differences and Identify Peer Counties

- After narrowing possible comparison counties in Step 1 the "similarity" between each Maryland county and each comparable county was calculated across 4 metrics

Demographic	*Economic*
Median Income Source: American Community Survey (ACS)	**Regional Price Parities (RPP)*** Measure of price levels across US Source: Bureau of Economic Analysis
Socio-economic Status (SES)	*Disease Burden*
Deep Poverty Percent of individuals below 50% of poverty line Source: ACS	**Hierarchical Condition Category (HCC)** Measure of healthcare cost risk in a population Source: CMS

- Peer counties are those with the most "similarity" across all 4 measures. The measures are weighted equally in calculating the similarity.

*As RPP is calculated at a metro-area level values for counties in the same metro area are the same.

Step 3: Identify Peer Counties

- Different numbers of peers were used to balance across county size

- For the 5 large urban counties (Anne Arundel, Baltimore, Baltimore City, Montgomery , Prince Georges) the peer group was defined to include the 20 most "similar" peer counties.
  - The limited number of potential comparable counties for larger counties (only 78 counties are in the largest urban cohort to which all these counties belong).

- For all other counties the closest 50 peer counties were selected.
  - The instability in the demographic and healthcare cost data of the smaller counties.

Next Steps

Next Steps

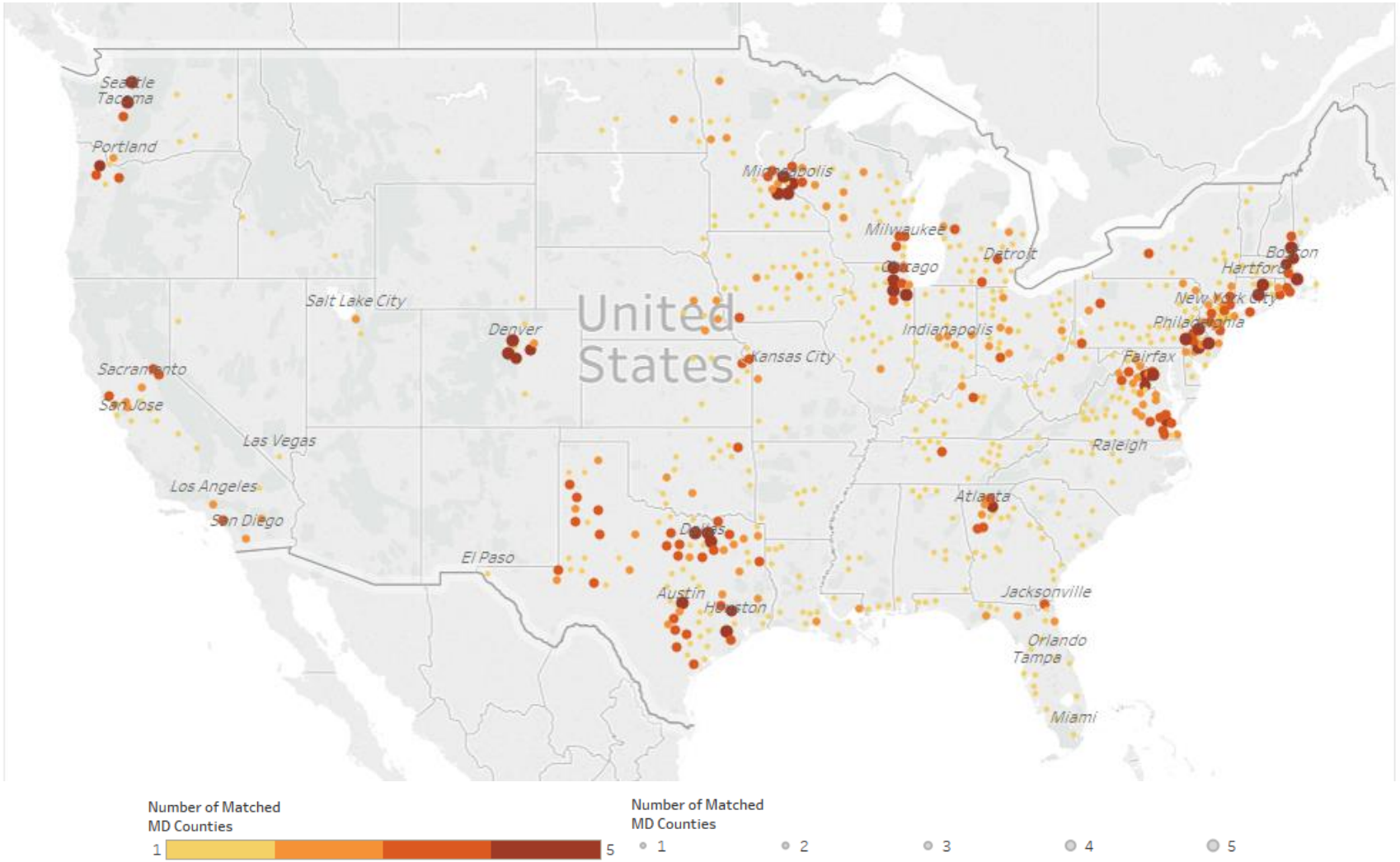
- By Mid-April: Gather feedback on methodology and selected counties
- Mid-April: Release HCC-Adjusted Medicare FFS Cost Comparison between Maryland Counties and identified Peers
- April-May: Release approach to match specific hospitals with county level data (See next slide).
- Summer 2019: Complete similar process for Private payer spending

Options for Mapping Hospitals to County level benchmarks

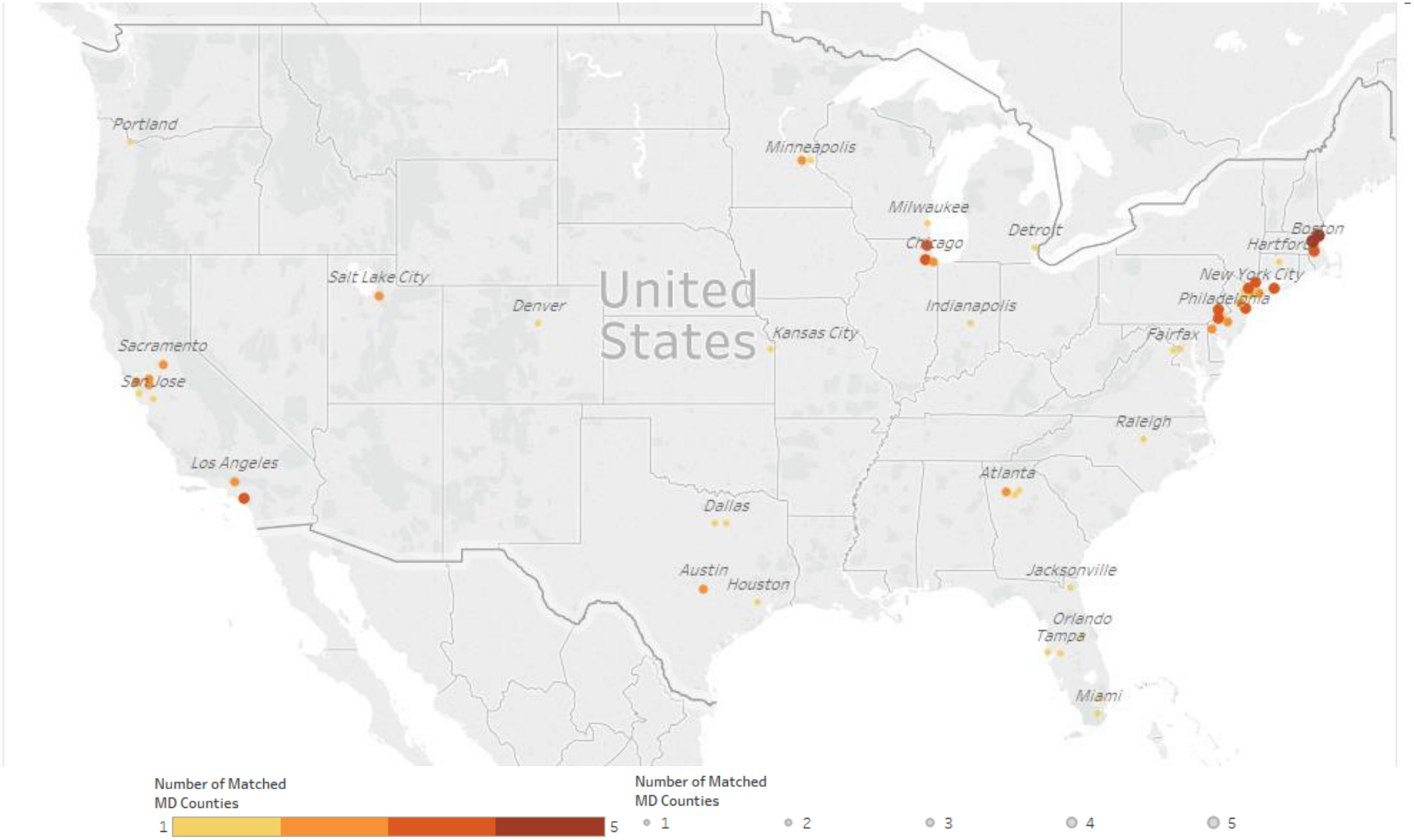
- HSCRC is considering approaches to best match hospitals with county level benchmarks, including:
  - Assigning MPA based county mixes to each hospital to allow for the creation of a more specific benchmark
  - Evaluating the use of MPA attributed beneficiaries to build a hospital specific demographic profile
  - Analyzing the relationship between the individual metrics used in selecting comparable counties and healthcare costs to allow for more refined adjustment of cost benchmarks.

Reference Maps

Distribution of Peer Counties for All Maryland Counties



Distribution of Peer Counties for 5 Largest MD Counties*



* Anne Arundel County, Baltimore City, Baltimore County, Montgomery County and Prince George's County.